

# FAMILIAR BUSINESS MANAGEMENT AND ITS INFLUENCE IN STATES ECONOMY

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## **Abstract**

Familiar business constitutes the most old and dominant form of the business organisation. Familiar Business play a very important role in states economy because its development is directly connected to the economic development.

It's a fact that most of the familiar businesses are short-time business, because their founder interrupts the business administration, around 95% of the familiar business fails and it does not outreach the third generation of the owners. As a result for this it is often the reason that the next generation it is not well prepared with the growing business demands and with the growth of the number of the family.

In this research I will try to give you the answers for the following questions:

- ✓ How can familiar business increase their probability to survive?
- ✓ Are the business manager ready to accept changes in their business management?
- ✓ How will these changes affect at the familiar business development?

Basic aim of this paper is to analyze and determine standby capability, benefits and costs of all family businesses in change management style from classic to creative management style helping motivate staff working in the enterprise.

In this research I will also try to give theoretical and practical values, that can be very appropriate for the managers of familiar business, that I hope will help in their continuous business development.

I will also present different business management practical methods, that can be practiced in Kosovo's business, so this way the business can go toward a long-termed certain future affecting this way in states economic development.

*Keywords: Management, Economics, Family, Business, Family business.*

## **Familiar Business**

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Familiar business makes up the most dominant and the oldest form of business organization. Familiar business is created long time ago as a need of human kind for life insurance and the increase of familiar prosperity. Even now the development of familiar business is playing an important role in the economical development in every country. (Ademi, 2008), says that 85% of all business in the world are familiar business. This shows us the importance of this business in the economical development and annual incomes of the country.

The majority of western places has separated Familiar business as a special category and they are taking care toward increase and business development. Many different authors have talked about what should we call Familiar Business.

According to (Bowman-Upton, 2000), its difficult to define familiar business. She says that: Familiar business is that kind of business where the main part of wealth, is in the hands of a family which has at least two family members connected directly with business.

(Kër ini, 2008), defines familiar business as a company in which the members of the family are involved directly in its ownership and its function. The nature of this involvement is different.

A particular business is noticed if its a familiar business, when its passed from one generation to another. Alot of succesful companies in USA have started and in alot of cases continue as familiar business. These kind of succesful stores are Wal-Mart, Ford motor company, Levi Strauss & Company etc.

### **Familiar business managment**

Familiar business as any other form of succesful business must be planed,organised,leaded and controlled. It is known that till the creation of familiar business, the head of household or the family member who decides to create a familiar business, will go through many difficulties, starting from the collection of financial resorts that are needed to open the business and till the location and the adequate activity to start the work.

During this stage, the manager of familiar business must take important strategical decisions and analise well the situation of the market, to avoid risks that can be caused by the new competition or from actual businesses, because it happens that in most cases,all of the familiar savings are invested, with the purpouse of earning and increasing familiar prosperity in the future and the business failure it is not overwhelmed easy.

In Kosovo the majority of companies are familiar businesses and there work two or more family members. The company is managed from the head of household or from another member of family, who is older and all the decisions about the company are decided by he personally, respecting this way the oldest person according to albanian habits. But this doesnt mean that the head of the household has always skills to manage the business and thats often the reason why businesses might fail in Kosovo. With the increasment of the company, business activities become more difficult and we have a more formal structure of managment, a decentralized process to make decissions, so this way a qualified managment body becomes necessary, to deal with the complication of the business and with the activities that every day become more challenging. Unfortunatly, many familiar businesses ignore the need

of professionalism of their business and they save their old positions of management for their family members. Even though many of those familiar members have management skills that provide value to their business, they are often not qualified for such tasks.

Now we live in a period when we have scientific-technical-technological development and it is almost mandatory that every company must have a trained and skilled manager to lead the company that our companies to become competitors both inside and outside the country, affecting this way in the quick development of the country.

### **The strategic planning of the familiar business**

For a familiar business to become successful, its manager must have a strategic plan and must moderate and create discipline, that he would not allow even himself to break it. He should research all the time about the opportunities of business development or about the opportunities of opening a new business, always trying to combine the activities that are only needed in a particular season, this way when the prosperity from one activity decreases the other activity will increase them.

In order to have success familiar business must build a leading structure, through which they must build trust among family members and the family must be united increasing this way the chance to develop the business quickly. During the time and with the family growth, the manager of familiar business must start to think which one of the family members is more adequate to take the lead of family business management. It must be mentioned that not all of the family members want to work at the familiar business and it often happens that a young member of the family remains in business only because of the family or because of the opportunity that it is not given to him to find a job that he would like to do.

During a conversation with some managers and employees of familiar business I noticed that these members in particular who do not work with pleasure often become “squabbling apple” affecting this way directly in the business performance. The other barrier is also the way of giving orders from two or more family members, affecting this way in the demotivation of employees who often are stuck in a position that don't know how to react till the family members comprehend.

To avoid this situation familiar business must form a decent set of rules for all family members that like to work in the business and also for external employees. In this set of rules must be described correctly all kinds of services and works that are required to be worked from the manager to the employees, family members or not. This way employees will be oriented toward their work and it is easier for them to report directly to their manager for the result of their work.

### **Familiar business and the creation of new positions at work**

There are evidences that familiar businesses can be divided as small and medium businesses that have a higher norm of creation and bankruptcy, which is reflected in the number of new positions and the number of firing employees. In general it is valued that the number of new positions at work created from family business is higher than the number of firing as a consequence of bankruptcy of these businesses, so the creation of new positions at work is positive.

Even according to this fact in Kosovo the degree of unemployment is still very high. This must be a motivation for the Kosovar businesses, to create adequate conditions and to motivate the new entrepreneurs affecting this way also to the increase of the number of the employees and also in the increase of states incomes.

To improve this situation in quicker steps (Kristo, 2009), says that the government must create conditions also for foreign investors as an important way according to which the unemployment can be decreased in particular regions of the country where it will be invested.

### **The inheritance of familiar business in Kosovo**

It often happens that a successful familiar business to fail after another member of the family takes the lead to manage the business. This happens because it is not planned in time which one of the family members has skills to manage the business after the death or the retiring of the owner. To avoid this phenomenon many experts advise is that to have a successful transfer, it is recommended that the owner should leave the business for a particular part of time, and then to value how has the business functioned during his absence.

In Kosovo in many business the changing of manager from the older to the new one happens in spontaneous way always favorizing the oldest member of the family after the parent or the creator of the business. During the visits of some managers and creators of familiar business I noticed that some of them don't want their children to work in the activity they are in. This as a reason that they are not pleased with the earnings that they have achieved with that kind of business and they want a better life for their children, and by not motivating them all the time to think how to develop more and more the existing business.

(Ademi, 2008) recommends that it must be done everything that the children and the all family members to love their family business, to be motivated to finish the adequate education for their business, to work if there is a possibility in similar business and not giving them directly higher positions only because it's your child, but to be prepared and to earn practical knowledge to lead the business, because when their time of management comes, to be a successful leader of their business and to achieve increment.

### **Conclusions and Recommendations**

In the ending of this scientific research that has to do mostly with the management of Familiar Business in Kosovo, I will give some recommendations, which I think will contribute in the development of these businesses and the economical development of the country. The problems about the familiar business in Kosovo are different starting from the businesses which don't have the brave to change and advance through the creation of the management structure and till the managers that don't prefer for their children to continue their familiar business.

To avoid these problems and to increase the probability of the survival of these businesses, the actual managers should think as soon as possible for the future heir and to start to prepare him in different forms by helping him to earn the trust of other family members and the staff. They should motivate the heir to finish the education and different trainings so that he could be very prepared for the leading of the company and to have knowledge and different experiences of the management.

The management shouldn't be given to the member who is not ready and who doesn't have business management skills only because the family likes him. It must be mentioned that the most successful leader is the one that is promoted gradually from the lowest position to the point of management, because he knows how every position functions and knows what he has to ask and not ask the employees.

The costs for the preparation of the future manager aren't small, but they must be calculated from the business as a development long term investment.

I think that familiar business as in many places in the world, also in Kosovo, must be divided in special categories of businesses and to have a special training from the state because it is known that a main part of the state's income comes from exactly this category.

Another barrier for the familiar businesses are also the high interest fees from commercial banks, which directly affect in the financial of these business and they make it more difficult the development of them. I think that the state must fix the actual situation in different forms. This adjustment can be done through fiscal politics, by decreasing the tax, by removing the customs barriers, by protecting the productions of familiar businesses from imports, by motivating the opening of new businesses and by arranging the not loyal competition.

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