

ANALYSIS OF THE STATE OF FAMILY BUSINESS IN BULGARIA

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Abstract

The present article is focused on the state of family business in Bulgaria. The aim is to analyze and evaluate the state of family enterprises in comparison with the total number of enterprises in Bulgaria for the period from 2015 to 2017. In order this to be made, statistical data from the National Statistical Institute and in particular from Infostat is used. The methodology of the study includes the use of statistical methods, such as observation, comparison and grouping, analysis and synthesis. Tabular and graphical methods are used for the illustrative visualization of the results. The role and importance of the family business in the country's economy are also presented in the article. On the basis of the analysis and evaluation of the results obtained, conclusions are made.

Keywords: family business, analysis, evaluation, role, importance

JEL Codes: M21, M29

ROLE AND IMPORTANCE OF THE FAMILY BUSINESS

The family business is a particular form of business organization characterized by some differences from the other economic entities. In this regard, the family relationships between the employees are important for the family businesses. Exactly these relationships increase the company's internal trust and create preconditions for successful business ventures. Investments in the creation, support and development of more family-type enterprises will contribute to higher level of added value and stability in crisis situations in the economics.

In the scientific literature, family business is considered to be the oldest and the most widespread form of business in the world. According to Gabbs,

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family companies are "as old as the world". However, "they have given us countless examples of success stories and to this day they continue to prove their exceptional economic strength" (Gabbs, 2007, p. 9).

Family business is a major source of economic growth and prosperity in every society. Its role and significance stems from the fact that this business holds an essential place in all sectors of the economics. It is even defined as a "vital force", mainly because of the high share of family-owned businesses (Family-Owned Businesses, <http://www.referenceforbusiness.com>).

This business also contributes to the socio-economic and social development at local, regional and national level. The opinion of D. Yaneva is that the family business, including hotel industry, supports the development of the local labor markets creating employment for the local population (Yaneva, 2013, p. 34). In this regard, the family business plays an important role for the formation of the gross domestic product. At the same time, it contributes significantly to the employment growth and the opening of working places. Also, according to the researches the small business, including the family business, are identified by the United Nations and the International Labor Organization as one of the strategic directions to fight poverty (<http://www.budgetrf.ru/Publications/Magazines/VestnikSF/2005/vestniksf278-26/vestniksf278-26130.htm>). At the same time, family business is also one of the main priorities in the policy of the European Union. Moreover, thanks to this business more than 60 million working places have been opened in the European Union. Furthermore, employment of 40% - 50% of all employees has been provided (Standpoint of the European Economic and Social Committee on "Family businesses as a source of renewed growth and better jobs", 2015, p. 3, <http://www.europeanfamilybusinesses.eu/>).

Clarifying the issue of the status of the family business has both scientific and practical significance. In support of this is the opinion of A. Crosby who states that family companies are at least 70% of all companies in the world, and in the East this figure reaches 90% (Crosby, 2004, p. 27). K. Allen's opinion also emphasizes the importance of family business and adds that family companies are important for the communities and regions where they operate because:

- » focus the attention to the formation of loyal users;
- » participate more actively in the public life than other types of business;
- » have a culture of shared values in the community;
- » focus on long-term goals, and this in turn leads to greater stability for the whole community (Allen, 2007).

In addition, it is important to emphasize that the role and importance of the family business is also determined by the fact that it is regarded as an essential basis for training successful entrepreneurs. This importance is due to the fact that the family business develops an entrepreneurial spirit and a new business culture. This is also the point of view of Panikkos, Smyrnios and Klein, who argue that "earlier definitions of family business refer to ownership and continuity, while more recent ones focus specifically on family business culture" (Panikkos, Smyrnios, Klein, 2006, p. 167). In support of this is the opinion of Popova that family business as a form of organization and implementation of product decisions has one strong advantage - the strength of family values, spirit and culture, which interacts with the members of a family in their circle (Popova, 2018, page 1-2, https://ejournal.vfu.bg/pdfs/D.%20Popova_2018-e-journal.pdf).

The contribution of the Bulgarian family business to the development of economic processes in the country is significant. Proof of this is a study by the National Statistical Institute, which shows that the added value that the family business in Bulgaria adds to the GDP for the country is 10.5%. Also, the family business in Bulgaria has a significant share in the turnover of all companies in the country, and namely 12.42%. The result of the operation of this business is the relative share of the investments made, which represents 16% of all investments in the country. In addition, the family business provides employment for more than 1/5 of the working people in Bulgaria (www.nsi.bg).

At the same time, opportunities for quick decision making, flexibility, and thinking for the business in a long-term perspective are very important for the progress of the family business. A distinguishing feature of family businesses, such as the mastership, is one of the conditions for maintaining high quality, which is also a guarantee for business success (Madgerova & Kyurova, 2014, p. 6). Moreover, for the future development of the family business, especially in the sector of small and medium enterprises, it is necessary to ensure the effective solution of one of its most complex problems - the interweaving of economic and family interests and the achievement of a balance in family-business relations in regard to the fulfillment of the economic role of the company and the social role of the family (Madgerova & Kyurova, 2014, p. 8).

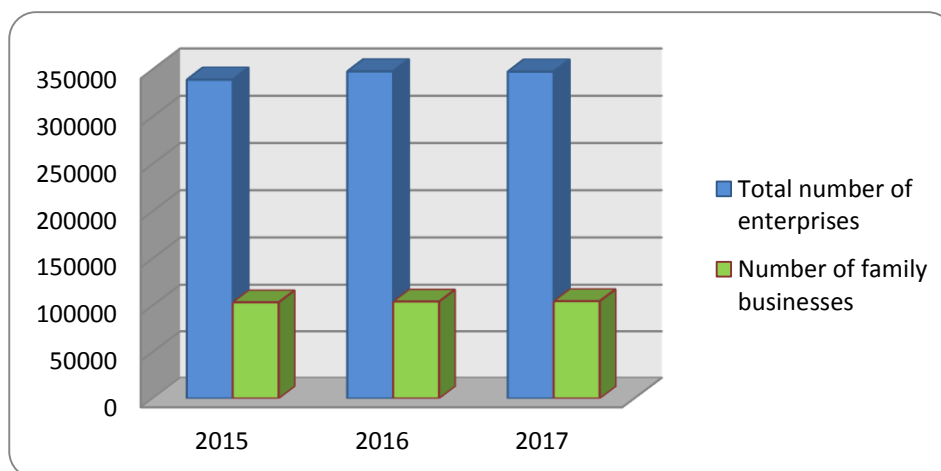
MATERIAL AND METHODS

Statistical data from the National Statistical Institute, and in particular from Infostat, are used to achieve this objective in the development. Data processing, analysis and evaluation were performed using statistical methods.

ANALYSIS AND DISCUSSION

For the purpose of achieving a more profound and precise discussion of the issue, we consider it important to outline the profile of family business. According to the latest data from the National Statistical Institute (through the INFOSTAT program) in 2017, about 105 thousand family-type enterprises operate in Bulgaria, and compared to 2015 they have increased by 1219 companies (Figure 1). Family companies represent 30.5% of all companies in the country in 2015. There is almost no noticeable change in the ratio between the number of family-type companies and the total number of enterprises in the country over the next two years. During the mentioned period, the companies in the country have grown by 8555. Of these, 14% are family businesses.

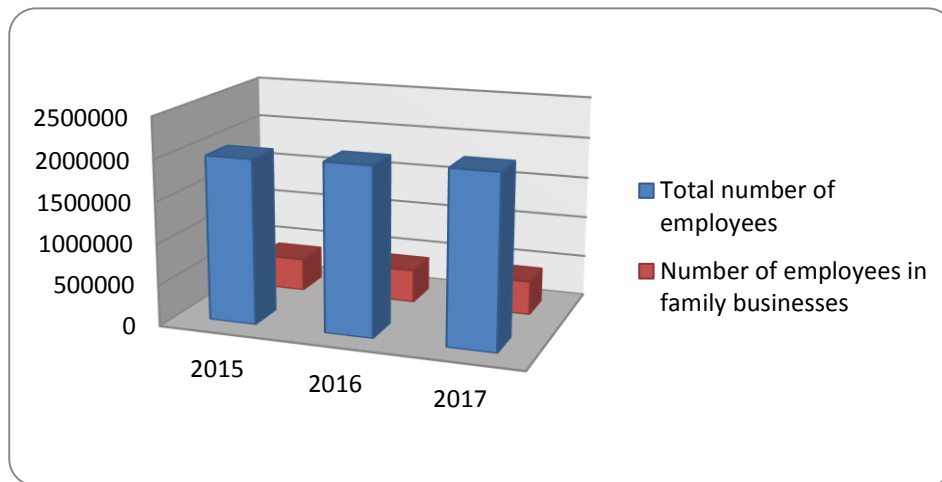
Figure 1. Number of enterprises in the Republic of Bulgaria for the period 2015-2017 - total and family-type enterprises



Source: composited by the author according to NSI, 2019 (www.nsi.bg)

According to the research done by the authors, it shall be noted that in 2017, the family business provides employment to almost 415 thousand working persons. Their number increased by 15 417 between 2015 and 2017, which is an increase of 3.8%. In 2017, 21% of those employed persons in the family business are owners and members of their families. The absolute number of workers and employees for the period from 2015 to 2017 increased by 7720 (Figure 2).

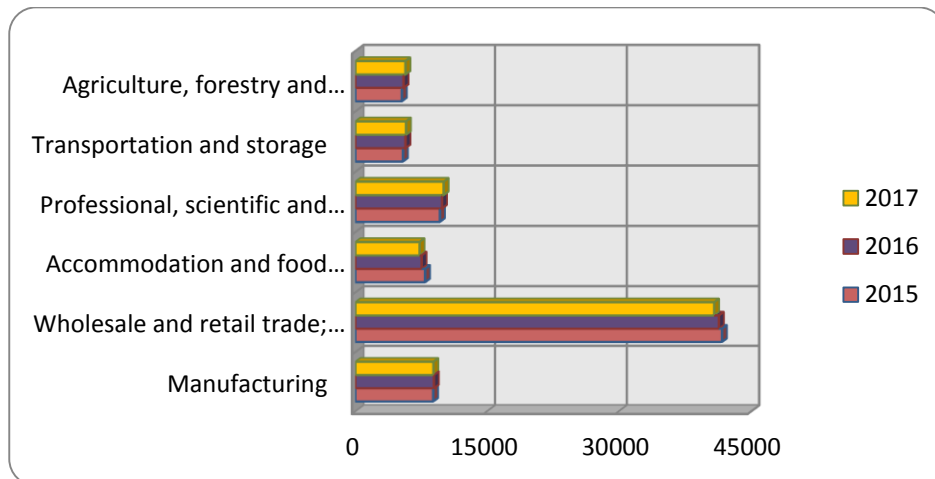
Figure 2. Number of employed persons in Bulgaria for the period 2015-2017 - total and by family companies



Source: composited by the author according to NSI, 2019 (www.nsi.bg)

The empirical study made by the authors regarding the structure of family business by economic sectors in Bulgaria is of interest. There is a positive trend in the presence of family business in all economic activities and sectors of the economics. After a survey of family business by fields for 2017, it was found that almost 40% of companies are in the field "Trade; repair of cars and motorcycles" (Figure 3). The opportunities for entry into this market sector are high, but the risks to a small family business are quite high. Large points of sale take a big share of the market, and accordingly, the majority of the consumers prefer to shop everything they need from one place. Although new family companies are being created constantly, for the research period, the enterprises in the sector "Trade; repair of cars and motorcycles" are decreased by 885. The number of employees in the trade is over 126 thousand (39%), which shows a serious share in the family business (Figure 4). For the period under review, the number of employed persons has increased by 1.1% or exactly by 1396 persons.

Figure 3. Structure of the family business of the six economic sectors with the largest number of enterprises for the period 2015-2017

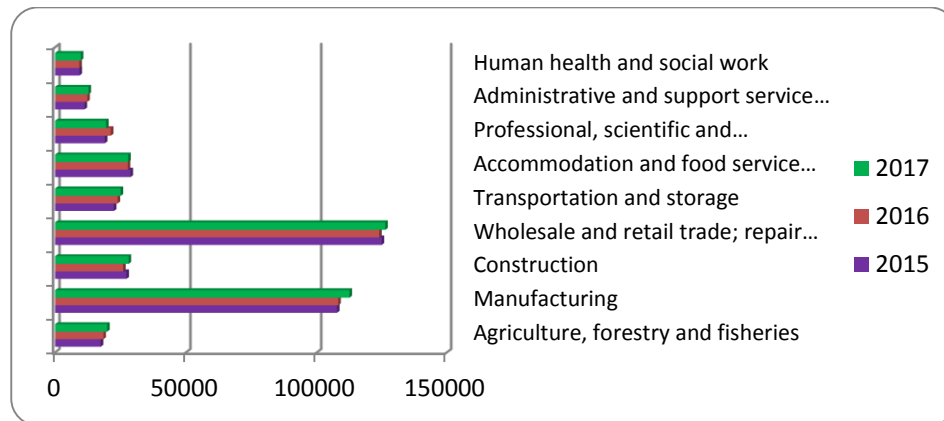


Source: composited by the author according to NSI, 2019 (www.nsi.bg)

The survey results show that the companies in the field of research and professional activities are in the second place in the sectoral structure of the family business. In 2017, they were 10 045 in number or 9.6% of family businesses. They include family micro enterprises of artificers and craftsmen. The employed persons in this field are 4.7% or almost 20 thousand persons.

Third in proportion are ranked family-type companies operating in the processing industry, or exactly 8879 enterprises. It is interesting to note that their employment exceeds 112 thousand persons, which represents 27.14% of all employed persons. This means that there are more medium and large family enterprises in this sector. Family business in economic sector “Hotel and restaurant industry” is ranked only fourth, with only 7% of active companies. This sector, together with the Construction sector, shares the third place regarding the number of employees for the survey period (Figure 4).

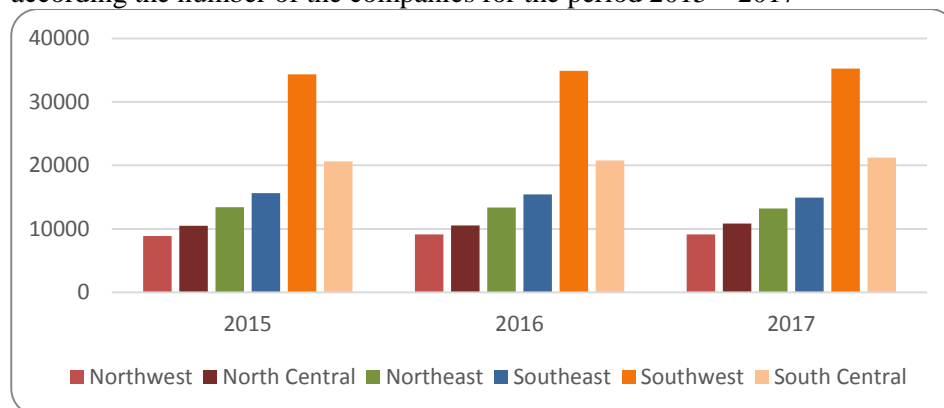
Figure 4. Number of employees in the family business structure by economic sectors



Source: composed by the author according to NSI, 2019 (www.nsi.bg)

Of interest is the distribution of family business by region in Bulgaria. In this regard, the data in Figure 5 show that in 2017, most family companies operate in the Southwest region, followed by South Central, and at least in the Northwest. The study conducted by the authors found that during the examined period between 2015 and 2017, more than 700 family-type companies were closed in the Southeast region, while in the Southwest region they were 2.7% more than at the beginning of the period.

Figure 5. Distribution of the family business by statistical regions (NUTS 2) according the number of the companies for the period 2015 – 2017



Source: composed by the author according to NSI, 2019 (www.nsi.bg)

In respect of the number of employed in family business by economic regions, it is necessary to be noted that their number is highest in the Southwest region but the highest share of increase during the examined period belongs to the employed in the South Central region. There the absolute amount of the increased number is equal to 6030 persons. In the Southeast region there is a tendency for dismissal of employees with more than 4000 (see table 1 in details).

Table 1. Distribution of the number of employed in the family business by statistical regions (NUTS 2)

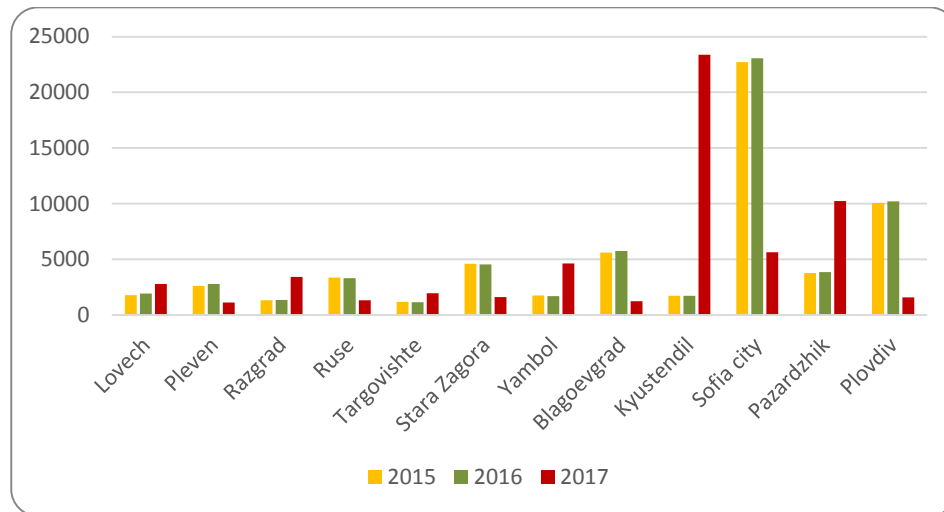
Year	2015	2016	2017
Total for the country	399414	402852	414831
Northwest	35175	37015	39036
North Central	44292	44852	47512
Northeast	53281	53202	55799
Southwest	59703	57276	55616
South Central	124999	127923	128874
Southeast	81964	82584	87994

Source: NSI, 2019 (www.nsi.bg)

Figure 6 illustrates the distribution of the family companies by regions in Bulgaria and in which regions it is noticed significant dynamics of the number of enterprises during the examined period. The comparative analysis for the same period in comparison with the other regions and in the same time the relatively unchanged number by regions in the country shows that the family business has changed its address registration. It is very interesting the increase of employees in the same dynamics and regional direction.

According to the authors, the significant dynamics in the number of companies in nearby regional towns, such as Kyustendil and Sofia-city, Pazardzhik and Plovdiv, Yambol and Stara Zagora, and other towns, is caused by the fact that in the small towns the employees have lower standard of life, respectively lower salaries and lower costs which attracts the companies. In this way they reduce the costs and decrease the unemployment in the smaller towns. On their part, the family enterprises support the prosperity of the small towns thanks to the examined mobility between the nearby regional centers. They open new working places, develop different economic activities and encourage competitiveness in the regions.

Figure 6. Distribution of the number of companies from the family business by statistical regions (NUTS 3) for the period 2015 – 2017



Source: composed by the author according to NSI, 2019 (www.nsi.bg)

It can be also paid attention to the fact that Kyustendil is closer to the frontier region in comparison with Sofia which predetermines the connection and the relations with the neighbouring countries and the European projects in a purely economic aspect. In the same train of thoughts, Plovdiv and Pazardzhik are defined as future industrial regions for the country. The fact that the employees in Pazardzhik receive lower salaries than those in Plovdiv again suggests the reason for the change of the address registrations of the companies of family type.

The results of the survey show that in order the national economy to function successfully, it is important the share of family companies in the country, as well as the significant number of employees in these enterprises. In connection with this, the stimulation of the family companies is of great importance because the family business has a great quality relating to the combination of its three basic directions – ownership, family and business.

CONCLUSION

The thorough study of the analysis and the evaluation of the status of the family business in Bulgaria furthers for the right determination of the direction of development of business. The dynamic and unexpected changes of market

environment impose the optimal using of the available resources in business, creation of added value and last but not least is the achievement of competitive advantages.

On the basis of the analysis and the evaluation of the status of family business in Bulgaria, the following conclusions can be made:

» during the examined period it is noticed a tendency relating to the increase of the number of family companies which on the background of the dynamic changes in the economic life and in the same time the number of bankrupted family enterprises is brought as a positive trend;

» it is proved the increase of the number of employed people, hired workers and employees in family enterprises;

» there is a positive dynamics in the structure of the family business by economic activities and sectors;

» in respect of the distribution of the family companies by regions, it is proved the unprecedented change of the address registration.

The importance of the family business relates to the provision of employment, market flexibility, acceleration of the local, regional and national development, entrepreneurial spirit and new business culture, as well as provision of development of civil society. The family business is accepted as a foundation of the middle class and it represents a traditional way for the carrying out of economic activity.

Although that the Bulgarian family business functions in almost all sectors of economy, it is necessary to be understood the need of support on behalf of the country for the development of this business. Unconditionally, without the state assistance the formation of economy in which the role and the importance of family business are analogical to those in the countries from the European Union is impossible.

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