Some Aspects of Business Ethics in Family Enterprises in Slovenia

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At the most basic level a family enterprise may be defined as an enterprise, which is controlled by members of a single family. But family enterprises are not homogenous. They vary in terms of degrees of family involvement. The research cognitions described in the present paper show that 30.9% of the observed enterprises face strong influence of the families through the ownership as well as management of the enterprise.

The main purpose of our paper is therefore to better understand the association between the degree of involvement of a family in ownership and management of a family enterprise and the business behavior of family enterprise in different business situations. The main data source for our paper is the survey of 350 SMEs in Slovenia.

Overall findings suggest that enterprises, characterized by a high degree of family involvement do not differ significantly from the firms that are characterized as non-family ones, regarding the total sales revenues, economic efficiency, value added per employee, export orientation and cooperation with large companies. The same goes for firms characterized with a low degree of family involvement. It is very likely, that in the present state of development of family firms and market economy in Slovenia, the degree of family involvement is not crucial for business behavior and business performance regarding the variables analyzed. Several extensions of our research are also proposed.

Key words: Business ethics, Family enterprises

Nekateri vidiki etike podjetja v družinskih podjetjih v Sloveniji

Družinsko podjetje lahko opredelimo kot podjetje, ki ga obvladujejo člani družine. Vendar pa družinska podjetje niso homoge-
na skupina podjetij. Razlikujejo se glede na stopnjo vključenosti družine. Po rezultatih raziskave, ki jo opisujemo v prispevku, je v 30,9% proučevanih podjetij prisoten močan vpliv družine z lastništvom in vodenjem teh podjetij. Glavni namen prispev-
ka je zato razširiti razumevanje povezave med stopnjo vključenosti družine v lastništvo in management ter obnašanjem dru-
žinskega podjetja v različnih poslovnih situacijah. Glavni vir podatkov je bila raziskava 350 malih in srednje velikih podjetij v Sloveniji. Rezultati raziskave kažejo, da se podjetja z visoko stopnjo družinske vključenosti v podjetje bistveno ne razlikujejo od nedružinskih podjetij, in sicer ko gre za proučevanje razlik v poslovnih prihodkih, uspešnosti, dodanih vrednostih na zaposle-
nega, izvozi, usmerjenosti in sodelovanju z velikimi podjetji. Enaka ugotovitev velja tudi za podjetja z nizko stopnjo vključeno-
sti družine v podjetje. Glede na trenutno stanje razvoja družinskih podjetij in tržne ekonomije v Sloveniji stopnja vključeni-
osti družine v podjetje ni ključnega pomena za obnašanje in uspešnost podjetij (z vidika analiziranih spremenljivk). V prispevku predlagamo tudi smeri nadaljnega raziskovanja.

Ključne besede: etika podjetja, družinska podjetja

1 Introduction

At the most basic level a family enterprise may be defined as an enterprise, which is controlled by members of a single family. Numerous attempts (especially in developed market economies) to define a family enterprise are found in the literature; we pay attention to this issue also in our research carried out in Slovenia. We assume that some characteristics of a family enterprise in transition economy are different from that in developed market economy.

Family enterprises are not homogenous. Empirical researches have revealed that, among others, family enterprises vary regarding the degree of family involvement in

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ownership and management. Family system forms fundamental principles, values and norms that influence culture and business ethics of a family enterprise. It may be expected, that the degree of this influence varies regarding the degree of family involvement in ownership and management. Business ethics in our paper is understood as the system of norms and rules that had to be followed, especially by the management.

Main purpose of our paper is to better understand the association between the degree of involvement of a family in ownership and management of a family enterprise and the business behavior of family enterprise in different business situations. The main data source for our paper is the survey of 350 SMEs in Slovenia.

The paper is structured as follows: in the third chapter the literature review is presented regarding the importance, characteristics and definitional problems of family businesses in developed market economies as well as in transition countries. In the fourth chapter business ethics in family businesses is discussed. In the fifth chapter hypotheses are formed, while in the sixth chapter data collection and methodology used are presented. After findings in the seventh chapter, conclusions are presented in chapter eight.

2 Literature review on family enterprises

Although family businesses are no doubtingly considered as a very important part of economies – this holds for developed market economies as well as for transition countries – there is a lack of consensus regarding the definition of a family enterprise. In the literature three main streams regarding this issue may be found (Sharma 2004): articulation of multiple operational definitions of family enterprises (for example: Westhead and Cowling 1998; Astrachan and Shanker 2003), development of scales to capture various types of family involvement (for example: Astrachan et al. 2002) and the development of family firm typologies (for example, Sharma 2002). The focus of most of these efforts has been on defining family enterprises so they can be distinguished from non-family enterprises. None of these articulations has yet gained widespread acceptance.

However, while differences between family and non-family business have been explored (for example: Jorissen et al. 2005; Westhead and Cowling 1997; Klein 2000b), it should be recognised, that family firms are not homogeneous. Empirical research has revealed that family enterprises vary in terms of degrees of family involvement (Westhead and Cowling 1998; Sharma 2004). Three key issues have been frequently utilized when describing family involvement (found in the literature described above): (i) whether a single dominant family group owns more than 50 percent of the shares in a business, (ii) whether the firm is perceived by owners/managers to be a family one and (iii) whether a firm is managed by members drawn from a single dominant family group. These three issues are also used later on in this paper with the purpose to analyse the strength of family involvement into the family business.

At the heart of this issue is whether family business entrepreneurs will place family concerns over business success or growth. Ward (1987) contends that they differ with respect to their inclination to pursue a business-first or a family-first philosophy. Dunn (1995) formed a model to analyse and categorize family enterprises. The model provides insight into the source and effect of family values and family dynamics on business growth and development. Although the sample used in the research was very limited, it could be estimated that business-first firms were more likely to possess the attributes needed for growth. Similarly, Singer and Donahu (1992) identified two distinct types of family businesses: the family-centred business, where the business is the way of life, and the business-centred family, in which business is a means of livelihood.

Ward (1987) suggests that family-oriented enterprises will be rather rigid and will centralise decision making, with family members taking the most important decisions. Donckels and Froehlich (1991) claim that such enterprises will be more stable than progressive and more conservative about growth. While Hoy and Verser (1994) point out that strategic planning in family firms is complicated by the overlapping needs of family, management and owners, Ward (1987) stresses that, since planning is associated with change and risk-taking, family-oriented firms will also fail to make strategic plans.

Moreover, it is very likely that family dynamics change over time. In the first generation, the owner will probably also be the founder, issues of survival and growth will dominate business decisions and family involvement may be rather limited. As the enterprise matures, the family may turn its attention to support increasing number of siblings in a business (Gersick et al. 1997), and enterprises may focus on family objectives to a greater extent than previously (Dyer and Handler 1994). There is some evidence, for example, that first generation enterprises in the UK are less pro-family than subsequent generations (Cromie et al. 1995).

Regarding studies on family enterprises performance and their comparisons with non-family enterprises Westhead and Cowling (1997) call attention to the fact that there is little consensus about the “best” indicator to accurately capture the performance of small and medium-sized enterprises among which family ones prevail. Research studies on family enterprises performance have very often focused on a single measure and many studies also have unrealistically assumed that profit maximization is the only (or prime) objective of family enterprises. The authors found in their study that family enterprises are not solely profit maximizers. To a greater extent, respondents in family enterprises suggested “a prime objective is to maintain/enhance the lifestyle of the owners” and “to provide employment for family members in the management team”. As a result, in some family companies there is potential conflict between financial and non-financial objectives. Westhead and Cowling (1997) point
out, that the performance and wider social contribution of family businesses cannot be assessed by “hard” financial performance indicators alone. Gallo in coauthors (2004) discover in comparative study of Spanish family and non-family enterprises that peculiarities of the “financial logic of family enterprises” are not due to any lack of knowledge or technical financial skills but to the personal preferences of family businesses chief financial officer or other powerful family members. Non-financial objectives very often cited are among others (Westhead and Cowling 1997; Gallo et al. 2004): “the wish to pass over the business to the next family generation”, “offering job opportunities to family members”, “to ensure independent ownership of the business”, “to maintain the financial independence of the family as well as of the business”, “generated profit should remain in the business in order to secure the survival of the business”.

In former socialist (communist) countries the research of family businesses is still in its infancy. Studies of family enterprises are scarce. One of the reasons is the fact, that private enterprises were outlawed during the era of a socialist economy. 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. The industrial policy in transition countries has been focused on the development of a dynamic small and medium-sized enterprise sector. Several studies found that families provided critical resources and support to newly emerging enterprises in transition countries (McKibbin and Pistrui 1997; Poutziouris et al. 1997; Duh 2003). Even though earlier studies indicated that family businesses and owner-managed enterprises were at the forefront of socioeconomic transition in these countries, our understanding of the role of family businesses development is scarce. Very little is known about how family enterprises in transition countries are coping with their problems, for example with the succession problem, even though according to experience from established market economies it shall become a serious problem. Namely, owners/managers of family SMEs are often also their founders and are facing the absence of succession tradition. The institutional advisory and educational support is often absent as well.

Slovenia and Croatia became independent states after the collapse of the Socialist Federal Republic of Yugoslavia in 1990. They had similar government institutions, as well as the same legal and economic system. Slovenia, the country with only two million people, has entered European Union in May 2004, and is among the most advance of all transition economies in Central and Eastern Europe.

In Croatia, as in other transition economies, the SMEs sector started to develop with the possible prospect of establishing private enterprises. This happened at the beginning of the 1990s, and since then the share of small enterprises has increased by 370 percent. Many of these small enterprises are family ones, even though there are also medium and large family enterprises (Galetić 2002). Family enterprises have been recognized to have an important role in creating new jobs (Aksentijević and Bogović 2001).

The transition to the market economy from the former socialist economy with social and state ownership in Slovenia was closely associated with the development of SMEs – similarly to the other transition countries. The legal bases for the development of private SMEs were the Law on Enterprises (1988) and the Law on Craft (1988). The first law opened opportunities for the development of the private entrepreneurial sector, and the second law reduced obstacles for the development of the craft sector, especially limitations on employment in craft enterprises. Since the 1990s the number of SMEs increased dramatically; in 2002, the share of SMEs in the structure of all enterprises was 99.7 percent; 93.4 percent of all enterprises were micro enterprises, with up to nine employees (Rebernik et al. 2004). Based on results of two studies on family enterprises (Duh 2003; Vardnal 2005), it was estimated that between 40 and 50 per cent of all enterprises in Slovenia were family ones, majority of them were owned by first-generation owners.

Regarding the appropriate and operational definition of a family enterprise in transition countries, some research results (Duh and Tominc 2005) indicate that some special features of enterprises as well as the economic system should be taken into account. Namely, “ownership remaining within the family’s second and later generations” is recognized as one of main elements that characterized family enterprise in developed market economies (Getz and Carlsen 2000). Therefore the generational criterion (“the enterprise is owned by second-generation or more family members”) eliminates enterprises in the ownership of the first generation of owners (founding generation) from the group of family enterprises. The share of first generation family enterprises is very high in transition countries, since the entrepreneurial tradition in transition countries was broken after World War II, and the possibility of establishing private enterprises was opened in the early 1990s. The use of this criterion in the definition of a family enterprise in transition countries would eliminate a very important part of family enterprises from the research.

### 3 Business ethics in family businesses

The authors who focus on the problems of business ethics distinguish themselves primarily in their understanding of the fundamental instrument (and level) which would guide enterprises to their credible functioning as well as towards the awareness of such functioning as being the fundamental and only possible way for their success (Belak 2005). As Thommen (2004) claims, the credibility of an enterprise is the foundation and origin of enterprises’ ethical behavior as well as their success. Further more different authors (Thommen 2003; Belak 2003) define ethics as one of the most important and equivalent success factors.

The family enterprise consists of two systems with different goals and functional motives which may be the ori-
gin of many conflicts. As such these conflicts can be found only in the system of a family enterprise. Several authors (Friz 2002; Duh 2003; Feldbauer 2003; Kadoesa 2003; Klein 2000a; Martin 2003) claim that many family enterprises experience crises or even go bankrupt because of the conflicts that family members face as being part of the family on one side and enterprise’s stakeholders on the other. Despite the differences between these systems, several entrepreneurs think of “family ownership” as a business instrument and symbol of quality.

The family system is internally oriented (Duh 2003; Kajzer 1994), which decreases the possibility of change. Results of the STRATOS project (Donckels and Froehlich 1991), a comparative study of 1132 small and medium sized family and non-family enterprises, showed that the owners of family enterprises expressed the strong opinion that the management of their enterprises should remain in the hands of the family, the family tradition should be preserved, the enterprise should be managed as a family enterprise, and that the main goal should be the building and development of the enterprise in favour of the family interest.

On the other hand the system of an enterprise is based on economic motives, efficiency, and effectiveness. Its behavior is conscious and externally oriented – it strives for changes and uses these changes for its own growth and development.

The family is an intimate room where the culture of the family as well as of the broader environment is shaped, and where the first social relationships are formed, which differ from relationships with people outside the family circle. The process of family education and upbringing form the foundation for the focused expectations of every single family member upon which the trust and firmness of family relations are built. Furthermore the working motivation of family members is different. Considering these facts, we can say that the primary goal of a family enterprise is functional independence as a system. All these characteristics enable a family enterprise to maintain the economic power, development, respect and contentment of its stakeholders (Bogod and Leach 1999). The motive for functioning is what distinguishes a family enterprise from a non-family one. The family enterprise can achieve all the goals listed above only in the context of its needs and interests which are the consequence of certain phenomenon valuation (values).

The family system forms fundamental principles, values, and norms, which can be seen as the guidelines in setting the vision, mission and goals of such an enterprise. Because of the importance of family influence on the culture and ethics of a family enterprise system, it could be possible to observe and value the level of family influence on the ethics of a family enterprise. The ethical behavior of a family enterprise can be observed through its behavior towards the internal and external business environment. The ethical norms and behavior of an enterprise with family ownership and management (in most cases) derives from family ethical norms and behavior. We should look for the origin of family enterprise credibility by observing a family. The functioning of a certain family enterprise follows the credibility (considering Thomen’s concept of credibility 2003), which is based on the communicative, innovative and responsible functioning of that family. In this way family credibility is not only the origin of business credibility but also the foundation of the enterprise’s existence and success.

4 Hypotheses

As already mentioned, the main purpose of our paper is to better understand the association between the degree of involvement of a family in ownership and management of a family enterprise and the business behaviour of a family enterprise in different business situations. With the purpose to encounter different levels of family involvement into the business and therefore also into the business decisions, three levels are analyzed:

1. The lowest degree of involvement is expected if owner/manager confirms only that the enterprise is perceived by her/him to be a family enterprise.
2. The middle degree of involvement is expected if owner/manager confirms, that the enterprise is perceived by her/him to be a family enterprise and that more than 50 percent of ordinary voting shares are owned by members of the largest single family group related by blood or marriage.
3. The high degree of involvement is expected if owner/manager confirms, that the enterprise is perceived by her/him to be a family enterprise and that more than 50 percent of ordinary voting shares are owned by members of the largest single family group related by blood or marriage and that one or more of the management team is drawn from the largest family group that owns the enterprise. Alternatively the high degree of involvement was expected also if the third condition is replaced by the condition, that more than 50 percent of the management team is drawn from the largest family group that owns the enterprise.

There is some evidence in the literature, as described earlier, that it may be expected, that family firms characterized by a high degree of family involvement differ from other firms regarding different aspects of business performance and decisions, while family firms characterized by a low level of family involvement do not (other firms are firms, that are not characterized by any level of family involvement – non-family firms). Although there is also some evidence, described earlier in this chapter as well, that not solely the level of family involvement matters (for example also the generation of the family in charge), following two main research hypotheses are formed:

H1: Family firms characterized by a high degree of family involvement significantly differ from other firms regarding different aspects of business performance and decisions.
H2: Family firms characterized by a low degree of family involvement do not significantly differ from ot-
her firms regarding different aspects of business performance and decisions.

5 Data and methodology

The main data source for our study is a telephone survey among 350 SMEs in Slovenia. The survey took place in October 2004 in Slovenia. Respondents were owners of enterprises that they also helped to manage. The structure of the sample matched the most recent official data regarding the number of enterprises in regions in Slovenia, as well as the structure of enterprises by their principal industry activity (NACE codes) and by size measured by the number of employees.

Since 12 respondents did not answer all the questions referring to the characteristics of a family business, they were excluded from the analysis. In the next phase of collecting data we were looking for data on company performance. Those data were obtained from the database i-BON 2004/II CREDIT RATING where financial statements of companies are collected and stored. We could obtain data for 317 enterprises out of 338 in the sample. Consequently, 317 enterprises remain in the data set. As described in a previous chapter, three levels of family involvement in an enterprise were analyzed and compared with the group of non-family firms.

As already mentioned, the degree of involvement can be oriented towards different business goals as they are in non-family businesses, since personal preferences of powerful family members may be differently – financially or non-financially oriented. The present level of research allows us to study only few “quantitative” results of business decisions, namely financial performance:

- Total sales revenues (in €).
- Economic efficiency (in percent) (measured as total revenues to total expenses).
- Added value per employee (in €). The values of these three variables were obtained from the database i-BON 2004/II CREDIT RATING.
- Export orientation was measured with the following question: How many (in share) of your clients live outside Slovenia?

Besides these variables an important aspect regarding the feeling of being independent in business decisions is the cooperation with large companies:

- Respondents were asked, if they cooperate on a permanent basis with large companies with 250 or more employees, rather than just buying their products or services. If they confirmed that they did not cooperate, respondents were asked if they agreed, that they did not cooperate because this could threaten the independent business decisions making of the business that they owned and managed.

For testing the differences between the two groups of enterprises, the t-test and χ²-test were used. The general criteria for accepting the hypothesis that differences exist was the statistical signification at the 5 percent level (p < 0.05; two-tailed).

Different research reports indicate that enterprise demographics can overwhelm univariate studies and performance differences previously detected between family and non-family enterprises may simply reflect «sample» rather than «real» performance differences (Westhead and Cowling 1997, Jorissen et al., 2005). As demographic control variables company size and company age were chosen:

- Size of a company. It was measured by the number of employees. Data were obtained from the database i-BON 2004/II CREDIT RATING.
- Age of a company. It was measured with the following question: What was the first year the owners received wages, profits or payments in kind? (Payments in kind refer to goods or services provided as payments for work rather than cash.)

50 enterprises out of total 317 in the sample did not answer this question.

6 Findings

6.1 The degree of family involvement in an enterprise

As already mentioned three degrees of the family involvement in an enterprise are observed:

- The lowest degree is observed if respondent – owner/manager – confirms only that the enterprise is perceived by her/him to be a family enterprise – group A.
- The middle degree is observed if respondent – owner/manager – confirms, that the enterprise is perceived by her/him to be a family enterprise and that more than 50 percent of ordinary voting shares are owned by members of the largest single family group related by blood or marriage – group B.
- The high degree of influence was expected if: respondent – owner/manager – confirms, that the enterprise is perceived by her/him to be a family enterprise and that more than 50 percent of ordinary voting shares are owned by members of the largest single family group related by blood or marriage and that one or more of the management team is drawn from the largest family group that owns the enterprise – group C. Alternatively the high degree of influence is expected also if the third condition is replaced by the condition, that more than 50 percent of ordinary voting shares are owned by members of the largest single family group related by blood or marriage and that one or more of the management team is drawn from the largest family group that owns the enterprise – group D.
- Other firms were characterized as non-family firms and were included into the group NF.

As it is presented in Table 1, there are only few differences between groups A, B and C. Almost all of N=168 firms, that belong to group A, are included also to group B (N=153) and also to group C (N=150), meaning that almost all of those respondents (owners/managers) that
perceived firms as a family ones also belonged to the family that owned more than 50 percent of ordinary voting shares; at the same time one or more of the management team is drawn from the largest family group that owns the enterprise.

Therefore only two levels of family involvement were included into the further analysis: group A in comparison with the group NF and group D in comparison with the group NF.

6.2 Employment size and age

Research results on company size measured by the number of employees show that there are no significant differences between firms, that are perceived by owner/manager to be family ones and those that are not – groups A and NF, as presented in Table 2. Similarly, there are no significant differences between enterprises included in groups D and NF.

As already mentioned, age of a company was measured with the following question: What was the first year the owners received wages, profits or payments in kind? Enterprises that are characterized by a certain level of family involvement - groups A and group D - are on average older than enterprises in the group NF. The difference between group D and NF regarding the age of a company is also significant.

Even though family enterprises in Slovenia are on average older than non family ones, they are relatively young comparing to family enterprises in some other countries. For example, German family businesses are older than non family businesses and older than Slovenian ones. Of the businesses that were founded up to 1960 and were still around in 1996-97, more than 70 percent are still family businesses (Klein 2000b). On the other hand, Pi-strui and coauthors (2000) found in comparative study between East and West German SMEs that the vast majority (79 percent) of the East German enterprises surveyed were new start-ups, compared to 38 percent in the West.

6.3 Business performance

As already mentioned, the business performance was analyzed:

- Total sales revenues (in €).
- Economic efficiency (in percent) (measured as total revenues to total expenses).
- Added value per employee (in €). The values of these three variables were obtained from the database i-BON 2004/II CREDIT RATING

Export orientation was also analyzed – by the share of customers living outside Slovenia. Proportions of firms with more than 50 percent of customers living abroad in both groups were analyzed. Results are reported in Table 3.

In both cases results are similar, namely, groups A and D significantly differ from NF group only regarding the economic efficiency. There is no evidence, that the financial performance of firms with stronger family involvement (group D) is different than in firms where the family involvement is less strong (group A).

6.4 Cooperation with large companies

As results presented in Table 5 indicate, a higher proportion of firms that are perceived as family ones by the owner/manager (group A), cooperate with large companies, than it is found among firms, that are characterized as non-family ones.

### Table 1: The number and the share of enterprises regarding different levels of family involvement

<table>
<thead>
<tr>
<th>Group</th>
<th>Number</th>
<th>Sample proportion in percent</th>
<th>95% confidence interval</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>168</td>
<td>53.0</td>
<td>(47.5; 58.5)</td>
</tr>
<tr>
<td>B</td>
<td>153</td>
<td>48.3</td>
<td>(42.7; 53.8)</td>
</tr>
<tr>
<td>C</td>
<td>150</td>
<td>47.3</td>
<td>(41.8; 52.8)</td>
</tr>
<tr>
<td>D</td>
<td>98</td>
<td>30.9</td>
<td>(25.8; 36.0)</td>
</tr>
<tr>
<td>NF</td>
<td>149</td>
<td>47.0</td>
<td>(41.5; 52.5)</td>
</tr>
</tbody>
</table>

### Table 2: Employment size and age of enterprises

<table>
<thead>
<tr>
<th>Group</th>
<th>Employment size</th>
<th>t-statistics</th>
<th>p-value</th>
<th>Age</th>
<th>t-statistics</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Value</td>
<td></td>
<td></td>
<td>Value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A</td>
<td>4.77</td>
<td>1.162 (A and NF)</td>
<td>0.246</td>
<td>11.31</td>
<td>1.773 (A and NF)</td>
<td>0.077</td>
</tr>
<tr>
<td>NF</td>
<td>3.41</td>
<td></td>
<td></td>
<td>9.56</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D</td>
<td>4.38</td>
<td>0.699 (D and NF)</td>
<td>0.485</td>
<td>12.41</td>
<td>2.454 (D and NF)</td>
<td>0.030</td>
</tr>
</tbody>
</table>
The difference in proportions of companies that cooperate with large companies in groups D and NF is significant at p<0.10. On the other hand, the proportions of those that do not cooperate because this could threaten the independent business decisions making of the business that they own and manage, are not significantly different – between groups A and NF as well as groups D and NF. Nevertheless it is worth stressing that this reason is important for almost one quarter or firms that do not cooperate with large companies.

Overall findings suggest that hypothesis H1 is rejected and hypothesis H2 is not rejected. Therefore it seems, that enterprises, characterized by a high degree of family involvement do not differ significantly from the firms that are characterized as non-family ones, regarding the total sales revenues, economic efficiency, added value per employee, export orientation and cooperation with large companies. The same goes for firms characterized with a low degree of family involvement.

### 7 Conclusions

It is very likely, that in the present state of development of family firms and market economy in Slovenia, the degree of family involvement is not crucial for business behavior and business performance regarding the variables analyzed. As already mentioned, in the first generation firms, issues of survival and growth may dominate business decisions and family involvement may be rather limited. As the enterprise matures, the family may turn its attention to support increasing number of siblings in a business (Gersick et al. 1997), and enterprises may focus on family objectives to a greater extent than previously (Dyer and Handler 1994). Since the majority of firms in groups A and D are the first (the founder) generation firms (83.7 percent in group A and 87.8 percent in group D), this may also be among reasons for no significant differences regarding analyzed business performance indicators, between firms, that are characterized by a certain level of family involvement and the firms that are not.

It was also established (Duh et al. 2007) that family and non-family firms (different levels of family involvement were analyzed) do not differ significantly regarding aspirations of entrepreneurs to grow their businesses, neither are the succession issues of great concern of entrepreneurs in Slovenian family businesses. It therefore seems that there are no significant differences between family and non-family firms regarding many issues in Slovenia.

Several extensions of our research are needed and possible; one being the analysis of impact of a generation of a family that is in charge, on the strength of family influences on the business behavior, as well as other factor that might influence business decisions in family businesses. Since the proportion of family businesses that are ow-

| Group | Percentage of companies, that cooperate with large companies | Percentage of those that do not cooperate, because this would threaten their business independency |
|-------|-------------------------------------------------------------|-------------------------------------------------------------------------------------------------
|       | Value | $\chi^2$-statistics | p-value | Value | $\chi^2$-statistics | p-value |
| A     | 45.2 (A and NF) | 8.350 | 0.004 | 22.0 (A and NF) | 0.056 | 0.813 |
| NF    | 28.9 |          |       | 24.5 |          |       |
| D     | 39.8 (D and NF) | 2.714 | 0.099 | 20.7 (D and NF) | 0.121 | 0.728 |

<table>
<thead>
<tr>
<th>Group</th>
<th>Total sales revenue (in €)</th>
<th>Economic efficiency (in %)</th>
<th>Added value per employee (in €)</th>
<th>Proportion of firms with more than 50 percent of customers living abroad (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>t = 1.993</td>
<td>p = 0.089 (A and NF)</td>
<td>408,476.9</td>
<td>$\chi^2 = 0.04$</td>
</tr>
<tr>
<td>NF</td>
<td>t = 1.419</td>
<td>p = 0.159 (D and NF)</td>
<td>106.4</td>
<td>$\chi^2 = 0.151$</td>
</tr>
<tr>
<td>D</td>
<td>t = -2.568</td>
<td>p = 0.009 (A and NF)</td>
<td>14.232.3</td>
<td>141,082.4</td>
</tr>
<tr>
<td></td>
<td>t = -2.766</td>
<td>p = 0.006 (D and NF)</td>
<td>126.4</td>
<td>104.9</td>
</tr>
<tr>
<td></td>
<td>t = 1.328</td>
<td>p = 0.185 (A and NF)</td>
<td>16,021.5</td>
<td>8,868.8</td>
</tr>
<tr>
<td></td>
<td>t = 1.144</td>
<td>p = 0.255 (D and NF)</td>
<td>9.4</td>
<td>7.1</td>
</tr>
</tbody>
</table>

Table 3: Total sales revenues, economic efficiency and added value per employee

Table 5: Cooperation with large companies

The difference in proportions of companies that cooperate with large companies in groups D and NF is significant at p<0.10. On the other hand, the proportions of those that do not cooperate because this could threaten the independent business decisions making of the business that they own and manage, are not significantly different – between groups A and NF as well as groups D and NF. Nevertheless it is worth stressing that this reason is important for almost one quarter or firms that do not cooperate with large companies.
ned and managed by a second generation or more is rather small in Slovenia, their identification is not an easy task.

The present level of research allows us to study only few “quantitative” results of business decisions. As it was already mentioned in this paper, the performance of family businesses cannot be assessed by “hard” financial performance indicators alone – non-financial objectives, like “the wish to pass over the business to the next family generation”, “offering job opportunities to family members”, “to ensure independent ownership of the business”, “to maintain the financial independence of the family as well as of the business”, “generated profit should remain in the business in order to secure the survival of the business”, may be of a greater importance in a family business. Therefore the extension of our research should also go in this direction.

From ethics perspective the research should strongly consider a family enterprise as two different systems that influence each other. The research cognitions described in the present paper show that 30.9 % of the observed enterprises face strong influence of the families through the ownership as well as management of the enterprise. Considering our previous discussion we could claim that norms and values shaped and formed within a family system would be overtaken also by an enterprise system, where a family has strong impact on the vision, mission and the goals of an enterprise. Considering the characteristics of the both family and enterprise systems we can state further research questions: Are the family enterprises less risk taking as non-family enterprises? Are family enterprises more ethically oriented as non-family ones? Are family enterprises more successful from non-family ones in long term? In order to answer these questions further research should observe separately core values, culture, philosophy, and ethics of a family as well as of an enterprise. This research approach would also show the influence that family has on an enterprise in a sense of non-financial or qualitative elements of family enterprises’ success.

References


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