

## THE CHALLENGES OF A FAMILY BUSINESS

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### **Abstract:**

Small businesses give a lot of possibilities for realization of your own creativity and inventivity. Employment of new family members creates work atmosphere that cannot be felt in other companies. Organizational culture results from the employee cohesion and from their devotion to the organization and to the work, and therefore cannot be achieved in other organizations and with any other motivational techniques. These excellent working conditions are a great base for fulfilling the organizational aims, as well as for united and satisfied family.

The work in the family organizations is specific from two aspects: from the advantages that it offers and from the problems that arise from this kind of business. Knowing the conditions in the family business, i.e. knowing the factors that influence the effectiveness and efficiency of family business enables more efficient work. Family business development with change of generation or with the increase in the number of family members brings new moments. In addition, one good story can be transformed in an unpleasant conflict and can get to disunion in the family as well in the business.

Knowing the possibilities and threats in connection to the factors that influence the family business enables preventive actions in order to avoid undesirable situations.

*Key words:* family business, organizational culture, family conflicts, possibilities, threats, tradition.

### **INTRODUCTION**

Family businesses are a way of life for many successful families. It is normal for every modern country for an adolescent to want to continue his education in order to set up new business or to maintain his parent's business. However, if the parents have their own business, the son thinks in a direction of self management so that he can work in the same sector or to start a new business in his area of interest but according to the long term family strategy.

Macedonia cannot be praised for the number of family businesses. Generally speaking the conditions for family business development are inconvenient, so the number of people that would take the risk is very low. The number of unemployed people is rising, and one the main solutions to this problem is starting a family business. Frankly speaking, the small improvement made in rising awareness for self employment in your own business, seems to be coming to the previous condition with the criteria for setting up small business.

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Buying power of the Macedonian citizens is decreased and by that underlines the problem, making it look like Macedonia is in an enchanted circle and there is no way out.

Anyway, not everything is black! Family businesses are a good solution for the unemployed, but capable of work, with great skills, knowledge and competences for establishing their own business. Also, each one that feels unsatisfied with the current job position or is well aware of his qualities can make a decision and take the risk of starting a family business. Everyone cannot make it. Only those brave enough to be entrepreneurs, with the appropriate knowledge and skills for anticipating in the changes the environment creates, accepting those changes and later on creating a team willing to follow the strategy he has created, can embrace the challenge and turn the idea into profit.

Last researches show that only 3% of the world's population is born with an entrepreneurial talent, and those that are not, all of the necessary skills for developing small business can be learnt.

One of the possibilities that should be taken into consideration is the existence of business faculties. The curriculum of these faculties offers varieties of subjects covering all the areas necessary for creating a good entrepreneur, ready to continue the family business. Also there are many companies working with consultant, going to training sessions for business, seminars etc.

## **FAMILY BUSINESSES IN MACEDONIA**

The structure of Macedonian economy is constructed in the way that small and middle businesses have the biggest share on the market. Practically 96% of the economy is in the hands of the small businesses. Related to the bigger companies successfully going through the transition and implementing the western working standards, as well as few foreign investors, everything else is considered to be business environment.

Some statistic researches show that small part of the business subjects have had a business plan. Mostly, even if the business plan has been created in less than 10% of the cases business subjects are guided according to the previous global business plan.

Practically speaking, experiences and companies' life cycle in the transition period from planed to market economy, the facts say that business environment analyses show that may companies in Macedonia do the opposite of the calculated methodology, that is totally contrary of the behavior of the business subjects in developed countries. This condition is a result of the revitalization of the meaning of business planning i.e. of the insufficient efforts for anticipation in the future business surroundings for better estimated future effects of investment. What is more important for the developed world today is also important for Macedonia. The time of improvisations and voluntarism has passed even in our country. The experiences from the previous market economies systems show that only the serious companies with full respect towards the market rules and the behavior according to modern trends have chances of long term business success. The objective estimation of the economy and financial sustainability of the business idea and full business strategy are very rare. What makes it worse is the absence of precognition for many vital business concepts, and for some there is bad translation and misunderstanding.

Investment activity in the years of the change in the socio political system is mainly through the investors, and that is why formal business planning is not a practice. The basic tools for planning and management are used only when an entrepreneur wants to

take a bank loan, but even then, the plan is made simplistically or with a great idea so that the bank board can see the ideal picture of the business. That is how a wrong association is created among the business plan and the application for loan i.e. their meaning are taken misunderstood. When entrepreneurs are asked if they have a business plan, they are confused and answer that they do not have and do not need one, because they are not looking for a bank loan.

There are many negative indicators, as the high unemployment rate and the decrease in industrial manufacturing, that clearly indicate the need of small business development. Beside the employment of the owner of the company as its creator, he employs part of the family. The conditions for establish your own business in Macedonia are very difficult, especially at the moment.

Here are some of the things that are barrier for starting up a family business:

- Institutional weaknesses (example: slow and complex administration, drawbacks of the administration of justice and the insufficient development in land and property registration)
- High taxes
- Difficult market approach
- Small business loans
- Not developing entrepreneurial culture among the people
- Not having a strategy for creating lobby groups of interest
- Corruption beside the government efforts

Owing to this, business climate does not stimulate the families and individuals to start up their own business. The existence of non-formal sectors creates huge distortions in the economy. Due to the non balanced business structure of the export the economy is facing big difficulties to deal with the pressure of the competition on the market. Solving the identified weaknesses through the structured reforms should contribute to reinforcement of the economy and to its competitiveness justified. The change of the political system will not make more efficient investments.

## **PRIORITY NEEDS OF THE FAMILY BUSINESS**

In the beginning of the business two things are basic for the successful development of the family business:

- Control ownership and
- Flexibility to respond to the client needs

In order these priorities for the family business to be fulfilled, the managers – owners must to the employee selection according to the skills and knowledge they have. Having done that, they can give direction, can secure the finance for investment and operating fund, manage the money income and budget for different project for the company. In the early period of the company's life, business must be in condition to prove the possibility for growth. The personal style of the many owners can contribute to the creation of initial client's base. Politics and procedures in the first phase of organizational development are characterized with informal control ownership of the business organization.

Lack of routine and control will not harm the organizational flexibility if the employees are qualified for the job position and if the communication is on a desired high level. Independently, each one of them can aim to fulfill the organizational goals.

In the early phase of beginning three aspects of family business can be determined:

- Organizational culture
- Strategy for sustainable development and
- Competencies of the manager.

**Organizational culture** (as a culture of any other social group) are assumptions, values, norms and tangible signs (artifacts) of organization members and their behaviors. These norms and values should be maintained and people should act according them in the following areas: build authority (hierachical or individual), role of the management (authocratic, consultive and participative), task oriented employees, loyalty to the leader of the organization, organizational respect, the role of the family in the business oriented companies (focused on the past, present and future). Members of an organization soon come to sense the particular culture of an organization.

**Strategy for sustainable development** is the initial idea of the business. Among the other it is inevitable to create financial, personnel and material strategy with strictly calculated activities for each employee, team leader and all the necessary resources for each activity as well as strategy evaluation.

**Competencies of the manager** are the aspects that ask professionalism and high level of competencies for every manager as well as the efforts for strategy fulfillment using the organizational culture as a main tool for competitiveness.

## FAMILY CONFLICTS

- Why are family businesses important?
- Why the solutions to the family conflict are crucial for the business?

The answers to these questions are important because of the economy development in every country. Stable economy depends on family businesses. Even the biggest world corporations started as small family businesses, and later became big corporations (Cargill in the United States, Samsung in Korea, LVMH in France, BMW in Germany, larks Shoes in the United Kingdom, H&M in Sweden). Family businesses are one of the greatest challenges in the world of business. Even the non- family businesses have something to learn of the family businesses because the devotion to work and the organizational culture are the fundamental characteristics which others managers seek for in their organizations.

Beside the possitive sides of the family business we can take this fact for granted because of the easiness for its trnaformation into negative due to lack of self control and instead cooperation ans support there is jeaolousy and wish for higher position in the company. Often parent favour one of the children or the owner favours one of the brothers or sisters, and thus family business is faced with great problems. Being aware of these problems, helps the family businesses recognize the symptoms, analyze the circumstances, find the reasons for the problem and successfully avoid or solve the problem. Conflicts are present everywhere around us, especially in the family business, but only with a systematic treat of the problem the conflicts can be solved in interest of the family members, employees not being part of the family and every concerned party. Some of the reasons for family conflicts are mentioned in table 1. These and many other reasons for starting a conflict in the family can be mixed and can be happening at the same time. However, that may not be crucial for the future success of the family business.

**Table 1.** Reasons for family conflicts

| Reasons for family wars |   |
|-------------------------|---|
| 1.                      | Fight for resources and higher job position                           |
| 2.                      | Conflict: Enchanted circle of revenge                                 |
| 3.                      | Gaining trust of third person for their own goals for higher position |
| 4.                      | Group of people taking power over another one                         |
| 5.                      | Fight with a newcomer to the family: son in law, daughter in law      |
| 6.                      | Sons, brothers or sisters fighting for the father's heritage          |
| 7.                      | Making different decisions and plan for the company                   |

**Table 2.** Positive and negative sides of family businesses

| Positive and negative sides of family businesses                             |  |
|--|--|
| Positive   | Negative   |
| Love, devotion, trust  | Leader's assumptions based on emotions                                       |
| Trust coming from the telepathic connections of the family members           | Risk of negative transfer from personal to public areas of interest          |
| Research and problem solving in private atmosphere                           | Making bad decisions based on emotions                                       |
| Sense of solidarity and devotion to mutual goals                             | Lack of skills necessary for successful accomplishment of working activities |
| Unselfish involvement of the personal and professional potential in the work | Bad meetings lead by the family heirs, and not from professionals (nepotism) |
| Specific organizational culture  | Danger of jealousy and family enemies  |
| Long term vision of the company's life cycle                                 | Devoting more time to personal than to professional business goals           |

It is easy to analyze the reasons for international wars, but the wars in the frames of the family are the most difficult ones. The difference between the real wars at the family ones is the lack of emotions. Emotions are uses as a very good weapon for manipulation. Because of them among the researchers there are two main streams. One emphasizes the positive thing in a family business like devotion; challenges, "money laundry machine", and the other one emphasizes the obligations and fears that brings along the family business (see Table 2).

Conflicts should not be seen and treated always as negative. We should not forget that some of them are productive and represent creativity engines for change in the organization.

### **FAMILY CONFLICT ANALYSES**

When making analyses of family conflicts it is very important to find the basic of the conflict and the conflict process; i.e. what kind of a conflict occurred and why. Often these two things are mixed, but anyway both of them should be analyzed.

Mainly as a **conflict bases** are the opposite interest of the family members or with other word different people want same thing or have same interest. More difficult win-lose situation. When analyzing the conflict if there is material background the solution

to the problem is easy. It is easier to financially divide the sides that are arguing that to call to their moral, ethics, principals and criteria for value systems. Financial division solves the problem easily and the work can continue without any problems.

But, not always the conflicts can be solved with money. When the problem is more than money, some personal connection, wish for authority and mistrust, the conflict is bigger and complex. Here the emotions take a big part, which makes it more difficult. Here the family businesses are the most vulnerable.

Mistrust in a person is created when he or she sets up unreal goals or is changing the decisions constantly. Once the trust is lost, it is very difficult to get it back – this sentence is often heard in family business but if the promise is not kept that the forgiveness does not come easily and it is a beginning of a family war.

Non-material conflicts of interest and mainly connected through emotions with the psychological elements of the person. In these cases, the individuals want to be the ones that are respected and loved more than the others.

Misunderstanding and conflicts between family members are hard to be accepted. It is not easy to lose a loved person, especially a relative (brother or sister). Emotional and ethical dilemmas are part of the family conflicts. That is a natural man's reaction, asking for forgiveness and reasons for the things done.

**The process of conflict situation** mainly starts with the opposite interest of two or more people. When these opposite sides will define their incompatible goals and explain to each other, they start to gain supporters on their side and they are thinking about resource division. The divisions created like cannot be easily outruned. In situations like this, the conflict becomes a conflict process and everything the company owns is divided to every party taking a part in the organization, and they continue to function separately. It is good to mention that this process is not harmful for the interested parties. They simply continue functioning separately. That should not be the end of the business.

## CONCLUSION

Family businesses are challenge for every entrepreneur. Learning family businesses, with all the positive and negative sides, enables the managers and brave entrepreneurs to solve the problems and to avoid the business traps.

- There is one question to be mentioned: *Family businesses YES or NO? or Will this effort be worth?*

Certainly YES! Conflict are present everywhere even in the family businesses. The professionals' competencies are needed to fulfill the work duties professionally and to avoid the risks that every business has. The positive side of the competencies is that that can be learnt through life and experience. That means family business is build and grows through stuff improvement, learning the pro and cons of the business, studying the techniques and tools for problems solution, just like every other business. That is the recipe for increased possibility for success and maintenance of the business and the organization. Positive emotional energy of the leaders of the family companies also plays a great role. Not only it is necessary to analyze the reasons for the existence of family business conflicts, but also it is necessary to learn and to apply the tools to avoid and solve the risk that are a black cloud for every organization.

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