Introduction to "Family Business in Transition Economies"

Léo-Paul Dana and Veland Ramadani

The book—*Family Businesses in Transition Economies*—provides a comprehensive state-of-the-art picture of family businesses that operate in transitional economies; besides a theoretical background, it provides a mixture of empirical evidence that is very likely to offer a brighter view of this field from the perspective of transition countries. The book is a result of long lasting effort and it includes contributions of motivated scholars and experts from different transitional countries and beyond, specially written for the purpose of this book. The volume consists of 16 chapters that are organized into three sections: (1) introductory issues; (2) management, succession and financial issues; and (3) internationalisation and other issues. This introduction gives a brief overview.

The second chapter discusses the "Context and Uniqueness of Family Businesses". Family businesses represent the majority of companies and are an important source of jobs in most countries. Longevity is very important for the family businesses and for economies as a whole. Succession is one of the most difficult decisions for the family business, and one of the most important. When business leadership transitions are not well structured they may cause expensive legal issues leading to the sale or eventual loss of the business. This chapter presents a review of some general, but very important issues, related to family businesses. The purpose of this chapter is not to provide a new model or theory in this field, but just as an introduction to the topics that will be addressed in subsequent chapters of this book. This chapter is contributed by Veland Ramadani and Frank Hoy.

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The third chapter discusses the "Context and Uniqueness of Transition Economies". Transition to a market economy involves profound economic changes, and sometimes—but not necessarily—political change as well. In Europe, economic transition was coupled with political transformation, the resulting context being unprecedented and remaining unique. Central to transition are the cultural assumptions of a social system. Rapid regulatory reform does necessarily lead to rapid or easy transition unless mindset adapts simultaneously. This chapter is contributed by Léo-Paul Dana and Veland Ramadani.

Chapter "Different Features of Transition Economies: Institutions Matter" is written by Jelena Trivić and Saša Petković. Authors noted that main aspects of transition process are liberalization, macroeconomic stabilization, privatization and legal and institutional reforms. Their definition of institutions assumes Douglass North's concept of institutions, which defines institutions as the rules or regulations (humanly devised constraints) that structure political, economic and social interaction while institutional environment comprises institutions (formal and informal ones) and an enforcement mechanism. The subject of this chapter is the analysis of quality of institutions and institutional environment in five Western Balkan countries and their implications on overall standard of living and competitiveness of these countries. In order to measure the quality of institutions, authors used World Governance Indicators. Their results indicate that Western Balkan countries lag significantly behind Central European countries in terms of institutional quality. The widening gap between the standard of living in Western Balkan countries and Central European countries in last 10 years indicates that the crucial problem in Western Balkan countries is the speed of reforms.

Jaka Vadnjal and Predrag Ljubotina contributed the chapter "To Be or Not to Be in a Family Business: The Case of Eight Countries in South-Eastern European Region". In this chapter is addressed the issue of an individual's perception of entrepreneurship and the related factors that influence individual's decision on whether to build a career as an employee, a successor of family business or as an independent entrepreneur, where expectations of student's with family business background were investigated. Some Western and some South-Eastern European were separately analysed population for the purpose of comparative study. The authors' results show important differences between investigated populations. They note that it has been anticipated that differences are caused by historical, cultural and educational backgrounds.

Desislava Yordanova, Zhelyu Vladimirov and Ralitsa Simeonova-Ganeva, authors of the chapter "Management Practices in Bulgarian Family and Non-Family SMEs: Exploring "Real" Differences", investigate the differences in management practices between Bulgarian family and non-family businesses. To detect real rather than sample differences they apply multivariate statistical techniques. The chapter ends with discussion of the empirical findings where authors note that analysis demonstrate that after controlling the size and industry, the investigated family and non-family businesses do not differ significantly with regard to the possession of short or medium-term business plan, adoption of a marketing strategy, exporting, provision and investment in personnel training, introduction of product innovations, registration of trademarks and patents, usage of automatic management information systems, and adoption of quality and safety standards.

The Chapter "Obstacles and Opportunities for Development of Family Businesses: Experiences from Moldova" describes the difficulties of family businesses that are related to the access to different types of resources and other restrictive factors from the external environment. The authors, Elena Aculai, Natalia Vinogradova and Valentina Veverita, observe also the opportunities of the family businesses, arising through cooperation of the efforts and resources of family members, which allows increasing the assets of family businesses and partly compensating the shortcomings of the activity of business support institutes.

The Chapter "Successors' Innovativeness as a Crucial Succession Challenge of Family Businesses in Transition Economies: The Case of Slovenia", a contribution from Marina Letonja and Mojca Duh, aims to broaden our understanding of factors affecting innovativeness of successors in family businesses in transition economies. Reviewing the literature, authors have identified three main constructs as having substantial impact on successors' innovativeness and those are: entrepreneurialism, knowledge transfer and creation, and social capital. They applied a multiple-case study approach and the main research findings of ten cases of Slovenian family businesses are discussed. Authors also developed six propositions that provide a basis for further empirical testing of factor influencing successors' innovativeness and innovation ability of family businesses in transition economies.

In the chapter "Family Business Succession Risks: The Croatian Context", authors Iva Senegović, Valerija Bublić and Gordana Ćorić highlight that family business entrepreneur mainly carries out two types of functions: ownership function and management functions, which bear markedly recognized risks associated with their performance. During the transfer of ownership and leadership in the family businesses, the crucial entrepreneurial and managerial risk is by its nature non-transferable and internally conditioned. Being inevitable in such a situation, additionally burdened with growth, sustainability and innovation imperatives, the risk requires an expert analytical and critical approach by use of all available research methods and techniques for its best estimate. According to the authors, the biggest entrepreneurial and managerial risk lies in the resistance to changes or, in this case, the postponement of ownership and leadership transfer decision-making. Such an approach will only increase the problems unique to family businesses such as the problem of the successor legitimacy and authenticity, rigidity, non-transparent communication related to the transfer planning, etc. On the other hand, a well-led transfer with adequate approach to the associated risks can result in the company transformation into a growing or dynamic venture.

The purpose of the chapter "The Succession Issues in Family Firms: Insights from Macedonia" is to share findings related to succession of family businesses in Republic of Macedonia. In order to gain a better picture of the current situation, problems and perspectives that stand in front of families with respect to succession issue it was conducted a survey. A questionnaire was distributed to the owners of several businesses as well as by e-mail. The questionnaire was distributed to

140 businesses, depending on the size of cities. This chapter is authored by Veland Ramadani, Alain Fayolle, Shqipe Gërguri-Rashiti and Egzona Aliu.

Jaroslav Belás, Přemysl Bartoš, Roman Hlawiczka and Mária Hudáková, authors of the chapter “Attributes of Financial Management of Family Companies in the Czech Republic and Slovakia”, aspire to define and compare important attributes of financial management of family businesses in selected regions of the Czech Republic and Slovakia, respectively in Zlin Region (Czech Republic) and Zilina Region (Slovakia). These regions have similar economic parameters and are distant from each other only few kilometers. In this chapter are have been examined these issues: the dependence of financial risks’ perception, relationships with commercial banks, the ability to manage financial risks and the level of entrepreneurial optimism depending on company’ age, owner’s education and company’s size. Results of this research prove that it cannot be definitely confirmed but neither rejected that financial risk’s perception in Czech and Slovak enterprises is different within a defined groups, i.e., depending on company’s age, owner’s education and company’s size.

The chapter “Ownership Structure, Cash Constraints and Investment Behaviour in Russian Family Firms”, contributed by Tullio Buccellato, Gian Fazio, Yulia Rodionova and Natalia Vershinina, investigate the extent to which Russian family firms are liquidity constrained in their investment behaviour and how ownership structure changes the relationship between internal funds and the investment decisions of these firms. Authors estimate a structural financial accelerator model of investment and first test the hypothesis that Russian firms overall and family firms in particular are cash constrained by conducting random-effects estimation. Their results confirm that firms are liquidity constrained when the ownership structure is not included in the econometric specifications. With regards to the ownership structure and the degree of ownership concentration, they found that companies owned by private individuals and families are less cash constrained, which is in agreement with previous literature.

The chapter “Family Businesses Motives for Internationalisation: Evidence from Serbia”, contributed by Radmila Grozdanić and Mirjana Radović-Marković attempts to explain resource-seeking internationalization among Serbian family firms, mostly SMEs, by investigating, based on resource dependency theory and the model of entrepreneurial internationalization, whether resource-seeking internationalization can be linked to family businesses’ resource deficiencies. It researches whether perceived resource constraints in terms of labor, finance and new technology increase the likelihood of family firms to use internationalization as a means to access or acquire the lacking resources, relative to not internationalizing. By binomial logistic regression analysis method used for the testing in the chapter are elaborated the findings which indicate that perceived lack of skilled labor drives family firms to pursue internationalization as a means for accessing labor and that perceived constraints regarding access to finance are an important determinant for family firms to pursue foreign markets as a means to access capital. These results suggest that perceived constraints in terms of skilled labor and finance are pushing firms to overcome internal resource deficiencies through internationalization, as well as that, these firms which are already internationally active to use their international activity as a means to access or acquire these resources. The findings of the research also support the awareness of the mangers/owners of the family firms of the possibility to use internationalization as a means for overcoming resource constraints, as well as policy makers awareness increase to improve general doing business parameters in the country giving that internationalization could become easier and resources could become more easily transferable across borders.

In the chapter “Entering New Markets: Strategies for Internationalization of Family Businesses”, the author Gadaf Rexhepi notes that almost all family businesses face with the problem of their growth after e period of time, especially when they reach its maturity phase they need to enter new markets in order to continue its growth. These and lots of other reason influence family businesses to become part of globalization and follow the trend of most of the successful family businesses in the world who have internationalize their activities. This chapter focuses on the possible strategies that enterprises can use in order to perform in the international markets. The objectives of the study are to examine how to enter in new markets by using the best appropriate strategies in order to achieve competitive advantage in international markets. Regarding these issues, the author conducted an empirical research in 75 family businesses in Albania and final results showed that as the best strategy for the Albanian family businesses for entering in international markets is export strategy.

The chapter “Family Business in Sport Organizations: Western Experiences as Lessons for Transitional Economies” examines family businesses in the sport industry. The author is focused on the reasons why families manage sport organizations in terms of community and location preferences in the context of family business evolution. The chapter ends by stating research and management implications of family owners of sport organizations. The chapter is contributed by Vanessa Ratten.

Chapter “Family Businesses in the Trade Sector: An Examination of a Case Study from Kosovo”, authored by Veland Ramadani, Gramos Gashi, Taki Fiti and Betim Humolli, presents a successful story of family business from Kosovo. In this chapter are treated topics such as: history of Albi Group, its business entities, development over the years, governance and succession planning.

The editors and the contributors of this book hope that this collection brings an attractive and noteworthy contribution to the field of family businesses, above all in terms of elucidating the substance of these businesses in specific economies, such are the transitional ones. While transition has proven to be an important topic in academic literature, family business in transition economies have been at the margin of research; yet these are important economic players. Transition economies have not been a focal point of interest in the current literature on family businesses and this book aims to overcome this deficit in our knowledge. Taking into consideration that such a book is not available in the market and no author has treated strictly the above mentioned topics in the perspective of the transitional countries, we trust that this volume shall be very welcomed by regional and international researchers who are interested to know more about family businesses matters in the transitional countries.