

## Do growth aspirations go hand in hand with succession solutions in family businesses?

M. Duh, P. Tominc and M. Rebernik

University of Maribor, Faculty of Economics and Business Maribor, Razlagova 14, 2000 Maribor, Slovenia

### Principal Topic

The purpose of our research is to establish if growth ambitions of entrepreneurs in family businesses go hand in hand with succession solutions. We are focused especially on transition countries, where the studies on this topic are very rare; the main reason being that the private enterprises were outlawed during the era of a socialist economy. But the social and economic changes in the Eastern Europe in the 1990s have created an opportunity for the rebirth of entrepreneurship and family business development. Within transition countries we focus particularly on the case of Slovenia that is one of the former socialist countries where the possibility to establish private enterprises was opened in 1988. Even though the importance of family enterprises has been proved by numerous researches we still cannot answer the question, what is a family enterprise, since there is no universal definition of it. In our paper we therefore pay also a special attention to the appropriate definition of a family enterprise in transition countries. One of major problems that family businesses are facing is the transfer of ownership and management to the next family generation (succession in management and ownership). While significant research efforts have been devoted to the topic of succession in countries with the tradition of entrepreneurship and market economy, very little is known about how family enterprises in transition countries are coping with the succession problem, even though according to experience from established market economies it shall become a serious problem.

On the other hand a firm's growth is regarded as a key to economic development and to the creation of wealth and employment. While there are some researches on performance and ambition contrasts between family and non-family enterprises (in developed market economies), there is no report on differences about this issue between family enterprises that have gained succession solutions with comparison to those, that have not. The growth aspirations in our research were assessed by analysing the entrepreneur's anticipation of an increase in the number of new jobs, while the potential of his/her businesses to grow was based on his/her opinions about the creation of new markets and market expansion with innovativeness of their products/services, and regarding the innovativeness of the technology used.

This paper therefore attempts to make three main contributions with providing clearer insight into: (i) succession issues in family businesses, (ii) entrepreneurial growth aspirations of entrepreneurs in family businesses and (iii) the impact of unsolved succession problems on ambitions of entrepreneurs to grow their business in future in transition countries in general, with particular focus to the case of Slovenia

### Methodology/Key Propositions

The main data source for our study was a telephone survey of 350 small and medium sized enterprises in Slovenia that took place in October 2004. For obtaining population estimates the 95 % confidence intervals were calculated. For testing the differences in case of two independent samples (family enterprises that have gained succession solutions with comparison to those, that haven't), the t-test and  $\chi^2$ -test were used. The general criteria for accepting the hypothesis that differences exist was the statistical signification at the 5 % level ( $p < 0.05$ ; two-tailed).

### Results and Implications

After comparing various definitions of a family business we established, that the involvement of a family in the ownership and management, and perceiving the enterprise as a family one, are the most important characteristics of family businesses in Slovenia (and also in other transition countries). Furthermore our research shows that a high proportion of family enterprises in Slovenia (as well as in other transition countries) are going to face the problem of succession in the near future. Transitional post-communist economies are

dominated by family enterprises which are controlled by the founding generation. Owners-managers (founders in the majority of cases) are getting older and have almost no previous succession experiences. They have almost no possibilities to share the succession experiences with others, since the majority of their colleagues' owners-managers are the founders (not successors).

Results of our research also suggest that anticipation of an increase in the number of new jobs is on average higher by entrepreneurs in family enterprises that have gained succession solutions with comparison to those, that haven't. On the other hand the creation of new markets and market expansion with innovativeness of products/services and the innovativeness of the technology used are very modest and almost in the same proportion by both groups of family businesses.

**Contact**

Mojca Duh. University of Maribor, Faculty of Economics and Business Maribor, Razlagova 14, 2000 Maribor, Slovenia.

(T) 386 2 22 90 253, (F) 386 2 25 16 681, Email: [mojca.duh@uni-mb.si](mailto:mojca.duh@uni-mb.si)