

РУСКА И БЪЛГАРСКА РЕАЛНОСТ В РАЗВИТИЕТО НА СЕМЕЙНОТО
ПРЕДПРИЕМАЧЕСТВО

RUSSIAN AND BULGARIAN REALITY THE DEVELOPMENT OF FAMILY
ENTREPRENEURSHIP

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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. Examines the functions and types of family businesses, given the stage of the life cycle and characteristics of family business management. Focuses on the prospects and problems of economic and legal status of «family business» in Russia and Bulgaria.*

Key words: *family economics, family business, type of family business, characteristics of family business management*

INTRODUCTION

Family Economics is a specific field of study and research, because economic relations are closely linked to socio-psychological relations. The subject of family Economics is, the family in the form of a social community, formed by ties of kinship, marriage, parenthood, based on various formal and informal norms. Family economy is characterized by the absence or limited use of hired labour, reciprocal and long-term support, extended family consumption, monetary and non-monetary evaluation of action, love relations and responsibility to the children and parents, the inheritance relationship¹. Interest in the development of entrepreneurship in different countries is actualized due to the fact that in the current unfavorable economic situation of family entrepreneurship can be considered as a resource of development of national economies.

¹ Volkov, D. A., Socio-economic aspects of management of family business in the Russian Federation: author. dis. candidate. Econ. Sciences. M., 2011. p. 29

ANALYSIS AND DISCUSSION

The family as a subject of Economics and business is a form of property and financial institutions, credit and distribution community, including formal and real. She owns the major resources and production assets, the capital that accumulates and retains, organizes and invests. It is crucial for a class of family members and their professional identity, of status and position. Largely the family is the basis and mechanism of integration of its members into the real system of production and distribution, consumption.

Family entrepreneurship is considered to be the most common form of business, dominant in quantitative terms in the countries with developed market economies². Family firms are the oldest and common form of business organization in the world, and in some cases may be centuries old entrepreneurial tradition. In many countries, family firms represent more than 70% of all companies operating in the market, and play a key role in the country's economic growth and increase jobs. In Spain, for example, approximately 75% are family firms, their contribution to gross national product on average is 65%. The situation is similar in Latin America, where the contribution of family businesses to GDP is about 60%.

Still the family economy was not considered as an alternative resource for the development of entrepreneurship in Russia. The transition to a market economy led to a rise in the unemployment rate, and so the family business can become the most important economic function of the family, welfare and income. Care in family entrepreneurial activities of former employees creates a shortage of manpower and specialists in the production, which impairs the development of industry in the country. But low wages and poor working conditions, and provoke the creation and development of family entrepreneurship. In most cases, family business activity is based on trade, as a consequence, most of the subjects are cut off from the domestic production, which in the current economic situation is unacceptable. When you open a family business you need to understand that there are both advantages and disadvantages of family businesses and are there any prospects for doing the family and the national economy. As the older generation and the young people, EN masse ready to conduct

² Kalendzhyan, S., D. Volkov, The development of the family entrepreneurship in Russia, Economic policy, 5, 2011, p. 148-154

business activity with a favorable business environment and transparency of its organization.

In the Bulgarian economic practice, the family in marriage, and particularly family without marriage (partnership) is not only a restricted area of society and the sphere of free intercourse, a kind of protected legal space.

In Bulgaria a distinctive feature of the family is that it acts as an integrator in the economy, the initiator of productive labour, capable to carry out the priority for families and economic activities. Along with this, the family is the primary motivator for economic activity: economic initiatives, employment, professional development, commitment to career and status achieve success.

Family integrator and motivator so family members could personally contribute (in accordance with their age, strength and individual capabilities) to maintain the house and family, inheritance, property and business, protection of capital and wealth. In addition, for shared care of older and younger generations in the family with special needs in certain periods of life. It is about making people feel productive member of society in his role of father and mother, grandparents, a worthy heir and successor, a son or daughter, which store and multiply family wealth - tangible and financial position, the status and prestige of the family, professional and property.

Economic and business functions of the family are multifaceted. They need to be considered and analysed based on the three main levels of society: micro, medium and macro levels. The micro-level, when it comes to the individual, the family and related environment on their property and financial well-being, their professional and institutional status, their social and economic capital and its use. Medium level - professional, territorial and ethno-national community in the structure of society and the features of generations, of continuity and of reproduction in terms of the community. The macro-level, when it comes to human resources and the labour force in the economy, the aggregate productivity of public works, the civilian masses of people in potential and real economic entrepreneurship, the demographic crisis as the brake of economic development of the country.

In Russia is economic isolation of the family (the family is considered as a "socio-economic cell"³), and the change of property relations and forms of management, reduced income family members or instability create

³ Rusakova, Z. K., I. V. Lavrenteva, Family business and development of the reproductive economy, Journal of Russian entrepreneurship, 1 (175), 2011, p. 10-15

preconditions for occurrence in many families as an independent business. The economic function of the family is gradually transforming, and begin to dominate the business over consumer interests.

Studies show that the Bulgarian economy needs a workforce that is of sufficient quantity and quality – staff educated and experienced, cultured and educated, and integrated serializerbean, public motivirovannymi on work, are able to work productively in the rational organization and use of modern communications. However, critically there is a growing number and percentage of the population of all the generations that refuse to work, are in the class and the community is unproductive and only consuming population, and in extreme cases actively parasitic groups (none of the family works, just waiting for social security benefits). So by the end of 2015, about 2 million young people neither worked nor went to school. Such a model of behavior that characterize a professional deformation of young people, and supported by family members of older generations.

The demographic crisis also leaves its mark. There are "problem" families who have critically reduced the fertility rate to one child, or family, or remain childless. 10% of families are joining the flow of emigration, when destroyed ancestral memory, because the families of the intelligentsia and middle class do not have time to transfer to the younger generation their experience, encouraging their social integration, stability, occupation-status professions, the development of an integral personality and ambitions achieve your goals. Conversely, when the other 10% of families, representatives of Merchiston groups, condemn their children for ignorance and illiteracy, anti-social behaviour and parasitism, deviation and crime, marginalization and social exclusion.

Many researchers have noted that families in Bulgaria are the owners of a significant part of financial capital in the economy, including, "black and grey". This capital is a capital investment in the business (companies and corporations) primarily and partial capital, loans, etc. Also indirectly through Bank savings, investments in education and high employment, through participation in social campaigns aimed at improving public health workforce.

Data from a representative national survey of ASSA-M (2004, 2006, 2008) showed that about 12% of families have their family business, specializing in the sphere of material and non-material production. In real terms, is about 300 thousand families and more than 1 million people. Among the population that has a family business, about 85% are personally involved in it. Thus, the bulk of the family labour occurs in the "gray" sector,

most family members are working in part-time employment and without registration of labour relations.

The crisis shows that the family business is quite resistant to all financial and economic disasters. Research of the National Institute of statistics, commissioned by the Association of family business in Bulgaria, this type of business is in crisis not only survives, but even shows some growth, approximately 1/5 of the total volume of production in the country. In addition, about 30% of jobs in the private sector are also provided by family firms.

Family business invests its own capital, which ensures long-term development of any company, rarely count for credit, which contributes to its greater independence from financial shocks. Statistics show that the Bulgarian family business is concentrated mainly in trade, services and tourism. In second place are the production, agriculture and trade.

However, in family businesses there is a problem inherent only in it. This is a problem of heredity, i.e. how to preserve your business for future generations. Problems with the heirs of business empires, regardless of size and scope, and stand in front of the Bulgarian entrepreneurs. That is why the older generation are trying from a young age to interest their children in the business, the arising tasks and ways of their decisions, to hide the fascination of the business processes and satisfaction with their success⁴.

Family firms can be small and medium-sized enterprises and large companies operating in most sectors of the economy. Examples of known family businesses include: Salvatore Ferragamo, Benetton, and Fiat Group (Italy); L'oreal, Carrefour Group, LVMH, and Michelin (France); Samsung, Hyundai Motor and LG Group (South Korea); BMW, and Siemens in Germany; Kikkoman, and Ito-Yokado (Japan); and finally Ford Motors Co, and Wal-Mart Stores in the U.S., where the number grew to 20 million

Sole proprietorship – a one-man business, or private property of the family, which usually included two to five people (relatives). The owner has the material resources and capital equipment necessary for production activities, and the owner personally supervises the activities of the enterprise.

The main advantages of family businesses that used family in foreign economic practice, and who can successfully practice in Russia and Bulgaria:

⁴ Almost half of business in Bulgaria is a family / citizen of the world // the Portal on tourism and leisure. Available at: www.findbg.ru

- 1) rapid opening of the enterprise (the legal process is simple and registration does not require large financial and material costs);
- 2) freedom and autonomy when making the decision;
- 3) high adaptation in the market, especially at the stage of the final product (for example, the owner may provide the customer with personal service, while the products of the large enterprise is always standardized, and the end product required by the consumer, individual);
- 4) highly motivated to work effectively (the owner takes all in case of success, or risk losing everything in case of failure);
- 5) high cohesion of the team (employees of the organization, usually linked by family ties);
- 6) the possibility of saving on overheads and the cost of the workplace;
- 7) the possibility of obtaining assistance from the state because the state is interested in developing such business as the sphere of self-employment.

While there are certain advantages of family businesses that denote some limitations:

- 1) the financial resources of the sole entrepreneur, as a rule, insufficient for the growth in large enterprise and family business often lacks funds;
- 2) the owner must be a universal employee (to perform all the main decisions: buying, selling, the attraction and maintenance of staff), to pay attention to the technical aspects arising from the production, advertisement and distribution of products);
- 3) a sole owner is subject to unlimited liability (individual entrepreneurs risking as assets of the company and their own personal).

In fact, approximately one third to three quarters of family businesses in the world or become bankrupt or sold by its founders during the period of possession by the firm. Only 5-15% of family firms pass into the hands of the descendants of the founders in the third generation. Hence, family business is not attractive to outside investors because there is a high risk of loss of capital – if a change of ownership, as a rule, the business "dies".

Family entrepreneurship is a format that usually is on the verge of self-employment and microbusiness or small business. In this regard, the support of a family business is a direct way to simultaneously support and people who can't find the application of their labour under the employment

relations and small business, the dominant components in the number of entrepreneurs part of the sphere of small and medium-sized businesses⁵.

Popular activities in family business are:

- small-scale retail Commerce, usually specializing on a limited list of commodity items;
- services, particularly consumer services of the population;
- various cottage industries;
- some specialized activities that are available in the family business in mind common interests, the same specialization of family members, the succession of generations with transfer of skills, knowledge, traditions, "family matters" and which can be successfully implemented only with the joint business;
- creative activities, including based on the principle of collaboration or division of labour to create works;
- folk crafts.

We describe the basic model, which is generalized life cycle of a family business⁶: 1 – stage the founder(s); 2 – stage direct successors; 3 – stage successors in the third generation. The model allows to make an analysis of the three stages of development of family entrepreneurship, she does not claim that all family firms necessarily go through all three stages. For example, some firms "disappear" at an early stage of its life cycle due to bankruptcy or absorption by another.

The first stage is a family-run business is in full ownership and management of the founder. Most founders try to get advice from business consultants or business partners, but most of the business decisions they take themselves. Stage is characterized by the commitment of the founder to the success of the firm and the line management structure. Overall stage involves a limited number of issues related to corporate governance, in comparison with the next two hundred Diame, due to the fact that the control or ownership of the company is in the hands of the same persons, the founders. The main question addressed in the current stage is the presence of a succession plan for senior managerial positions. To ensure that a family business could survive and move on to the next stage, the

⁵ Kozlov, V. A., Family policy in the Russian Federation: the levels of responsibility, implementation and financing: author. candidate. Econ. Sciences, M., 2011, p. 27

⁶ The IFC manual on management of family companies, Washington: international Finance Corporation, 2008, p.64

founders must take the necessary efforts to succession planning, as well as to begin preparations for the next head of the company.

The second stage – at this stage, leadership and ownership passed to the children of the founder (s). Depending on how the family members involved in firm management issues in the second stage tend to become more complicated. A brief list of problems faced by family firms at the stage of direct successors, shall include the following: the maintenance of harmonious relationships between siblings, formalization of business processes and procedures, establishing efficient communication channels between family members and ensure succession planning of management positions. According to PricewaterhouseCoopers, only 4% of family businesses in Russia and 16% of non-family firms have developed a succession plan.

The third stage – the firm management becomes more complicated as the family members, directly or indirectly, engage in business, including children, brothers and sisters, cousins and sisters and parents of spouses. As many of them belong to different generations and different branches of the family, they may have different views on governance and development strategy of the company. In addition, any conflicts that existed between brothers and sisters during the previous stage, can be transferred to the stage with his cousins and brothers and sisters. At this stage there is the greatest number of problems associated with family control. The most common problems faced by family firms at this stage are issues such as recruitment of family members the rights of family members, liquidity of capital, dividend policy, role of family members in the business, resolving family conflicts, business vision and mission members of the family.

In table 1, below, summarizes the key issues and challenges of corporate governance faced by family firms in the process of its development.

Table 1. Corporate governance issues at different stages of development of family business

Stage	The List of problems that need solutions
1 – stage	founder (s) of transfer of leadership; succession planning; the pattern of distribution of inherited property
2 – stage direct	successors maintaining teamwork and harmony of relationships; preserving family property; succession planning; education and training successors

Stage	The List of problems that need solutions
3 – stage	successors in the third the generation of a distribution of capital of the firm (dividends, loans and levels of income); liquidity of capital; the settlement of family disputes; participation in business and the role of family members; the vision and mission of family members; the relationship of family members with the business

Source: IFC Guide on the management of family companies. Washington: international Finance Corporation, 2008, p.64

Each stage involves different problems and issues, provided proper management, can ensure the continuity of the family company. The most successful family companies in the development stage thanks to the huge efforts of the founder, as he is involved in all aspects of the business. However, in the longer term, it is necessary to create appropriate structures and governance arrangements that ensure effective channels of communication and clear definition of roles and expectations of each family member involved in the family business.

CONCLUSION

Family entrepreneurship is a resource for the development of the national economy and the sphere of stable employment for the working-age population without age restrictions.

Unavailability of inclusion of youth in entrepreneurship is the result of inefficient family policy, which leads to passivity generations.

Key development challenges of family business are: 1) lack of an enabling external environment for its maintenance (imperfect legislation, complex schema support, corruption, complicated procedures for obtaining licenses and permits, lack of own capital for a full launch activities, etc.); 2) the absence of developed and evidence based effective models of management and succession of family businesses.

The study and correlation of the Russian and Bulgarian practice development family (individual) for entrepreneurship, the optimal projection stages of its development and the parallel solution of key problems of family business development will contribute to the development of this layer in the national economy.

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