The Succession Issues in Family Firms: Insights from Macedonia

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Abstract The purpose of this book chapter 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. The questionnaire was distributed to the owners of several businesses as well as through e-mail. The questionnaire was distributed to 140 businesses, depending on the size of cities.

Keywords Family firms • Succession • Problems • Perspectives • Macedonia

1 Introduction

The purpose of this book chapter is to share our 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. The questionnaire was distributed to the owners of several businesses as well as through e-mail. The questionnaire was distributed to 140 businesses, depending on the size of cities. The questionnaire consisted of 20 questions. We asked business owners to send us

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the completed questionnaire within 2–3 weeks. Of these 140 businesses, 112 responded positively to our questionnaire and thanked us for the commitment to the study of these businesses, ways of their functioning and our advice from our research report that can help exploit the issue of succession. The number of businesses that have not answered is 16 and 12 businesses have stated that they do not consider their business as a family business. The largest number of businesses that responded to us was located in Skopje, where 32 % of surveyed businesses expressed a desire to meet us; 18 % of family businesses that answered our questionnaire operate in Tetovo; the number of surveyed businesses from Kićevo, Struga and Kumanovo was 10 % each; 14 % of the family businesses surveyed were from Gostivar, and 6 % from Ohrid. Businesses were identified as family businesses if the manager or owner confirmed to us that their business was a family business. The book chapter will end with a case study, where we analyzed the succession process issues.

2 Literature Review

The succession issue of family firms has been addressed comprehensively in the literature (Cabrera-Suarez, Saa-Perez, & Garcia-Almeida, 2001; Dyck, Mauws, Starke, & Mischke, 2002; Fattoum & Fayolle, 2009; Gimeno, Gemma, & Coma-Cros, 2010; Handler, 1990, 1994; Ip & Jacobs, 2006; Steier, 2001; Wang, Watkins, Harris, & Spicer, 2004). This process, as presented in Fig. 1, includes three elements: *processes* (management and ownership succession), *activities* (intended to integrate family members into the management and ownership succession processes and to feel comfortable with both succession processes and outcomes) and *desired outcomes* (integrated family members, informed decision making, etc.).

In general, succession process in family firms is analyzed as a transfer of the management and ownership of the business. Ownership succession focuses on who will own the business, and when and how this process will occur. Management

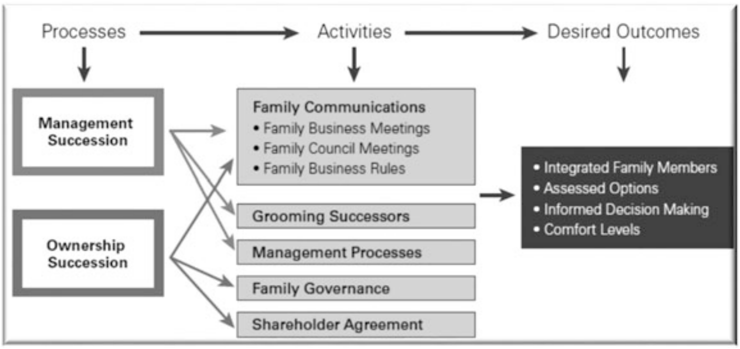

Fig. 1 Elements of succession in family firms (source: Walsh, 2011, p. 15)

succession focuses on who will lead the business, what changes will occur, when they will be accountable for the results and when these results will be achieved (Fig. 1).

Effective integration and management of the family component will have a decisive effect on the success of the succession process (Walsh, 2011). As a definition, succession is the replacement of the founder and management tasks by the successor. According to Handler (1990) the continuity process is described as a joint arrangement of the role between members of the current and succeeding generations. In order to become a successful leader, the successor must be fully engaged in the process of continuity. The process of continuity in family businesses is intended to provide competent leadership in all generations. This process involves changes at a managerial level that includes CEO and top management and ownership level (Giudice, Peruta, & Elias, 2011).

Succession is the biggest challenge facing family businesses in the long term. The desire of the owners to plan for succession in ownership and management is often the main factor that determines survival or failure of their business (IFC, 2008). The generation change process is difficult and continuity is required as the last and most difficult test for family businesses. Succession is not a single event that occurs when the old leader retires and passes the torch to the new leader, but is a process driven by development that begins very early in the life of some families and continues through maturation and aging generations. Succession is a process of preparation and forecasting, which helps in better way to surrender the keys of leadership, regulation and business adjustment in cases of illness or sudden death. This process in family businesses, presents a unique opportunity for strategic re-orientation based on the shared values of the family (Gersick, Davis, Hampton, & Lansberg, 1997; Kamei & Dana, 2012; Shi & Dana, 2013).

The faces of every business change. If there is no a succession plan, the sudden death of the founder can throw everything and everyone in a real chaos. Who should lead the business now? Will it be able to operate effectively? Can business survive under new leadership? Shall I have a job? What will I do after retirement? When there is no a succession plan such questions may be submitted to an organization and can reduce the morale, productivity, and can overthrow the gains of the company. With aim that everyone in an organization can breathe easily and be more relaxed, it is required that change in leadership be planned, since so they will feel more confident about the future and their future business. The purpose of succession planning is to achieve the transfer of control and responsibility in the family business in the best way possible to the next generation (Kaneff, 2011).

One of the most difficult obstacles to the stability and growth of the family business is the issue of succession. For a business to remain a family business, each generation must be followed by another, which often is the final challenge of management. The generation that is in power should be removed and the next generation should be involved. Succession imposes a variety of significant changes in the ownership structure and management of the family business at the same time (Venter, 2002).

For the majority of family businesses, succession can be a minefield as it is a very complicated process. Problems that family businesses face at the time of succession can break family relationships and can cause conflicts that could cause the destruction of the business (Family Business Experts, 2012).

The importance of succession for family businesses is such that one of the authors has studied the most the phenomenon of family business defines these businesses in terms of their potential for succession. His defining for family business is: "The family business is a business that will pass to the next generation of the family to manage and control" (Ward, 1987 p. 252).

The founder should commit to transfer his knowledge and intellectual capital to the next generation, so that his family business can survive and continue on to the next generation. It is important that the founder convey to his children a sense of pride for the family business and at the same time sincerely discuss the risks and problems that they may face. In order to become a successful succession, planning is required as is mentoring the next generation, because the succession is a process that takes time to develop and requires management if we want to be the successful (Lipman, 2010). An academic study divides this knowledge into three categories (Lipman, 2010, pp. 8–9):

- Competencies related to the industry (more specifically unique knowledge for industry);
- Business competencies (e.g., methods of business operation, products and services, calculating risks, problem solving and conflicts);
- Competencies of ownership (e.g., governance, maintaining a fair balance between the different actors, and the addition to the business of the economic value).

Succession planning should be the most important task of the leader of the family business and should be initiated at an early stage of the life cycle of the business. Succession includes two movements: the successor that moves and takes office and the leader who retire. This motion is very important for the process of succession as it should be done with the selection of the right successor. Succession planning is like insurance, as it protects the family from the destruction of financial value (Hess, 2006).

Continuity planning in family businesses is the critical issue. Succession may be the crowning achievement for a family business owner, as that is the time when he could share the success with his son or daughter. More than 30 % of all family businesses survive the second generation, and after that the numbers begin to fall, where only 12 % of family businesses are able to move on to the third generation, and only 3 % can continue in the fourth generation (Strategic Designs for Learning, 2012).

Good succession planning takes time and is successful when it results from the creation of good relations with the next generation and is based on responsibility, commitment and mutual respect. This planning should begin as soon as it is established if the company's target is keeping the business within the family, as it is necessary that strong leadership guide the business through the transition process.

Both generations have to look at succession as a process and not as an event (IFC, 2008).

For the transfer of control and responsibility of the family business to take place in the best way possible it is necessary that the next generation become the main purpose of succession planning that has to be achieved. Preparation for the transfer of ownership is to say to one's son/daughter that the transfer of the business will be made to him/her. Change of leadership should be planned carefully and should avoid making hasty decisions based on events that may occur as: diseases, marriages, separations or deaths.

Kaneff (2011) proposes that the preparations for the transition be made in a way similar to preparations made for a family trip, where preparations are made much earlier. Preparations must be made for contingencies that may occur and the needs and concerns of all those involved should be taken into consideration. So as to enhance possibilities for a memorable and hassle-free transition, the prepared itinerary should answer the following three questions (Kaneff, 2011):

1. *What are your destinations?* For transition journey three main areas should be addressed: leadership selection, transfer of ownership and estate planning. When providing information and making decisions, or when circumstances change, one should check out these three areas as these have an impact on each other. For example, if in the end, the chosen successor does not want to work in the family business, it makes it necessary to return to the process of selecting a successor. One needs to make the adjustment of property planning documents, in order to reflect the change and then has to create a new strategy for the transfer of ownership to a another successor. This three-part journey should be broad in scope and should go beyond the appointment of the new leader. The current leader and all other stakeholders need to address the many issues of personal concern, in the form of special points to be written out for the purpose of record keeping.
2. *What is your schedule*? Once a succession plan is decided, a detailed schedule must be created, in order to move on the journey together. When arranging the trip, one must also plan for emergencies, because different crises can arise. For example, a major customer could slip to a competitor, one of the main members of the family in the business may die suddenly or may divorce, or any natural issue can result in a lawsuit. These unforeseen events are another reason to start the journey as soon as possible.
3. *Who is the leader?* Usually the leader who will lead the process of succession is the current chief executive, who should possess strong leadership skills, the ability to make others listen and who must demonstrate sensitivity to all members of the family. The leader should guide the planning, but it must do so in a patient and persistent manner.

The formula for success in transition journey that Kaneff (2011) presents is:

$$Path + Time + Leader = Successful\ Transition\ Journey$$

The purpose of the succession is to make the business successful in the future, and at the same time be independent from the outgoing chief executive. The family business should be left to the successor in the best possible condition so that he/she can easily integrate into the business and continue successfully. The business should be left for the successor in the same way it should be presented for sales, with the highest value possible.

3 Succession Models

A succession model presents a frame of phases related to each-other. In the literature about family businesses are presented different models from different authors.

Authors, Rubenson and Gupta (1996), developed a contingency model for initial succession. This is a situation when the founder/owner takes a decision to depart from the business. This model is presented in Fig. 2.

The authors have identified three perspectives of succession: (a) *Succession as an inconsequential event*: This perspective is related to larger companies which are characterized with bureaucratic structure and the departure of founder will have

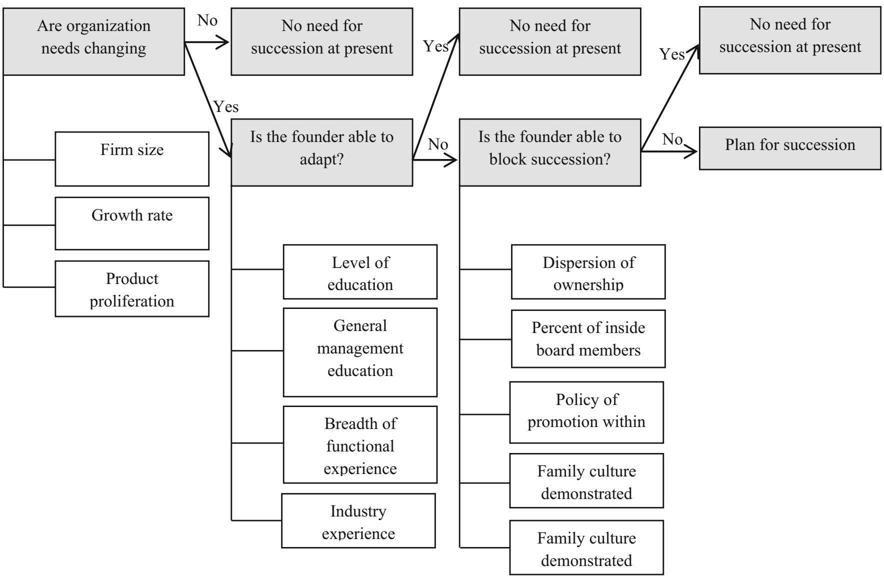

Fig. 2 A contingency model of initial succession (source: Rubenson & Gupta, 1996)

little impact on the company; (b) *Succession as a disruptive event*: This perspective is related to small entrepreneurial companies and the departure of founder will have relevant impact on the company performance; (c) *Succession as a rational organizational adaptation*: The eventual departure of the founder is seen as a catalyst that causes the company to concentrate proactively on ways it can increase the possibility of an adaptive succession.

Churchill and Hatten (1987) have developed a life cycle approach in order to explain the process of succession between father and son in a firm. They separate this process into four phases: (a) management by the owner, (b) training and development, (c) the stage of partnership between father and son, and (d) power transfer.

The first phase, management by the owner, is the stage where the owner is the only family member directly involved in the business, and the successor is not directly involved in the business. At this stage, the founder has complete business direction and is using his/her skills trying to create organizational culture which on the one hand it is necessary to run the daily affairs of the business and in the long term is beneficial for successful succession. During this stage the founder learns to delegate.

The second phase is known as training and development phase and is the phase where the successor becomes familiar with the business. At this stage the successor has entered into organization and has begun to participate in the daily chores. The descendant learns and develops his/her skills to run the business and also develops the ability to delegate.

The third phase is the stage where the partnership develops between ancestors and descendants. Here more authority is given to the descendants and a strong relationship between the two is developed.

The fourth phase is the last stage where the current power is transferred under the responsibility of the descendants business. At this stage the ancestors seek new opportunities for his/her life which really simplifies the process of succession.

The model presented by Scarborough (2012) consists of five stages. This model is presented in Table 1.

Another model of the succession process model is the model known as “six stairs to transfer the family business” (Fig. 3). This model is presented by Lambrecht (2005) and is based on empirical research where different family businesses were taken into consideration.

In this model, the *first stair* is entrepreneurship, where during this degree the transfer of professional knowledge, values, management, leadership characteristics and the soul of the organization are transferred to the next generation. The parent distinguishes three stages of the child’s life that affect the transfer of professional knowledge. Potential offspring can learn the secrets of product and sales through these three stages. Family business is like a playground for children. In the second stage, successors are given the easiest tasks in the family business and in the third phase are asked to perform more serious tasks in the family business.

The *second stair* for the successful transfer of family business consists of studies. Most of the successors are encouraged before entering fully into family business to

Table 1 The succession process in family businesses

Early involvement with the business in routine tasks (while very young and in high school	Rotation among various assignments on summer/ holiday vacation time (while in college)	Entry-level position with planned job rotations, regular performance evaluations and mentoring by both insiders and outsiders	Greater responsibility	General manager
			Department or functional manager; service on advisory board	Transition phase; membership on the board
←			Decision-making responsibility	→
Stage I	**Stage II**	**Stage III**	**Stage IV**	**Stage V**

Source: Scarborough (2012, p. 675)

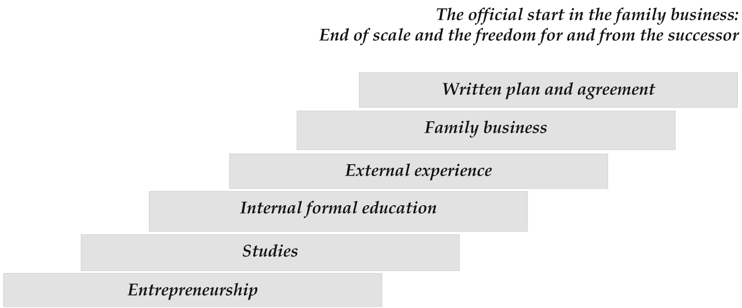

Fig. 3 Six-stairs model for family business transfer (source: Adapted from Lambrecht, 2005)

take an advanced degree, where in most cases the studies are oriented towards a family business sector. In other cases, the potential successors are free to choose which discipline they wish to study.

The *third stair* consists of internal formal education. During this phase, the successor learns about great business contacts and is provided with the business contacts, after meetings in order to achieve a proper understanding of the business. At this stage the potential successor skills are judged by the predecessor.

In the *fourth stair* the successor gain experience through working in other companies. This experience provides the potential successor with a knowledge and wisdom that helps him/her to cultivate self-confidence.

The *fifth stair* is the official beginning of the successor in the business. Before the successor takes a management position, it usually passes through the various departments in the business. In this way, the successor becomes self-proven and tries to win the trust of employees, and reveals business sectors and consumers. Freedom for the successor means taking responsibility, respecting previous generations, seeking advice from the transferor, and realize that the past is the basis which leads to the future.

The ***sixth stair*** is associated with planning and writing arrangements. Here consideration is given to the needs that may arise in the bad days of business that may come as a result of the death or resignation of a member of the family. Written plans should be well planned because poor planning can be very costly for the family and for business.

4 Business Climate for Family Businesses in Macedonia

Republic of Macedonia is small country located in South-East Europe, i.e. Central Balkan Peninsula, and is one of the successor states of the former Yugoslavia. Republic of Macedonia declared its independence in September 8, 1991, while member of the United Nations became in April, 8, 1993. As a result of a dispute with the southern neighbour, Greece, regarding the name issue, it was admitted under the provisional reference of the Former Yugoslav Republic of Macedonia, abbreviated as FYROM (United Nations, 1993). It covers 25,713 km^2 (9,928 square miles), bordering Albania, Kosovo, Serbia, Bulgaria and Greece. The capital is Skopje, the largest city of the Republic of Macedonia, inhabited by 30 % of the total population. According to State Statistical Office of Republic of Macedonia (2005), based on the data from the last Census of Population, Households and Dwellings in 2002, the Republic of Macedonia had 2,022,547 inhabitants, which is 3.9 % more compared with the Census in 1994 and 43 % more compared with the Census in 1948. Population of Republic of Macedonia according to ethnic group, based on Census 2002, consists of: Macedonians, 1,297,981 (64.2 %); Albanians, 509,083 (25.2 %); Turks, 77,959 (3.9 %); Romani, 53,879 (2.7 %); Serbs, 35,939 (1.8 %); Bosnians/Muslims, 19,571 (0.9 %) and others, 30,688 (1.4 %). The gross domestic product (GDP) in 2011 was 461,730 million denars (the currency of the RM) and in comparison with 2010 it increased by 6.4 % in nominal terms. The real GDP growth rate in comparison with 2010 was 2.8 % (State Statistical Office of Republic of Macedonia, 2012).

As a country where EU integration is among the top priorities, Republic of Macedonia significantly improved the overall business environment in recent years, as Doing Business in its 2013 Report ranked it 23rd out of 185 countries (IBRD/ World Bank, 2013). This was as a result of great efforts which were made in this segment by the government. However, in certain segments that make up the overall business environment, major changes are needed. Useful recommendations are given in Dana (1997). As for the political environment Macedonia is ranked in 62nd place, regulatory environment in 55th place, human capital and research in 72nd place, infrastructure in 72nd place, market sophistication in 62nd place, business sophistication in 95th place, scientific outputs in 52nd place and creative outputs in 84th place (Dutta, 2011). If we compare Macedonia only in one segment, for example, business environment, even with a country such is Sweden, it can be seen that Macedonia is in a very similar position, but the problem is that comparing in other segments Republic of Macedonia is not “in a good position”. In order to have a better result in entrepreneurial process, it is necessary to put additional efforts in all areas on a continuous base.

Regarding the key segments that make up the environment for family businesses, the situation in Republic of Macedonia is as follows:

(a) *Ownership rights*. Good protection of property rights, effective execution of contracts and the law is directly related to fostering and development of the entrepreneurial activities. The protection of property rights remains to be a real challenge for Republic of Macedonia. According to International Property Rights Index 2011, from 129 analyzed countries, Republic of Macedonia is on 87th place, a position which shows that in our country property rights are not strongly protected (Jackson, 2011). But despite the progress, the judicial system is still inefficient and subject to political influence.

(b) *Corruption*. According to a report of the EBRD (2005), although in Republic of Macedonia (and transition countries in general) there was a certain reduction of corruption in its three basic forms of existence: *bribe tax*, as a percentage of total sales of enterprises, *kickback tax*, as a percentage of the value of contracts in the form of additional and unofficial payments to ensure receipt of contracts and *bribery frequency*, as percentage of respondents who said they accepted to pay bribes in customs, tax administration etc., it still presents a problem. A comparison between Republic of Macedonia and the countries in region is shown in Table 2. According to The 2009 Global Corruption Barometer Report of Transparency International, on the question "which sectors/institutions are most affected by corruption", the answers were as follow: 50 % of respondents said that it is the judiciary, 23 % said it is the public administration and 11 % pointed at the political parties (Riaño, Hodess, & Evans, 2009). Therefore, it is necessary for state institutions to undertake more concrete and stringent measures in this direction, that would result in cutting lengthy court procedures, simplifying complicated procedures for obtaining various permits, facilitating the introduction and transfer of new technologies, consistently protecting intellectual property etc. This can increase the rate of entry of new small and medium enterprises and enterprises with high growth potential, as well as the interest of potential investors to invest money, expertise and time.

Table 2 Corruption widespread in Republic of Macedonia and the region

Type of corruption	Bribe tax		Kickback tax		Bribery frequency	
Country/year	2002	2005	2002	2005	2002	2005
Macedonia	0.79	0.62	2.91	1.83	22.70	25.28
Bulgaria	1.95	1.58	2.51	3.32	32.79	15.70
Croatia	0.64	0.76	0.89	0.69	12.86	11.27
Albania	3.31	1.80	6.00	6.15	36.37	46.11
Bosnia and Herzegovina	0.95	0.39	1.19	0.51	22.42	9.63
Romania	2.57	0.81	2.11	0.67	36.74	22.56
Serbia and Montenegro	1.52	0.67	1.84	1.36	15.88	33.20

Source: EBRD (2005, p. 13)

(c) *Administrative and bureaucratic obstacles*. Long administrative and bureaucratic procedures represent a serious obstacle of doing business. Many studies noted high correlation between the administrative and bureaucratic procedures (expressed by the number of necessary procedures and required days for starting a new business) and corruption—the more procedures, the more opportunities for corruption. Regarding this issue, Republic of Macedonia marks a significant improvement. The introduction of the so-called one-stop system in 2006 contributed significantly to shortening the procedures and times to start a new business. In the first months of 2006 were registered 5,400 new businesses (EBRD, 2006). The time needed for registration of new enterprises was cut from 48 to 2 days, while the number of procedures has been shortened to only 2. These improvements contributed as the Doing Business Report 2013 ranked Republic of Macedonia in the fifth place out of 183 analyzed countries in terms of this issue. But, when it comes to the question of closing a business, Macedonia is ranked 116th place, because this activity takes 2 years (IBRD/World Bank, 2013).

(d) *Tax policy*. The government of Macedonia introduced the flat tax in 2007, which reduced the tax burden on enterprises. Income tax paid by businesses firstly decreased from 15 to 12 %, while in the beginning of 2008 it decreased to 10 %. The existing three marginal tax rates for personal income tax (15, 18 and 24 %) were replaced with one rate—10 %. But, there is no special relief for start-up companies or for women entrepreneurs.

(e) *State regulation*. Considering this issue, it is necessary to strengthen the independence of regulatory bodies, thus ensuring fair and predictable regulation of the domains of market failure (public goods, asymmetric information, externalities, the existence of monopolies, unequal distribution of income, etc.) and deregulation, removal of numerous administrative and bureaucratic obstacles that impede faster growth of businesses respectively. According to Schwab and Sala-i-Martin (2009), Republic of Macedonia is in the 83rd place, out of 133 analyzed countries with a score of 3.7 (1–7, where 1 is the worst, while 7 is the best rating).

(f) *Infrastructure*. Infrastructure as a general input of economic activity has a significant impact on costs for business. This applies to large-scale infrastructure such as roads, railways, airports, energy, telecommunications, etc. According to the Report of the World Economic Forum, Republic of Macedonia is in the 88th place (out of 133 countries analyzed) in terms of quality of infrastructure. Separately, in terms of the quality of roads, it is in the 87th place, quality of rail in the 71st place, quality of electricity supply in the 79th place, the quality of telecommunications in the 58th place. The worst position is related to airports, as Republic of Macedonia takes the 123rd place (Schwab & Sala-i-Martin, 2009).

5 Succession in Macedonian Family Businesses

The issue of succession is one of the main and more critical problems and challenges for every family business. The larger number of family businesses fails to pass in the third generation. According to some researches, only 10 % of these businesses manage to enter into the third generation (Beckhard & Dyer, 1983; Efendioglu & Muscat, 2009; Gashi & Ramadani, 2013; Le Breton-Miller, Miller, & Steier, 2004; Mazzarol, 2006). In family business, succession is the transfer of business from one generation to the next. It is very important to prepare continuity of these family businesses in order to continue the family goals. Typical problems that arise at this stage involve business founders' resistance to retire, missing of planning for succession process, difficulties in determining the CEO, difficulties between founders and successors, and some different approaches to management (Cabrera-Suarez et al., 2001; Dyck et al., 2002; Gimeno et al., 2010; Handler, 1990, 1994; Ip & Jacobs, 2006; Steier, 2001; Wang et al., 2004). Many business owners in Macedonia fear that if they leave their business, then their jobs inherited by their successors may fail. They find it difficult to accept the fact that someone can replace them and can do the job with great success and maybe even do it better. For any family business entrepreneur it is their dream that 1 day they will pass on the business to the successor. In order that the successor succeeds, he should not only see his family business as a liability which must be met, but he must see it as a challenge and a special honor to be at the top of the business, which he inherited from his family. The advantage of a family business is that the children of the business owner usually gets involved at an early age in the business, and expends a lot of energy to train their successors, as a means to help one get acquainted with the procedures and challenges of the business. They must be aware of everything that happens in the business, and should be an example for other workers by being the first to arrive at work and the last to leave.

As it was mentioned before, 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 which covers 112 family businesses. The following report provides summarized results of the survey conducted in the period of March–July 2012 and was related to conditions, problems and challenges of the succession process.

The summary of responses collected by the questionnaire and the respondents are arranged in tables and graphics, and are presented in the order of the questions on the survey. After each section the results are discussed.

(a) *Business sector*. Macedonian family businesses operate in various sectors such as trade, services, construction, manufacturing and other sectors. According to the research data, 71 % of respondents operate in the trade sector, 8 % of family businesses provide various services, 11 % are in the construction sector, 8 % are in the manufacturing sector and 2 % stated that they operate in other sectors.

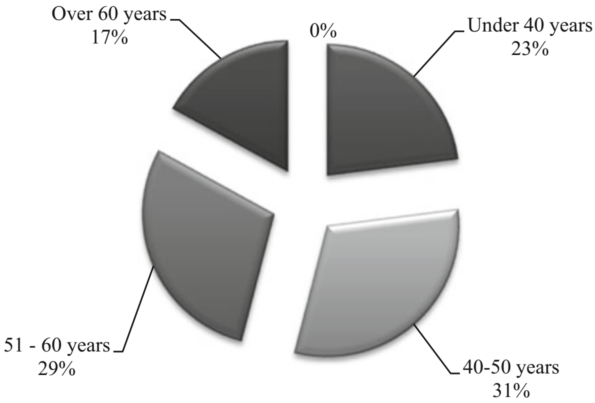

Fig. 4 Age of the founders of the business (source: Authors' field research)

(b) *Gender of the founder*. Regarding the gender of the founder of the family business, 96 % of businesses stated that they were men and only 4 % are women. This, at best, demonstrates the difficulties that still exist for a female to establish a business. Women need to have greater support to establish their businesses.

(c) *Age of the business founder*. In Fig. 4 the age of the business founder is illustrated. According to the statistics that we extracted, it was learned that 23 % of the founders of the business are under the age of 40 years, while 31 % are between 40 and 50 years. According to this survey, 29 % of the respondents were between 51 and 60 years and 17 % were over 60 years.

(d) *Age of the business*. Regarding the age of the business (number of years in business), most of the respondents stated that their business was in a very young age, which means that it is still in the first or second generation and none of the respondents stated that their business was in the third generation, which is quite disturbing. For a family business it is a very difficult transition to the third generation.

From the data presented in the Fig. 5, it can be seen that 33 % of businesses are under the age of 10 years, which means that they are still in the early stages of the business. Of the family businesses, 29 % were between the ages of 10 and 15 years. In the 15–20 years age range were 25 % of the family businesses. Only 13 % of businesses were over 20 years of age.

(e) *The level of education of the founders*. Regarding the issue of the level of education of the founders of the business, our data showed that 14 % are with primary school, 48 % of these founders are with secondary school, and 35 % are with faculty. Only 3 % of business founders are with masters or PhD (Fig. 6).

(f) *Number of the employees*. We have been interested to derive information about how many employees are employed in family enterprises in order to better appreciate their contribution to the economy and society at large. From the survey data (Table 3) it can be concluded that 27 % of family businesses

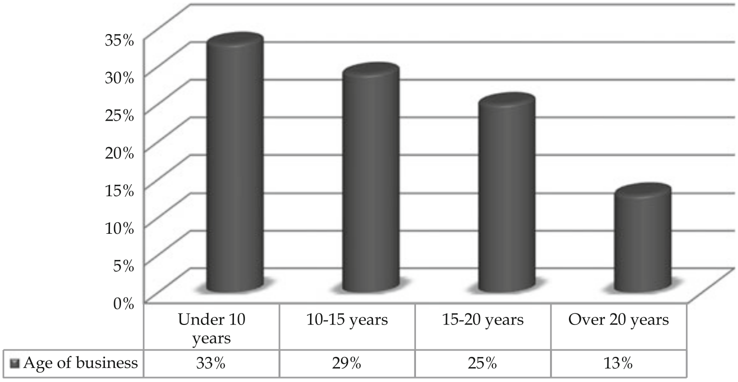

Fig. 5 Age of business (source: Authors' field research)

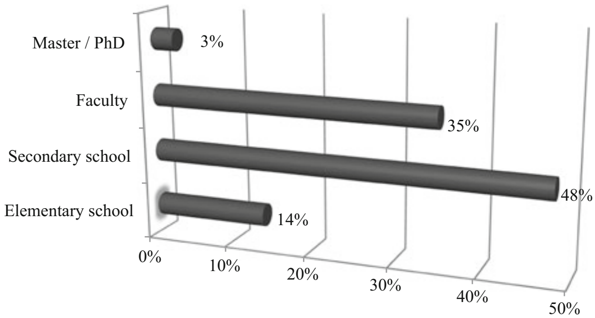

Fig. 6 Level of founder's education (source: Authors' field research)

Table 3 Number of employees in family businesses surveyed

Number of employees	*Less than 10 employees*	*From 10 to 15 employees*	*From 50 to 250 employees*	*Over 250 employees*
Percentage of businesses	27 %	42 %	26 %	5 %

Source: Authors' field research

are employing less than ten employees. Family businesses that employ 10–50 workers constitute 42 %. Family businesses that employ 50–250 workers account for 26 %, while those employing more than 250 workers make up 5 %.

It is important to know the number of family members employed in these enterprises. These data are shown in Table 4.

(g) *The gender of the first child.* Another interest of the study was to learn whether the first child of the founder was male or female. Also a goal was to learn of the founder's intention of transferring the business over to a female even if she was the oldest. The data showed that, from the family businesses surveyed, 61 % of the founder's first child was a boy and in 39 % of the cases,

Table 4 Number of employees who are members of the family

Number of employees that are family members	*75–100 % are members of family*	*50–75 % are members of family*	*30–50 % are members of family*	*Under 30 % are members of family*
Percentage of businesses	36 %	29 %	21 %	14 %

Source: Authors' field research

a girl. Discussion takes place later, relative to the transfer of the business in terms of the first child, other children, and sons or daughters as heirs.

(h) *The level of education of the founder's children*. Education of children is very important to the founder if he wants his child 1 day take over the leadership of the business. The more prepared their child, the more successful will be the leadership of the business. Statistics from our data showed that in 32 % of the businesses, the founders' children are still in school and are not engaged in business. There are 12 % of businesses where the founders' children are not in school and are not engaged in business. In 31 % of businesses, the owners' children are at school or studies, but also are engaged in the business part-time in order to become more familiar with their family business and be ready when the time comes to make business decisions. There are 25 % of businesses, where the children of the founders have completed their studies and are engaged together with their parents in everyday tasks of full-time businesses.

(i) *Planning of the succession issue*. According to respondents, 29 % of family businesses do not have a plan regarding the issue of succession. Many of these have no knowledge about the issue of succession, as some even asked what it means. Our society has learned to leave the business to the son or daughter when it comes time to retire or when the founder cans no longer work. Not all businesses are taught that everything in life should be planned, and succession should be in place so as to be prepared for the unexpected. Founders who have planned succession constitute 23 % of the businesses. Those who think about the issue of succession constitute 21 % of businesses. Of the businesses, 22 % of the founders responded that for a time they are not planning anything. These data are of concern to family businesses, since each founder should plan his retirement and needs to arrange the preparation of the seed which will deal with the business in the future.

(j) *The child that will inherit the business*. The data from Fig. 7 are showing that the majority of family business founders or 41 % shall transfer business leadership to their first child, because they thought that the oldest child can better lead the business and is more experienced for business leadership. Those who have declared that they will transfer their business leadership to the second child make up 22 % of businesses; however, most of those indicated that the gender of the first child was "female". It seems that founders of businesses still do not have the courage to transfer the business leadership

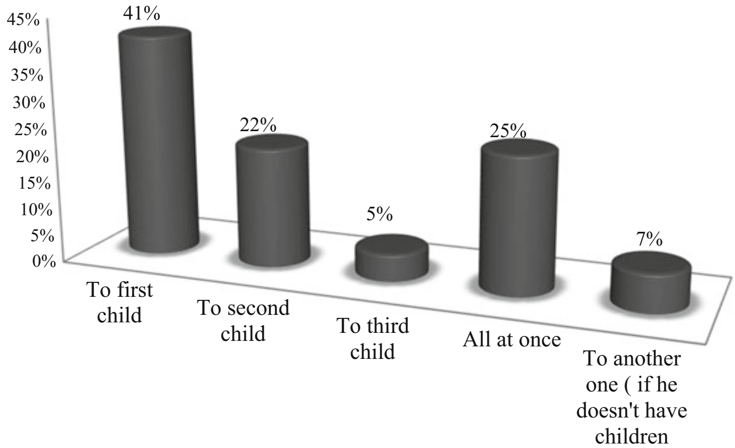

Fig. 7 The child that will inherit the business (source: Authors' field research)

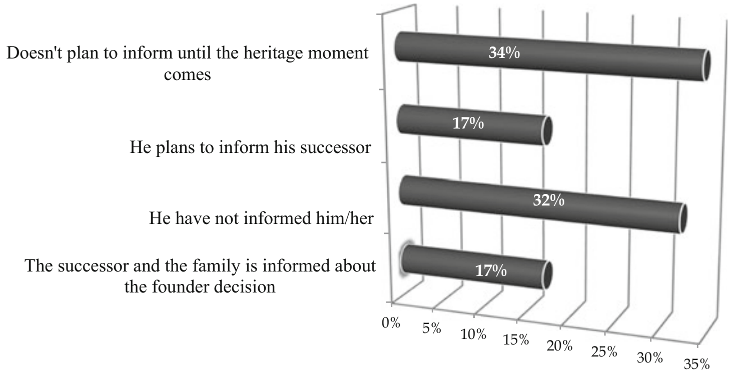

Fig. 8 Founder and informing the heir for leadership post (source: Authors' field research)

to their girls. The founders that claim that they will transfer the business leadership to their third child constitute 5 % of businesses. A large number of founders wish to transfer business leadership to all the children at once, and they make up 25 % of the businesses, since they do not want to make distinctions among their family to have conflicts. Of the businesses 7 % of the founders stated that their business leadership could be transferred to someone else because they do not have children.

(k) *Naming and informing the successor for it*. In order to avoid family conflicts the business founder often does not announce who they prefer to have as heir to the leadership of the business. In Fig. 8 data from the survey is presented pertaining to the founder and whether he has identified and informed his successor of such. Of the family business founders, 17 % informed their successors of their role as a successor. Those who have not yet informed their successor constitute 32 % of family businesses. Some founders (17 %) are planning in the near future to notify their successors. Many founders of businesses (34 %) do not want to inform their successor about the decision until the time comes to transfer the leadership because as was stated, they wish not to bring about jealousy between their children.

(l) *The age of founder's children.* Children of the founders of family businesses vary in age. The survey results revealed that the chosen successor of the founder who is under the age of 20 constitutes 18 % of family businesses. Chosen successors in the age range 20–25 constitute 21 % of family businesses. Most founders declared that their chosen heir for business leadership is between the ages of 26–30 and they constitute 39 % of businesses, while those founders who constituted 22 % of family businesses declared that their chosen successor is over the age of 30 years.

(m) *The ideal age for the founder to transfer the business management.* What is the ideal age for the founder to transfer the business management to his successor? This is a very difficult question for business founders, because for many, a retreat from the family business presents a real challenge for them, because there is often a fear of retirement and what they will do after leaving the business. This is best shown by the responses of the founders with only 9 % stating that the ideal age to inherit business management to successor is under the age of 50. A slightly larger number of them (31 %) think that the ideal age to transfer the management of the business is between 50 and 55 years of age. The largest number (46 %) of founders of businesses, think that it is best to transfer the business management to the successor when they are between 55 and 60 years of age. According to them, this is the best time for retirement and for a more comfortable senility. But those who think that the ideal age to transfer the management of businesses to a successor after 60 years of age constitute 14 % of the businesses surveyed.

(n) *Heir of the family business and management experience.* Before successors take over the management of the family business, he should be familiar with the business and the industry in which it operates the family business. Also he must understand how the business is operating if he wants to continue to successfully conduct businesses which his parents have led for many years. From Fig. 9 it can be seen that the family business successor that is expected to be in their family business management and has no management experience makes up 18 % of the businesses surveyed. Those who have at least 5 years management experience make up about 25 % of the businesses surveyed. More family business successors are expected to manage the business with 5–10 years of experience in management, and they constitute 36 % of the businesses surveyed. Those who have over 10 years of experience in management positions constitute 21 % of family businesses.

(o) *Length of "owner-successor" joint management.* For the successor it is important that in the early years as a business manager that he work along with and take business decision leadership advice from his parents who previously led the business in order to better learn about the business. The

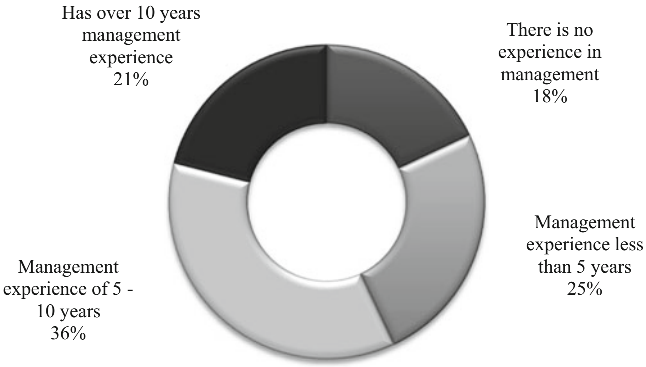

Fig. 9 Heir of the family business and management experience (source: Authors' field research)

successor should also be taught how to avoid conflicts among family members, which can arise and can cause many problems. According to data from the field, 31 % of the founders stated that after inheriting the management of the business, the successor should work together with the founder to manage the business for at least 2 years. This shows the commitment of the founder to the family business and their desire to prepare the successor for leadership, to help prevent failure during the transition. Founders at the rate of 25 % believed that they should manage the first 5 years together with the successor. There are also those who think to manage the business along with successor to death, and they make up 18 % of the respondents. But there are also founders who think they will leave immediately after they transfer their business to the heir. They probably want to relax from daily chores, because business leadership requires an energy and high potential.

(p) *The willingness of the children to manage the business in the future*. There are children who do not wish to continue the business of their parents but wish to pursue their dreams. Maybe they do not want to be entrepreneurs but they want to be actors, singers or another profession that is not related to the entrepreneur. For a business founder and for business in general, it is more important that the successor be dedicated when taking over the torch of leadership in his hands. The successor must also be eager to take over the business because they really want to be entrepreneurs or maybe just because it is naturally expected. Thoughts of the founders of the business are different. From the survey, the data showed that 41 % of the business founders think their heir wants to manage the businesses surveyed. Those thinking that their heir does not want to manage the business but that there was no other choice accounted for 10 % of the respondents. Taking over a business because there is no other choice can be dangerous and can lead to business failure. Often it is better that the heir goes to work somewhere else, and then return to the family business. He would benefit from experience outside the family business and will be informed of the strategies used by other businesses that in the future would be competing for his family business. Some respondents (31 %) felt that their successor will work elsewhere and then return to the family business along with the experience it has gained which will contribute to the success of the enterprise. Those who do not have information on what their descendants prefer to do in terms of taking over the family business make up 18 % of the respondents.

(q) *Succession process and conflicts*. During the succession process often conflicts arise. Perhaps each of the children wants to be in charge of the family business in the future, which can cause family problems. Business founders (29 %) felt that the process of succession in family business will pass without dispute. Small disagreements can often occur, and it is the opinion shared by 34 % of respondents that the process of succession in their business will pass with petty disputes. But jealousy and expectations of children can lead to major disputes according to the opinion of 23 % of the founders of family businesses. Founders at a rate of 14 % think and expect that the process of succession in their business will pass with very large odds.

Every successful founder of the family business has a plan for the succession process. Conflicts and disagreements can happen, but is there a plan to resolve them? The founders did indicate that they have a plan for conflict management related to succession. On the basis of statistical data it is clear that 31 % of respondents have a plan to solve possible disputes over the succession process, while 35 % of respondents are developing a plan. Those who do not have plans about the resolution of conflict for the moment constituted 31 % of the respondents. For some entrepreneurs, the development of a plan for the succession process included a dispute resolution but it was not always of primary importance. According to 3 % of the respondents, they can resolve their differences without such a plan.

6 Case Study

In order to connect the literature provided with an everyday successful operations we have chosen to study the company, called Euro-Aktiva, which operates in Macedonia and Kosovo as well. Euro-Aktiva has started its business in the year of 1996 in Kosovo, being as an exclusive distributor of Sidenor which is a successful company based in Greece, which manufactures mainly steel but sells as well other building materials. Euro-Aktiva has started its roots 15 years ago, mainly selling building materials in Kosovo, then after 5 years the same business started operating in Skopje as well.

Indeed, Euro-Aktiva started expansion by becoming a distributor for many other companies which contributed in achieving of becoming a leader in the building business, by covering 70 % of the Macedonian market and 80 % of the Kosovo market. Since then it has continually expanded its market in many other branches such as opening a petrol station, restaurant, service for cars, it has its own security agency, construction and building and gathering scrap metal. Moreover, we believe that the founder who has also been the owner for 15 years has entrepreneurial soul who is always looking for new opportunities in the market that are more likely to add more value to the name Euro-Aktiva and make it even more stronger. If we present the business plan of Euro-Aktiva you are about to see how completed and related every branch and aspect of this business family is.

The owner together with his two brothers has stick together in the worst and best times of this company by putting the needs of the company first and then dividends were distributed after the storms would leave. This company still is led in a traditional way, there is no board in charge but the owner is willing to start changing the day to day operations. The founder is still the owner and the CEO where one of the brothers is the vice president and finance consulate and the other one is in charge of supplies. The three main and strongest positions are led by them since they still feel the need to be in charge of everything. The owner thinks that the best time to transfer the business management is between 55 and 60 where he himself is slowly approaching that age. Therefore, he believes that the next 5 years managing together with the offspring's will help the next leaders gain higher experience and he will be more positive that the family business will run more years to come successfully.

As we mentioned above, this is a family run business where the owner has always emphasized the long term continuity of this company mainly because most of the employees hired are family.

Around 50 % of the employees are family members, starting from the lowest position to the highest. Nevertheless, communication and trust between family and business is high which has helped maintain control and effectiveness over the business for all these years.

The founder and the brothers have prioritized and encouraged their children to study and get well educated by sending them outside the country for a better education. Moreover, the second generation has started working at a young age whether as a salesperson in one of the markets they have or working at one of their warehouses for building materials. Nevertheless, they have been part of the family business while they were in high schools which has appointed and prepared them from that age that 1 day they are going to have to be part of this business. Furthermore, there was no room for other "dreams" or whatsoever; the decision has already been made. In their defense, the next generation had everything they needed ready to show more success and grow even more.

Moving on, as the offspring grew, responsibilities grew for them. The daughter of the owner and the son of one of the brothers had finished their master studies so now the company was starting to adapt to the family structure and have divisions accordingly to them so each of them can be included. The owner has always encouraged their heirs to be part of other projects as well occurring in this country whether in non-governmental or foreign organizations in order to gain more experience. He says "I need to have you fully prepared for our market, so people, companies will have to pay you for your opinion". Moreover, what his point has always been that no matter what happens in the future with this company you are still going to be able to survive by finding good jobs if you have the needed background. Nevertheless, the responsibilities did not finish here, the heirs had to enrich their social networks and grow each day more.

The founder continues to be the CEO till his retirement but he is looking into joining venture before he leaves. One of the businesses of Euro-Aktiva has already created partnership with a Turkish company but he is looking forward to have the entire company partnered with the same Turkish company in order to move the company into a higher and more perspective level. Basically he has been following the succession model proposed by Churchill and Hatten (1987) which is based on the life cycle and maturity of this family business.

7 Suggestions for Further Research

In this research, efforts have been made to raise the awareness of the founders of family businesses in regards to the importance of succession planning and dealing with problems arising from this transformation. The findings of this research provide an overview of family businesses in Macedonia and succession issues in these businesses, viewed from the perspective of business founders. Therefore, we suggest that in the future, similar research be conducted from children/heirs perspective and to see what attitudes they have about the issues of succession and management of family businesses.

8 Conclusion

Succession can be defined as the process by which the transfer of leadership takes place from the outgoing generation to the next generation, which may include family members or non-family members. The founders of businesses should start planning the succession process in the early time of starting their business, so that any sudden necessity for change does not find them unprepared. When children should get involved in the business, when to identify the successor and begin his training, and when the founder must retire and transfer business leadership to the successor are critical questions that must be answered by the founder of the business.

It is important for the successor to be equipped with the knowledge and experience before he begins running the business. The founder should probably play the role of mentor by transferring his knowledge and experience in order to learn about business concepts. It is good that sometimes he gives the opportunity to the successor to take control of the business decisions.

Expansion of the family can be good for businesses but it can also create problems. Women or men of the founders' children, and grandchildren of the founder, may want to join the family business even though there may not be room for everyone. Therefore it is necessary to create a transparent process and to establish some criteria for those who want to get involved in the family business, especially those serving in managerial positions.

Family businesses need to understand the business environment and must be flexible to adapt to changes that come from it. They should create a respectful position in the market and should be creative innovations in order to have longevity and success.

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