

ОСОБЕНОСТИ НА РАЗРАБОТВАНЕТО НА УПРАВЛЕНСКАТА СТРУКТУРА НА СЕМЕЕН БИЗНЕС

FEATURES OF THE DEVELOPMENT OF THE MANAGEMENT STRUCTURE FAMILY BUSINESS

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Abstract: *The article discusses the family business in the model of family economy on the example of domestic and foreign experience. Explores roles and functions of family members on business management and describes the institutions of governance of the family business. Analyzes the problems of management of family business at different stages of development life cycle of an organization.*

Key words: *the roles and functions of members of the business, the governance structure of family business institutes family business management*

INTRODUCTION

Family Economics is a specific field of study and research, because economic relations are closely linked to socio-psychological relations. Active subject in the family economy became a family business in a variety of industries, including: and legal forms. And if for the traditional model of business management model of development and "disease" defined and described, the family business is problematic from the standpoint of the difficulty of separating personal and professional. Hence, the development of theoretical provisions of the management of the family business and their empirical testing are given particular relevance.

ANALYSIS AND OBSIDAN

Family firms are the backbone and main driving force of economic growth in many countries of the world with different types of economies, but they have specific features, therefore, face additional challenges compared to those faced by other legal entity.

Among the difficulties that may be obstacles to improving the effectiveness of business leaders "from the family" noted the state policy and regulatory issues, General economic situation, the continuity of generations, difficulties in attracting and retaining top talent from among the members of the family, subjectivity in management, and profitability of a business.

Owners in a family business have several roles and goals that sometimes lead to clashes of interests. For example, a decision to reinvest profits in the company instead of distributing it in the form of dividends may be differently perceived by different relatives depending on the functions they perform in the family business. The owner, who works in the family business, may agree with the decision, because he receives a salary from the company. This situation is different from the point of view of the owner, which does not work in the company and relies on dividends as their main source of income. Such owner is interested in higher and often paid dividends, it is not recommended for production, but only on the results.

Two different roles - Manager and owner of the business must be clearly delineated. Though the leaders of family companies in the first generation, and the company, owned by several generations usually come from a family, in most cases, the Board of the family company, which owns several generations, consists of persons who are not members of the family. These companies have better control than in the first generation. For example, in Bulgaria the share of the managers of the first generation is higher than in the Czech Republic and Hungary.

The situation usually is complicated when the family is growing and the role of owners, forms of incentives in the firm change. When a firm is at initial stage – the stage of the founder, there are few issues of family governance, because most of the decisions are made by the founder and family voice is still unified. Over time new generations and more family members will be involved in the family business. These implies the ambiguity of ideas and opinions regarding the business and define the strategy of the firm.

For a family consisting of several generations, a shared vision. You need to plan - how the members will grow and develop, and distribution of benefits and resources to their company? Young people need to be prepared for the role they will play in the family business, and most likely, starting with the basics of mastering the profession, and then management, as the

success of the business "depends on the knowledge, skills and competencies of hired staff"¹.

A study conducted by Bank Gutmann² in Austria, Bulgaria, Czech Republic, Germany, Hungary, Italy and Switzerland shows that in some key areas (succession, governance structures and family charters) there are significant differences between countries in Central and Eastern Europe and the countries of Western Europe. Thus, family firms from Central and Eastern Europe to achieve intensive growth must overcome:

- threats of continuity and overcoming of "the generation gap" (the degree of successful transition to the next generation is 30% - from the first to the second generation; 10% from the second to the third generation, 3% from the third to the fourth generation, and less than 1% in the fourth and fifth successive generations; the bulk of the family business is sold to legal entities);

- the lack of professional experience and skills in business (entrepreneurial families often have no training in such areas as Finance, law, marketing, are therefore forced to seek the assistance of business consultants);

- ineffective governance structure of family business (lack of clarity about the roles and responsibilities of family members and staff, family firms often lack long-term strategies and plans);

- the challenge of strengthening human resources capacity to use external managers (for first generation family firms are more difficult to attract top managers and senior executives outside the family than for the second and subsequent generations; it is difficult to find managers who will successfully manage the family business and at the same time to understand the goals of the family").

To bridge this "generation gap", both in economic and in emotional aspect the researchers offer some advice to the generation that passes away, and the business³:

- 1) exit - no need to go out of business, and founder, who has no plans to retire shall say to his heirs that his plan;

¹ Kyurova, V., D. Yaneva, Human resources – a tool for effective marketing policy of tourist enterprises, Economics and Management, 4, 2012, p. 58

² <http://economix.bg/samo-30-ot-semejnite-firmi-uspeshno-predavat-biznesa-na-naslednitsite>

³ <http://economix.bg/samo-30-ot-semejnite-firmi-uspeshno-predavat-biznesa-na-naslednitsite>

2) hobbies - founder, who has no Hobbies or interests outside of the business will be a problem for his successors, so he has no scope of application of force after the transfer of the business;

3) cooperation - to include the whole family in the plan of continuity, and explain that if a family wishes to benefit, the overall goal is the integration of business and its stability.

4) inheritance - the family business should go to children who work in the company, and to children who don't work for him you can leave other assets. Vital interests of these two groups will never be the same.

The problem of development of family entrepreneurship in Russia and in Bulgaria, still, is the uncertainty of the economic and legal status due to the lack of legal regulation of this form of business, as actually existing phenomena that creates a host of problems. Family business in Russia cannot be registered as such, so you have to use different legal structures and to apply to such business the General provisions and rules, while remaining consistent with the nature of family relationships in the field of entrepreneurship. Thus, family members have either individually to register as individual entrepreneurs and conduct business as partners, either to use "employer – employee", or to build relationships in the joint venture, one of the legal forms provided for legal entities, the rights of equity.

Since there is no legal basis for the opening and existence of the family business, there is no official statistics of this type of business, so it is impossible to give precise figures of the number of entrepreneurs who build their business on the application of labour, continuity and professional, skills and creative abilities of family members. However, it is impossible to deny the fact that in Russia there are a lot of legal entities that can rightfully be attributed to family entrepreneurship. According to the Ministry of economic development as of 01.01.2013 there are about 5.5 million small and medium-sized businesses that provides employment to 25% of the population. In this case, enterprises – legal entities in the sector of small and medium-sized businesses employ 12.2 million people (68.4%), individual entrepreneurs – 5.6 million people (31.6%). The number of individual entrepreneurs 4023,8 thousand people Total number of employed in private business (including sole proprietors and employees) is 5644.3 thousand persons, while 58% of them are employed in trade, and 25% in the service sector. And still topical question, what is in these numbers the share of family businesses.

In Europe, a quarter of the 100 largest companies are family owned, and a total of 100 million people on the continent are working in this kind of

business. Almost half of the companies in Bulgaria are family, and their share in the total turnover of all companies in the country is 20%. This is reported from the Association of family business in Bulgaria and the National statistical Institute (NSI). The largest share of family businesses in the sectors of trade, tourism and services, and the lowest in the financial sector. Bulgarian examples of successful large family business are agricultural "BG Agro", meat processing company "Tandem", in the field of construction "Galchev Engineering Group", "anemone", "Festa holding", "Interservice Uzunov", as a former privatization Fund "Industrial holding Bulgaria". Holding, "anemone" and "BG Agro" are public companies, but they can also be in the category family ⁴. In recent years, intensively developing tourism, particularly rural tourism with the construction of small family businesses and hotels (guest houses, the core of which is the creation of family businesses, often with the help of funding by European programmes or projects). "Well trained staff at all levels and in all organizations is a key factor for enhancing the development of rural tourism, to increase the efficiency of entrepreneurial activity, diversification and improving the quality of tourism products and services and increase of competitiveness of tourist enterprises and the region as a whole"⁵.

High uncertainty and instability of the economic environment, bureaucracy and corruption at all levels of management, high risk, unavailability of credit facilities, lack of government support for family business. All these factors not only hamper successful business development, but also cause the successors to the reluctance of entrepreneurs to continue the work of parents, and the parents are not trying to shift this heavy "burden" on children.

In Bulgaria the continuity between generations is important for the family business, but the problem does not arise so acutely, because the running of the family business very young. And those who created in the beginning of the transition or did not survive or develop due to other interests of the heirs, often completed their education and stayed abroad. Therefore, inheritance is a big problem, largely determined by the degree of development, market position and prospects of a particular family business that would motivate heirs to continue. It should be noted that although the

⁴http://www.capital.bg/politika_i_ikonomika/bulgaria/2011/11/07/1198447_nai-mnogo_sa_osemestnite_firmi_v_turgoviata_i_uslugite/

⁵ Kyurova, V., Problems of training and personnel training for development of entrepreneurship in rural tourism, Management and sustainable development, UF, 1-2, 2005, p. 444

intention of the majority owners of a family business is the transfer of the business to the next generation, it is considered that 70% of family businesses do not survive the second generation and less than 10% reach the third generation.

The lack of legal basis gives rise to the problem of supporting family business. On the one hand, to him, of course, you can use common mechanisms to support entrepreneurship. On the other hand, these measures are not focused on the development of family business and do not take into account its features. A solution to the issue of legal regulation has allowed to formulate within the Concept of family business development in Russia⁶ only intentions, but they do not become instruments of support and stimulation for the family, which could be developed taking into account legal bases and characteristics of family businesses and to increase entrepreneurial activity in the model of family economy. Among the declared intentions: to support the development of family business and farming, the need to create real conditions to combine parental and family responsibilities with professional activity, in particular, the development of individual entrepreneurship of parents and to support entrepreneurial activity of parents with many children and parents raising children with disabilities. Special emphasis is placed on teaching family members the basics of entrepreneurship and family business.

Researchers believe that more than 40% of the Bulgarian family businesses have to transfer your business to a new generation in the next five years. In most cases, the problems associated with the lack of preparation of heirs and difficult moment in which you receive the business management. When, however, the family business successful? The Bulgarian rassmatriwa some successful family businesses, it can be noted many common characteristics:

First, these families share a common mission, values and vision. They not only share them, but continue to 'burn' with passion and desire.

Secondly, successful family businesses have a well-defined and communicated (communication) to business practices, procedures and policies developed through collective contribution of all members.

Third, these families are looking for and try my hardest to achieve competence in communication and business skills that are the Foundation of true success.

⁶ The decree of the RF Government dated 25.08.2014 No. 1618-R "On approval of the "Concept of state family policy in Russian Federation for the period till 2025"

In Russian economic practice, there is no category "family business" and enshrined in law the legal form, although according to experts, more than 45% of small and medium enterprises operates in the format of family business. According to the results of independent research⁷ (with low sampling), in 2014 the growth rate of private and family companies in Russia meet world, however, Russian firms are set for more growth in the future. 72% of family businesses have grown over the last 12 months, 23% of family firms looking to achieve rapid and dynamic growth over the next five years. Obstacles to growth are government policies and regulations, economic situation, difficulties in attracting and retaining talent. For 2012-2014 family involvement in business has been significant. Almost 2 fold increase in the percentage of firms in which family members own shares in or are employed in non-senior positions. In addition, about 50% of the family business, operates in the "shadow economy", not showing your income. However, the lack of economic and legal status of family businesses in the Russian Federation does not allow to obtain a comprehensive view about the reference quality (e.g., motives, values, family business) and quantitative (volume of investments of households, labor, the share of turnover of products and services, effectiveness) characteristics.

In Bulgaria it is believed that family is the company, whose controlling stake is owned by the company founder, his heirs in direct line, spouse or spouse. And at least one of them must be involved in the management of the company. If it's a public company, the conditions are the same except that the stake must be at least 25% of the shares. The criterion for size in the family business is absent⁸.

Family companies in the Balkan countries develop mainly in the sectors "trade" and "services", commented for Bulgaria On Air consultant management Andrzej Schafernaker⁹. According to him, this percentage is from 60 to 70. He believes that the high concentration in these two sectors due to the fact that there is not require large capital costs for opening businesses, such as those in the industry. In addition, these sectors are most easily constructed or performed exemplary business model that implements professional or other qualities of family members, and does not

⁷ Private business focus: family and professional World a study of the private and family business // www.pwc.ru/fbs2014

⁸ Criteria what type of business was family where taken from the working group for consideration by the European Commission in 2009 and are common throughout the EU

⁹<http://www.investor.bg/novini/416/a/a-shafernaker-semeinite-firmi-na-balkanite-sa-osnovno-v-tyrgoviata-i-uslugite-159697/>

require capital-intensive investments and the adoption of unmeasured financial risk.

Schafernaker emphasizes that in Europe, about 60% of companies are family, whether large or small. They play an important role in the economy and account for about 40 % of the gross domestic product (GDP) of the country. Evgeny Kanev even claims that "more than 99% of companies are small and medium enterprises"¹⁰.

Analysis of the existing practices of the family business shows: business transfer by inheritance is realized through the succession policy, based on the transfer of business from one generation to the next within the same family. If the family business is to provide both value and a structured system of relationships in the family economy, income and not just a set of property having a value, there is a need to preserve this value within the family.

For historical reasons, 92% of family businesses in Central and Eastern Europe is still controlled by the generation of founders, what is the principal difference from the situation in Western Europe, where the founders of family firms control 71% of the companies. This means that the vast majority of entrepreneurial firms have not yet gone through the stage of preemstvennosti, i.e. not faced with the so-called "generation gap" mentioned above. It is expected that most family companies in Central and Eastern Europe will reach the "generation gap" almost simultaneously, and this in the very near future¹¹.

In this sense, family business is facing (or will soon face) with one of her biggest problems. The continuity of generations is a critical point and needs to be carefully planned. It can bring to the fore the old divisions between family members in connection with the future of the family business.

The continuity property gives all the heirs in equal ownership rights, in relation to the management of one of the most important criteria should be competence. In this sense, whether family companies in Bulgaria continue to increase their share and importance for the economy will depend on the stability of the family business and to meet the challenges of the

¹⁰ Kanev, E., Family-owned company has set the foundations of a market economy, <http://www.investor.bg/imenata-na-biznesa/107/a/e-kynev-semeinite-firmi-postaviha-osnovite-na-pazarnata-ikonomika-159512/>

¹¹<http://economix.bg/samo-30-ot-semejnite-firmi-usheshno-predavat-biznesa-na-naslednitsite>

business environment, which can motivate or demotivate the heirs to continue to do this business.

However, when it comes to expanding the family business, its future will depend on the chosen development strategy and how it fits in with local, regional, and sometimes global business environment. This process of constant adaptation to changes that will require training of entrepreneurs and managers of businesses (one person) or the separation of ownership and control by hiring professional managers, i.e. the transition to corporate rule¹².

Prerequisite is the determination of the optimal structure of corporate governance of the family business, which will bring discipline to the work of family members, prevent potential conflicts and ensure a continuous activity of the firm. Appropriate governance structure of family business will be mainly focused on: communicating the family values, mission and long term vision of the firm's activities to the attention of all family members; keeping family members (especially involved in the business) about the main achievements, challenges and strategic directions of the company; bringing to the attention of the rules and decisions that can have a negative impact on the employment of family members, the payment of dividends and other economic benefits they receive from the family business; the establishment of channels of business communication, which will allow family members to share their ideas, aspirations and challenges; enabling family members to come together and to take the necessary decisions. It's possible that sometimes restrict the relationship to competence to interfere with making the right decisions some of the problems. But, on the other hand, precisely because there is a high degree of confidence, quick decisions are taken, which are very important and necessary in times of crisis.

The main components of the governance structure of family business are:

- 1) a family Constitution which clearly sets out the vision of the family, its mission, values and policies governing the relationship of family members with the business;

- 2) family governance institutions (table 1), which may have different forms and purposes, e.g. family Assembly, family Council, and others.

¹²<http://www.investor.bg/imenata-na-biznesa/107/a/e-kynev-semeinite-firmi-postaviha-osnovite-na-pazarnata-ikonomika-159512/>

Table 1. Characteristics of the institutions of governance in the family business

Characteristics	Family meetings	Family congregation	Family board
Stage	1 – stage the founder(s)	2 – stage direct successors / 3 – stage successors in the third generation	2 – stage direct successors / 3 – stage successors in the third generation
Status	Informal	Formal	Formal
Membership	Usually open to all family members; additional criteria for membership may be determined by the founder	Usually open to all family members; family can be defined constraints	The family members, the voters selected on families by the Assembly; the selection criteria are determined by the family
Size	Minor, as a family-owned company is on a hundred-dia's founder; 6-12 family members	Depends on the size of the family and restrictions on membership	Depends on the Crete scenarios, set-governmental in relation to membership; 5-9 people.
The number of meetings	Depends on the stage of development of business when the business is growing quickly, can be done 1 time per week	1-2 times a year	2-6 times a year
Main activity	Information about family values and the vision of the future of the family business; discussion and generate new ideas on business management; training future business leaders	The discussion of ideas, disagreements, and vision; approval of bases-governmental policies and procedures family firms; training family members on matters of	The settlement of family disputes; development of bases for governmental policies and procedures family firms; planning; training; coordination of work with the highest of senior

Characteristics	Family meetings	Family congregation	Family board
		business; election of members of the family Council and other family institutions	management and the Board of Directors, regulation of the balance between the interests

The development of a governance structure will contribute to the mouth-identification of trust between family members (especially between involved-forming and were not involved in the business), will bind the family together and thus, will increase the survival and competitiveness of family firms.

CONCLUSION

Family firms are a key source of growth for the national economy, and despite the challenges that entails complex geopolitical situation, the results confirm that most family businesses around the world have shown steady growth. Many of them expect that this growth in the next five years not only continue but will be quite intense and dynamic.

Tools for development of family entrepreneurship should be to intensify scientific research in this area and adequate public policy, mandatory the definition of the economic and legal status of family business, for lack of which it will remain only in the format of self-employment, and will not be able to perform important socio-economic functions of the family in the model of family economy.

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