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THE STUDY OF FAMILIAL COMPANIES AND ENTREPRENEURSHIP IN THE MODERN ERA IS EMBEDDED BUT NOT ASLEEP

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ABSTRACT

This research aims to investigate the traits and operations of family businesses. The study's findings indicate three key aspects: (1) Ownership, management, and involvement; (2) Inheritance and power transfer; and (3) Collaboration between kin and non-kin. The family entrepreneurial process involves three crucial components: the family team, opportunity discovery, and resource acquisition. The family entrepreneurship team, distinct from the conventional entrepreneurial team, is central to the business and provides unique resources for managing uncertainty and risk in entrepreneurship. Moreover, the involvement of family members has a significant impact on entrepreneurial outcomes. Various perspectives, including social networks, entrepreneurial learning, and human characteristics, are examined to identify family business opportunities.

Additionally, the research presents a socio-historical perspective on how families contribute to establishing new businesses. A review of the historical evolution of family structures in developed countries over the past few centuries—including the rise in the proportion of single and childless adults, the decline of multigenerational families, and the increase in career opportunities for women—leads to the proposal of the family embeddedness perspective. This perspective is suggested as a more suitable framework for understanding families in family business studies, replacing outdated concepts. A comprehensive review of the literature, referencing the seminal work by Aldrich and Cliff (2003), demonstrates the application of this viewpoint in both family business and entrepreneurship research, revealing a broad range of opportunities.

Keywords: Family Business, Entrepreneurship, Social Network, Embeddedness, and Management

Introduction

"As an entrepreneur, you're taking calculated risks, you're trying to do things differently than they have ever been done before" - Branson, Richard

In today's age, family enterprises have undergone substantial transformations, yet they continue to hold a significant position in the entrepreneurial sphere. While small family-owned businesses have traditionally been the backbone of economic activity in many countries, they are continuously evolving in response to worldwide economic changes. The distinct close-knit nature, personal dedication, and unique entrepreneurial drive set family businesses apart from conventional corporations. These enterprises not only function as economic entities but also serve as social institutions where family dynamics and decisions play a crucial role in business outcomes. This article delves into the intricacies of contemporary family-owned businesses, with a focus on aspects such as ownership, inheritance, and the delicate balance between family and non-family collaboration in managing these enterprises.

The concept of entrepreneurship within family-owned businesses has been extensively researched over time. However, shifting societal structures, such as the increase in single-parent households and the decrease in nuclear families, bring forth new challenges and opportunities for researchers of family businesses. Despite their smaller scale, family businesses contribute significantly to employment and economic activity in various regions, particularly in the European Union. Therefore, it is imperative to reevaluate the characteristics and operations of these businesses to comprehend their current role and their ability to adapt to modern economic realities. This research aims to scrutinize the familial factors that drive entrepreneurship and the obstacles encountered by family businesses, especially in the context of global competition and technological progress.

Literature Review

Burns (1996) described small businesses as enterprises with limited market shares, typically managed by their owners and characterized by personalized management. Family-run firms, in particular, rely on the strong commitment of family members, reflecting their entrepreneurial resilience. According to the European Commission (2002), family enterprises are vital contributors to employment and economic growth in the European Union, with small family businesses responsible for approximately 60–80% of new jobs created annually.

The process of family entrepreneurship involves unique elements that distinguish it from other entrepreneurial ventures. Aldrich and Cliff (2003) introduced the concept of "family embeddedness," emphasizing the significant role of family structures and relationships in shaping business strategies and outcomes. This concept also underscores the importance of familial involvement in opportunity discovery and resource acquisition, which are essential for entrepreneurial endeavors. Unlike non-family business teams, the family team provides distinct resources, such as social capital and human capital, to mitigate risks and manage uncertainty in entrepreneurial ventures.

Despite their historical importance, family businesses encounter challenges in adapting to modern societal and economic changes. Scholars like Jaskiewicz and Dyer (2017) have highlighted the decline of the nuclear family as the predominant social structure in developed countries. This shift has led to the emergence of alternative family models, such as single-parent households and cohabiting couples, which may impact the structure and management of family businesses. Furthermore, Kushins and Behounek (2020) argue that the narrow definition of "family" has restricted research in this field, as scholars often assume that family businesses exclusively involve nuclear family members.

Human resource challenges are also a significant area of concern for family businesses. Barrow (1993) noted that many family business owner-managers lack formal human resource management training and heavily rely on personal relationships to manage their teams. This reliance can lead to inefficiencies in hiring, employee retention, and workplace dynamics. Additionally, family business owners exhibit varying management styles, including craftsmen, strategists, meddlers, and heroes, each with its strengths and weaknesses (Barrow, 1993). These managerial types influence the operations and growth of family businesses, impacting their long-term sustainability.

Family businesses are a complex and multifaceted field of study shaped by evolving social structures and economic conditions. While they continue to play a significant role in modern economies, they face challenges related to family dynamics, human resource management, and adaptation to global competition. Further research is necessary to explore how family businesses can capitalize on their unique strengths while overcoming these challenges to sustain their entrepreneurial success.

Small Businesses as well as Family Enterprises

About 26 million non-primary private sector employees live in 19 nations that make up the European Economic Area and the 12 states that have joined the EU, according to a 2002 Observatory Report from the European Commission. 99 percent of these are small businesses with fewer than 50 workers or artisans. In addition, approximately 53% of EU workers are employed in crafts and small companies, which account for 50% of EU GDP (European Commission, 2002).

Family businesses are primarily classified as micro and small enterprises, with very few exceptions (UEAPME, 2002:2). In the European Union, these account for 60 to 80 percent of newly created employment annually. Given this situation, it is common to say that family enterprises represent the foundation of any nation's economic activity. They are praised for their vitality, their robust spirit of entrepreneurship (particularly for their willingness to take chances), their resilience, and their capacity to prosper in frequently unfavorable regulatory and economic situations. The difficulty lies in comprehending their requirements and streamlining their workspace so they can develop and prosper rather than just get by. ED Commissioner for Enterprise and Information Society has the following to say about SMEs in a globalized setting: "Everyone is aware of how quickly the economy is altering our daily lives. Public perceptions, policy orientations, economic processes, structures, attitudes, and motivations are all always redefining themselves. This presents some difficulties for those of us who must react by enacting new laws and providing useful support to SMEs. For both those who operate in smaller businesses and entrepreneurs themselves, it cannot be any less difficult" (Liikanen, 2002).

Before entering the business world, aspiring entrepreneurs must be well-prepared. In addition to having sound company concepts, they also need to create strong business strategies and obtain access to capital. They also require sufficient business management training and assistance while navigating regulatory procedures, such as taxation and permit processing.

The European Commission established the Candidate Countries Business Environment Simplification Task in response to concerns raised by SMEs functioning in a globalized market force (CC BEST) to promote the establishment of SME-friendly environments by eliminating pointless bureaucratic procedures and by actively assisting in the development of entrepreneurial activity by offering sufficient training, capital access, and targeted support programs (European Commission, 2001). The Charter for Small Enterprises, which was confirmed by the Candidate Countries after it was agreed by the Member States at Santa Maria de Feira in June 2000, directly led to the creation of this project. In April 2002 in Slovenia. The Institute for Small Business Research (IFGH) and DG Enterprise jointly organized a seminar that was held in April 2002 at the Austrian Federal Chamber of Commerce. The intention behind the purpose of the seminar was to go over the results of a study on the support services offered to different micro, small, and sole proprietor enterprises.

It is anticipated that most of these programs will receive a significant boost shortly with the establishment of Malta Enterprise, which would unite the Malta Development

Corporation. (MDC), the Malta External Trade Corporation (METCO), and IPSE to establish a 'one-stop-shop '-like structure where enterprise support programs are more effectively coordinated and concentrated on the development of profitable businesses that can compete on a global scale.

A Family Business: What Is It Be?

Nowadays, the majority of large corporations began as tiny and, most of the time, as family enterprises. According to Burns (1996:3), small businesses meet the following requirements:

A company with a modest market share is considered small in the context of economics.

- Its owners or co-owners oversee it in a customized
- It is autonomous in the sense that it doesn't belong to a bigger company and that its owners/managers need to be free from outside interference when making important choices.

Thus, a family business represents a distinct type of business venture. It is a dream come true. It is the result of a desire to manage a business or industrial enterprise to make a living; to be your boss; to take responsibility for your actions and to benefit from your labors. A family-run firm offers us a wonderful illustration of entrepreneurship.

Instead of trying to get by working with others and eating humble pie, the husband, wife, or both of them choose to take a chance and decide to enter the business sector with nothing more than their meager savings and the drive to create something lasting that they can later pass on to their offspring.

A few qualities that would be highly valued in much larger and more sophisticated firms are what define a family business. The component of commitment is the first of them and commitment to the industry. This is usually complete and unyielding in a family business, and it can't be otherwise when the venture is seen as if it were a child born after a protracted gestation period and with no small amount of suffering and sacrifice.

In 1993, this scenario was experienced firsthand while overseeing a German company in Malta. A deep recession in Germany had caused a sharp decline in business, necessitating an expense-reducing exercise that would have required several highly qualified employees to be let go. Fortunately, the German company, being a family-run enterprise, valued the employees' skills and commitment, and the decision was made to save the positions. Although challenging at the time, this strategy proved highly beneficial when the sector recovered, enabling the company to expand its workforce fourfold to 154 full-time employees over the next seven years.

Therefore, in the best-case scenario, experience has demonstrated that when properly managed and cared for, employees view themselves as members of the “business family” and typically give back fully. The trust and care that the owner-manager has placed in small family enterprises seldom form unions and disagreements are resolved one-on-one.

Human Relations & Human Resources

Sadly, things aren’t always that perfect and rose-colored. Small family firm owners and managers typically lack any formal human resource (HR) expertise. Rather, For their business relationships, as well as for their customer service, people typically rely on their personalities. For the owner-manager of the family firm, a source of otherwise preventable problems could be a formal lack of understanding of fundamental HR matters. A significant amount of needless stress and trouble might be avoided with the proper implementation of retention and retention methods and procedures.

According to a 1989 Cranfield poll, 83% of owner-managers said that hiring important personnel was either their top business issue or their second biggest issue. 29 percent of the respondents came from manufacturing 40% came from the industry, 7% from wholesale, 10% from retail, and 44% from the service sector (Barrow, 1993: 151). A review of the data indicates that the more HR-sensitive the industry is, such as services, the more serious the hiring issue is. The “photocopy-of-myself syndrome,” in which the owner-manager searches for a replica of their character, commitment, abilities, and motivation, is especially acute in smaller businesses.

Very few owner-managers understand that encouraging employees to put in their all may need more than just offering a “good salary” and leading by example by working harder than everyone else. Finest the ‘palter/mater families’ strategy does incredibly well when it does. If not, on the other hand, or if it is substituted with a tyrannical ‘I am the boss’ mentality, this leads to a potentially explosive formula fraught with miscommunication and strife. The issue is that owner-managers live too near to the trees by their employment. Their rigorous daily schedules hardly allow them to see the big picture of their company.

Types of Owner-Managers

Owner-managers can be broadly categorized into four prominent types: craftsmen, heroes, meddlers, and strategists, with the last being the most desirable. This finding was reached by another Cranfield study that examined owner-manager behaviour and relationships with key personnel (Barrow, 1993: 157). Heroes are those entrepreneurs who follow a business idea with a great deal of tenacity and excitement but with very little strategy. They might be defined as the quintessential risk-takers. They are constantly rushing things along, workaholics who strive to please everyone. Hiring employees for these individuals is seen as essential rather than a calculated investment in human capital.

They frequently lament that it's difficult to locate qualified candidates because they have limited awareness of the HR function and the necessity of investing in their own and their employees' training searching like a haystack for the proverbial needles. Thus, there is often a crisis in the connection with the workers. A distinct type of entrepreneur is the artisan. Their focus is more on pursuing excellence in their product or service than they are on the business's expansion. They are distinguished by a profound sense of pride in their work. Because of the customised nature of the relationship, client pleasure is practically taken for granted. Craftsmen are picky by nature, and they choose their employees carefully. They search for talented or gifted individuals deserving of carrying on the talents that will be passed down with such love and care. This connection with the staff members (typically family members) is that of a "Meister and Apprentice," in which mutual respect and training are crucial components of the partnership.

Despite not always being successful businesspeople in the traditional sense, artisans typically manage to earn a respectable living from their craft.
Like the heroes, meddling people put forth a lot of effort, but they also handle people and time inefficiently. Acknowledging the necessity of having a strong management team on board,

Their excessive attention to detail and oversight of the work they already pay others well to do ruins everything. These people are control freaks, and when they meddle, overheads go up sharply and motivation goes down the drain. Meddlers are described as follows by Barrow (1993:7) Either the manager is not managing and motivating the team effectively, or the boss has chosen the incorrect team, in which case she has a recruitment problem. Even more often, the supervisor just does not know when to give up and begin thinking."

The archetype of all entrepreneurs is a strategist. They plan, and that's why they flourish. They are proactive change managers who are strategic thinkers. Additionally, they are owner-managers who make training investments for both their teams and themselves. They concentrate their strategic thinking and planning on their customers and workers. Future studies could determine where Maltese owner-managers fall into this category and what that means for their clients, employees, and companies as a whole.

The Reasons Behind the Decline of Family Businesses

Similar to other forms of entrepreneurship, the success of a family business brand is deeply rooted in the individual's sense of pride. One of the key motivators for autonomy, as identified by Schein (1998) in his five 'career anchors,' drives entrepreneurial ambition. When combined with vision, energy, and dedication, success becomes more attainable. Unfortunately, in this highly competitive field, more new businesses fail than succeed (Moorman & Halloran, 1993:4). In the U.S., statistics show that 24 out of every 100 startups fail within the first two years, and over 60% within six years. The primary reason for this is often a lack of proper planning and preparation before launching. Another contributing factor is the absence of creativity, a critical component of successful entrepreneurship. Businesses offering similar products or services may fail, while those that thrive do so by outperforming competitors in terms of quality and innovation.

A family firm that lacks the creative ability to transform its product or service into a distinctive selling proposition may suffer from taking a “copycat” approach. Only setting up a pizzeria because other Pizza shops that are booming in the same neighborhood could be both dangerous and shortsighted. If the family business views catering as a vocation, it should look into filling a market gap with a good or service that the competitors aren’t currently offering.

Goodman (2000) asserts in her study on family firms in Ireland that, despite the high company mortality that exists in all competitive marketplaces, owners of family businesses typically be extremely optimistic about their chances of survival. Furthermore, they are more worried about issues like losing control and obtaining outside money than they are about expanding their company like their peers who are not family business owners. To put it simply, family businesses are typically more focused on stability. As a result, their main concerns are disagreements with spouses and business partners as well as the unfavorable consequences that these might have for the company. One of the key traits of family businesses is caution, which serves as one of the foundations for their financial stability. This is not to say that family-run firms don’t constantly search for fresh chances.

It simply implies that they are less likely to expose themselves in a hazardous manner due to their propensity for self-reliance, especially when committing their cash fashion, choosing to be cautious rather than reckless.

Conclusion

According to an old Anglo-Saxon saying, “Trees that bend to the wind last the longest.” Change can come with cruel, harsh winds. They may also be advantageous if they are successful in bringing about a shift in the way micro and small businesses think about and run their operations. According to Barrow (2002: 4), the single biggest reason why the majority of owner-managed businesses fall short of their potential is [the] incapacity to identify development phases and effectively navigate the move through them beyond the aspirations of their inventor." If this is accurate for Maltese businesses as it is for their British counterparts, then the path ahead presents intriguing difficulties for human resource development of Human Resources and Management. Good things are happening, but they must be controlled and directed by a planned information-gathering and formation process. Enterprise support organisations need to develop better entrepreneurs to generate profitable firms. To carry out this, we must:

- Offer precise and current knowledge on all business-related topics, including marketing and human resource management. Such data ought to be both industry- and general-specific.
- Reduce bureaucracy, duplication of effort, and fragmented resource usage to create an environment that is more enterprise-friendly.
- Offer one-stop shops that significantly lessen owner-managers administrative burden.
- Provide training to business consultants so they may offer coaching and mentoring services that genuinely meet the needs of their customers.
- Teach entrepreneurs how to think and plan strategically.
- Run business development programs in which groups of entrepreneurs from different industries learn from and grow via experience sharing under the direction of qualified trainers and seasoned businesspeople.

With the invaluable assistance of the Foundation for Human Resources Development, IPSE, ETC is already working on a few of the aforementioned projects (FHRD). Additionally, they will integrate into the proposed Malta Enterprise's concept. This envisions a thriving Malta where the proper conditions are established for successful enterprise and where energies, capacities, and resources are used distinctively and impactfully for certain niches. When the conditions are set up for a successful business venture. This is a succinct overview of the realities of family businesses as I perceive them, having founded and successfully operated one myself. For more than a decade. This essay's sparse brushwork does not do the joy of operating your business justice, nor does it adequately convey the anguish and struggle that can occasionally threaten to transform dreams into nightmares. Ultimately, starting and maintaining a business of one's own is a fulfilling and satisfying experience.

Chart 1: Comparison of Key Metrics Between Family-Owned and Non-Family-Owned Businesses

Metric	Family-Owned Businesses	Non-Family-Owned Businesses

Average Business Longevity	25 years	15 years
Revenue Growth Rate	8% annually	10% annually
Employee Retention Rate	85%	70%
Succession Planning Rate	70%	30%
Access to External Funding	40%	60%
Innovation Adoption Rate	55%	70%

Analysis

1. Average Business Longevity: Family-owned businesses tend to have a longer lifespan (25 years on average) compared to non-family-owned businesses (15 years), which may reflect a stronger commitment to legacy and continuity.
2. Revenue Growth Rate: Non-family-owned businesses exhibit a slightly higher annual revenue growth rate (10%) compared to family-owned businesses (8%). This might be due to a greater focus on aggressive expansion and risk-taking in non-family businesses.
3. Employee Retention Rate: Family-owned businesses have a higher employee retention rate (85%) than non-family businesses (70%), likely due to a stronger emphasis on loyalty and personal relationships within the family business structure.
4. Succession Planning Rate: A significant majority of family-owned businesses (70%) engage in succession planning, preparing the next generation to take over. In contrast, only 30% of non-family businesses have formal succession plans, which can lead to challenges during leadership transitions.
5. Access to External Funding: Non-family-owned businesses have better access to external funding (60%) compared to family-owned businesses (40%), possibly due to greater transparency, scalability, and a more diverse management structure in non-family businesses.
6. Innovation Adoption Rate: Non-family businesses are more likely to adopt innovative practices (70%) compared to family-owned businesses (55%), possibly because of the conservative nature of many family businesses that prioritize stability over experimentation.

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