

STRATEGICAL MANAGEMENT OF FAMILY BUSINESS

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Abstract

Family businesses have recently become a subject of particular discussion, theoretical and empirical analysis among scientists. It shows they have considerable impact on the worldwide economic development. Family businesses take an active part in all areas of life and human activity. Although they constitute a major part of the sector of micro, small and medium companies, many of them work also among big enterprises.

Therefore, the main purpose of this article is explanation of strategical management of family business. It also provides characteristics of family business, explains the essence and elements of strategical management and contains an analysis of managing family business in Poland.

In the analysis, the results of research from the report “Future competences in family businesses 2017”. The report is the first report concerning that kind of research conducted by Fundacja Firmy Rodzinne (Family Business Foundation) in cooperation with Pekao Bank. One of the aims of the research was, among others, to identify the differences concerning the strategic fields of management between leaders of family managements and other family companies. The results of scientific research indicate that strategic management in family business requires focusing on many aspects e.g.: workers, managing the company, clients, finances and new technologies.

Key words: business strategy, family business, strategical management

JEL Code: L26, L29

Introduction

Family business is an organisation which is associated with diligence and thriftiness of its owners, at the same time, it is a basis for fairly completed work and high quality of offered products. Such an enterprise is an important contribution to the market economy. It should be noted, that in such a case we cannot mention only the business function, because there is an inter-relation of two spheres: family and business, and inter-relation of private and professional roles.

The primary objective of this article is to discuss the strategic management in family business. In the first part of the paper the characteristic of family business is presented. In the last part of the paper an analysis of managing a family business in Poland has been made. In the analysis were presented and discussed the results of research from the report "Future competences in family businesses 2017" (Kompetencje przyszłości w firmach rodzinnych 2017).

Management of enterprise that enables its long-term development and, in consequence, economic success is particularly important in volatile conditions. This is the reason why an owner of family businesses, apart from operational activities, more and more often takes strategical issues into account.

The aim of the test as well as the article itself is to raise awareness of hundreds (perhaps even thousands) family entrepreneurs, wondering how to successfully operate their companies through next generations. "Future competences" can certainly enable them to achieve this objective.

1 Characteristic of family businesses

Family companies constitute most widespread form of business operation in the world. They also constitute a strong basis of world economy. They face major challenges as they shall solve all issues concerning management and handle with questions resulting from its specificity (Poza, Daugherty, 2013).

There are many definitions of family business in the literature on the subject. Their common feature is, first of all, connecting the family sphere with leading the enterprise within those companies. Thanks to the fact, that the formal criteria of distinguishing family businesses have not been established so far, in that category are contained heterogeneous entities in organisational, legal, proprietary terms or concerning different sizes of businesses.

Family business is described as an entity, in which spouses or next generations manage the company and participate in the process of generating profit and incurring losses. They also transfer the family culture on the organisational culture of the company, social behaviours of family members are transferred onto the company's ground, the family business's status determines the position and status of the family (Sułkowski et al., 2009).

Family businesses have been present in the international economy for a long time. First of all, they create a natural form of family and local business, which under favourable conditions have been developing and lasting over many generations. Estimates concerning the

number of family businesses in Poland and in the world have been discussed by many scientists. Nevertheless, populations of these companies constitute even till 90% of every operating companies in the world.

Family businesses are very diverse as regards sector, size, experience, development origin, prosperity and market position. There are many differences, but also many similarities. The family spirit is such a feature, which stands out. It also shows that family managers have similar values. In situations, which are difficult for the companies, the entire family tries to solve the problem and save the enterprise. In such cases none asks about vacation or salary.

Family and the company are undoubtedly two spheres which intermingle. One may risk a claim that operating such family businesses is harder than operating any other business. However, in such a situation every family tries to find their own ways of operating their businesses (Kogut, 2017a, p. 220).

2 Characteristic of strategic management

Strategic management started to develop after the end of the Second World War. The growth dynamic of post-war businesses forced the managers to detailed planning of all undertaken measures which run far into the future. The key factor influencing the development of management is ongoing globalisation process, which forced the companies to compete with the entities from the entire world (Krajňáková, et. al., 2016, p. 224). Another important factor which influenced the process of strategic management is diversification to activities. Innovative companies operate on many markets, often not connected to each other, which forces a comprehensive approach to the management.

Strategic management is a subdiscipline of management and, at the same time, has a multidisciplinary character because it integrates expertise in various fields, including, first of all, economy, finances, marketing, sociology, psychology, anthropology and many others. It also requires different theoretical research perspectives.

According to one of the definitions, strategic management deals with important, intended and revealed initiatives, which have been undertaken by company's management on the behalf of their owners, using resources, in order to strengthen the position of the company in its external environment, including the improvement of its outcomes (Nag, et al., 2007, pp. 935-936).

Undoubtedly, a normal expectation towards strategic management will be pointing out the best strategy, which can be applied in a given company and business conditions. This

raises the question of how to define the best strategy? It shall be assumed, that the best strategy realizes as closely as possible the management's aims, which in turn represents the owners' aims. Thus, the best strategy is the one which the most effectively realizes the aims of owners.

Strategic management is a process, which consists of three stages such as: analysis, planning and management. Strategic management is a process directed, first of all, on changes in a company's environment. Its essence relates not only to actions, which are necessary for achieving the strategical aims, but also to ways of thinking about management in field of its particular functions.

It shall be recalled that in a modern economy, success is achieved by innovative companies, which are capable of overcoming stereotypes and shaping the needs of clients. Conservative companies will reach worse results because of not adapting the strategies to new realities (Wolak-Tuzimek, 2016, p. 2058).

The economic strength and growing social relevance of family businesses in Poland require in-depth empirical research to capture their specific characteristics, against non-family businesses of similar size and profile. Family business is the area in which relationships and family goals meet those that are specific to the business. Obtaining information on the relationship between family ties and the functioning of an enterprise is not easy (Marakova, et al., 2016, pp. 92-93).

3 Methodology and data

Although many publications regarding family businesses were published (see de Massis, Kotlar, 2014, pp. 15-18). "Future competences in family businesses 2017" is the first report concerning that kind of research conducted by Fundacja Firmy Rodzinne (Family Business Foundation) in cooperation with Pekao Bank. The report from research is based on the results of a quantitative survey conducted in the form of computer-assisted telephone interviews (CATI) on a sample of 202 family businesses. They have been chosen among companies, which have been using the tree sign „Family Business”, which has been made available free of charge by the Foundation after the verification of the applicants. Telephone interviews were conducted on 19-21 January 2017. It should be noted that the test has been divided into two segments: the one concerning leaders of family managements and the other concerning other family companies. One of the aims of the research was, among others, to identify the differences concerning the strategic fields of management between these two groups.

The paper addresses the following research questions:

1. What are the biggest differences between leaders of family managements and other companies concerning the strategic management?
2. Which field of management are ascribed the highest rank according to family entrepreneurs?
3. Which values concerning business management are ascribed the highest rank according to family businesses?

As a result, the following research hypotheses have been formulated:

H1: Within strategic fields of management the key role between leaders of family managements and other family companies are, first of all, finances.

H2: Family entrepreneurs ascribe the highest rank to the field of management which is called relations with clients.

H3: The value, which is mostly regarded by the leaders of family businesses, as well as, by other companies, and which concerns the management of the enterprise is professionalism (wider: Daspit et.al., 2017, pp. 6-29; Chrisman et. al., 2017, pp. 171-186).

4 Managing famil business in Poland

In the report “Future competences in family businesses 2017” have been showed, among other, the differences between leaders of family businesses and other companies in a given fields. To the field of strategic management have been included (Kompetencje przyszłości w firmach rodzinnych, 2017):

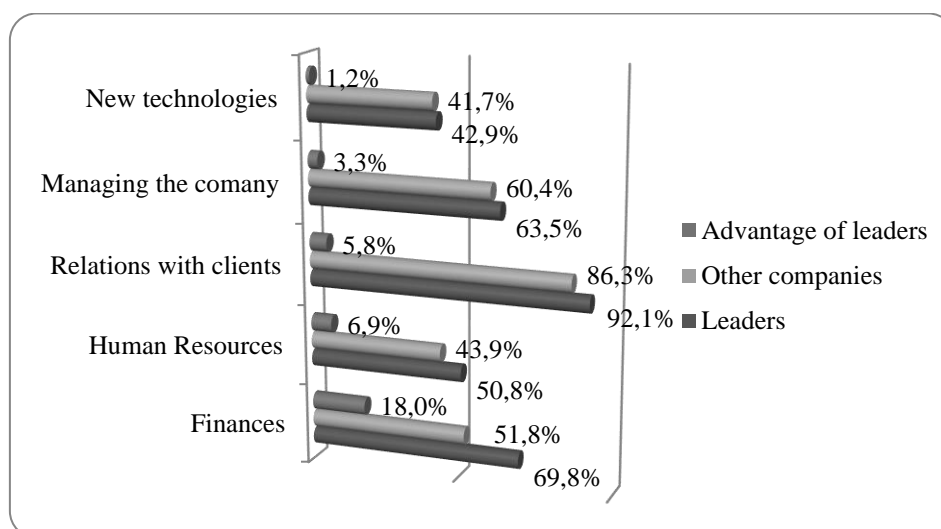
- human resources – the recruitment of staff, maintaining a workforce, motivating, team work, trainings, developing staff competences, etc. (Kogut, 2017b, p. 130),
- managing the company – defining the strategic aims of the company, planing the development of the company, prioritisation of tasks, cooperation of departments and sections, etc.,
- relations with clients – understanding the needs and expectations of clients, building long term relationships with clients, building a brand, using differentiated communication channels to contact the clients, development on new product, geographical markets, etc.,
- finances – measurements of the efficiency of the company, financial planing, current financial management, risk management, etc. (Lament, 2016, p. 1033),

- approach to new technologies – concentrating on the balanced development of classical technologies, well-organised manufacturing processes, replacing people, basing the future of the company mainly on new technologies.

In Figure 1 have been represented differences between leaders of family businesses and other companies concerning strategic management, and the percentage of companies which declare high or very high level of acquiring competences. Thus, in a group of leaders, the percentage of companies which highly or very highly evaluate their competences in the field of finances is 18% points higher (18 pp). On the second place in this summary are human resources. Here, the advantage of leaders concentrates on the value 6,9 pp. On the third place are relations with clients (advantage 5,8 pp).

Taking into account, that in relation to the entire study group this field has been evaluated as one of the weakest, it should be assumed that an appropriate approach to HR actions can be an essential factor which distinguishes companies achieving over-average results. Interestingly, it should be noted that new technologies have been pointed out by the lowest number of responding companies in the group of leaders, as well as, in the group of other entrepreneurs.

Fig. 1: Differences between leaders of family businesses and rother companies concerning strategic management

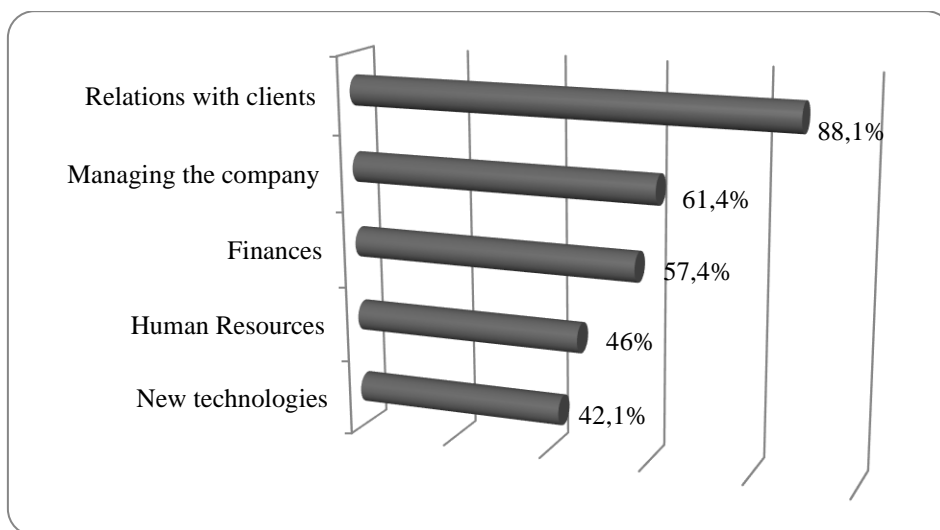


Source: Kompetencje przyszłości w firmach rodzinnych 2017

In Figure 2 have been represented quantities describing the percentage of family entrepreneurs who highly or very highly evaluate their competences in the field of

management. Research has shown that family businesses according to their own evaluations are best at dealing with relations with clients. Till 88,1% of respondents evaluate themselves highly or very highly. Managing the company is on the second place with the result 61,4%. However, high self-evaluation concerning competences in the field of human resources and new technologies has been made by a significantly lower number of respondents – below 50%. This may indicate that family businesses have not been opened to different innovations in the field of possessed intellectual capital or development of technologies, yet.

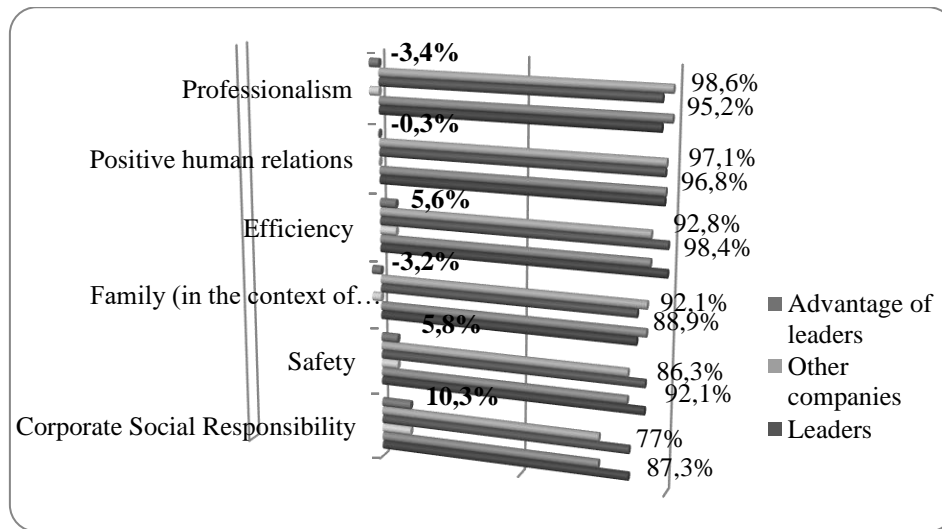
Fig. 2: Family entrepreneurs who highly or very highly evaluate the competences of their companies in particular fields of management



Source: Kompetencje przyszłości w firmach rodzinnych 2017

In Figure 3 have been presented the hierarchies of values of family businesses. Among shared values in both study groups professionalism has been awarded the top ranking. However, the differences between the companies should also be taken into account. In this context, the biggest difference concerning the evaluation of oneself by both groups concerns the social responsibility of business (Kogut, 2016, p. 198), which is 10,3 % points more often pointed out by other firms. Next, with the advantage of less than 6 pp is safety and efficiency.

Fig. 3: Hierarchies of values of family businesses



Source: Kompetencje przyszłości w firmach rodzinnych 2017

Concluding, the results of the research confirmed the truth of the three hypotheses and indicated that managing family business in Poland is quite a challenge. It is important to reasonably organize the actions and concentrate on strategic fields. These fields include, first of all: human resources, managing the company, relations with clients, finances and approach to new technologies. The company's strategy and management have a big influence on the development and competitiveness of family business (see Tomski, 2016, pp. 438-442). The results of the test have confirmed the correctness of three hypothesis.

Conclusion

Summing up, strategic management in family business requires focusing on many aspects. These aspects are: workers, managing the company, clients, finances and new technologies. It is very well showed by the research in which competences of leaders of family businesses and other companies in these fields have been compared. The research shows that:

- in the field of strategic management, the key difference between leaders of family business and other family companies are, first of all, finances. This difference is quite big, and it amounts 18% points. On the second place are human resources (leaders' advantage is less than 7 pp) and on the third place are relations with clients (less than 6 pp),
- family entrepreneurs highly or very highly evaluate competences of their companies in the field of management called relations with clients. This field has been pointed out by till 88,1% of entrepreneurs. It is worth to mention, that new technologies and human

resources got the result below 50%. This may indicate that family businesses have not been opened to different innovations in the field of possessed intellectual capital or development of technologies, yet.

- the value, which has been mostly evaluated by leaders of family businesses, as well as, by other companies in managing the company is professionalism. 95,2% of leaders have pointed out this answer. However, 98,6 % concerned other companies. The biggest difference in evaluating oneself by both groups concerned corporate social responsibility, which has been pointed out by leaders 10,3 pp more often than by other companies.

It is very difficult to succeed without the support or at least acceptance of the society. At some point of company development, the value of a good employee cannot be overestimated. An employee, who does not feel the acceptance of the local society for the company, in which he is employed, will not be a creative and satisfied. Therefore, it is crucial to support people, who co-create the company. It should not be performed only in a direct way - by creating a good atmosphere at work.

The maintenance of employees, the recruitment of new staff, HR management – all of these seem to dominate in the responses of the surveyed family businesses and support positive image of family companies as with a human face. However, focusing only in this area may ultimately turn out to be the weakness of companies. In this context, the results presented in the article confirm the data concerning the digital transformation in the UE Member States. Unfortunately, findings do not put Poland in a positive light (see: Digital Economy and Society Index – DESI 2017). It is plain to see, that Polish family businesses focus mainly on the management, finance and HR, but do not devote enough time to competitiveness in terms of digital competences.

The results of the research may in some way make the aspiring entrepreneurs aware that in order to achieve success, instead of using shortcuts, they should focus on work at the grass roots.

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