

Specifics of the family business in Russian economy

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Abstract. In the article the results of the analysis of the main international destinations of the latest research of the family business, identified the possible further development of the theory of Russian family entrepreneurship. On the background of research papers, devoted to the problems of the economy of entrepreneurship, which were published recently, the presented work is acutely relevant. Here the research is presented, which is performed at the theoretical, methodological and practically-oriented level, and is directed, in the first place, to determine the special features of family business organization and management in Russia.

[Volkov D.A. **Specifics of the family business in Russian economy.** *Life Sci J* 2014;11(12s):825-828] (ISSN:1097-8135). <http://www.lifesciencesite.com>. 178

Keywords: Family business, Russian family business enterprise, theory of family entrepreneurship

Introduction

The Thomson Financial researchers for the journal Newsweek compared the family business with the competitors' business on six key financial indices in Europe. They worked out special criteria for indexing. The research lasted for more than 10 years. In Germany the family business reached the average "success index" of 206%, and the non-family — only 47%; in France — respectively 203 и 76%. Family business has also left behind its competitors from non-family organizations in Switzerland, Spain, Great Britain, Italy.

Gnosiological analysis of the national and foreign scientific experience and of the state of the modern practice demonstrates, that the scientific knowledge does not still possess the integral conception of the formation process of the modern family business model in Russian economy.

In this situation it is possible to synthesize the contradiction between the objective necessity of the family business institutional development in Russian economy and the insufficient elaboration of the process of family business formation and management in Russia.

Methodology

Development of small entrepreneurship in the modern Russia, and particularly of the family entrepreneurship is the necessary condition for solving a complex of the difficult social and economic problems, involvement of significant part of the unemployed population in entrepreneurial sector, re-orientation of the credit and tax policy for encouraging the production development, transition to the innovation type of economic development.

Results of international research papers, which determined the relevance of the chosen topic.

Totally we have explored 32 business structures, the interviews were conducted with the

respondents – business owners. Geography: Moscow, Yekaterinburg, Noginsk, Slavyansk-on-the-Kuban, Uhta (Komi), Kamensk-Uralsky (Sverdlovsky region), Tumen, Kazan, Novosibirsk, Samara, Vladivostok, Perm, Saint-Petersburg. (Pic.1-3) [9, 10].

Research results

Family companies face the dilemma in the area of corporate management practice: where to find the balance between the conservative model of conducting family business and the existing market appeals. The carried out analysis of the research papers allowed to work out the model of the family business life cycle. In terms of the author's conceptual interpretation, the family business life cycle model can differentiate on the different stages the family roles, and the priorities of business owners and executives from the business priorities. This allows to supplement the family business life cycle model with the potential problems which can appear on the different stages of its development.

So, results of the empirical [9] and theoretical researches, on the base of which the components are singled out (Pic. 1-4):

-40,6% of business owners are ready to sell their business during 2-4 years;

- the priority of selling the business is the presence of the interesting investment alternatives (59%) and the attractive price proposal (50%);

- after 10 years 46,9% plan to sell their business;

- 78,1% of business owners don't possess the clear understanding of the succession policy inside the company;

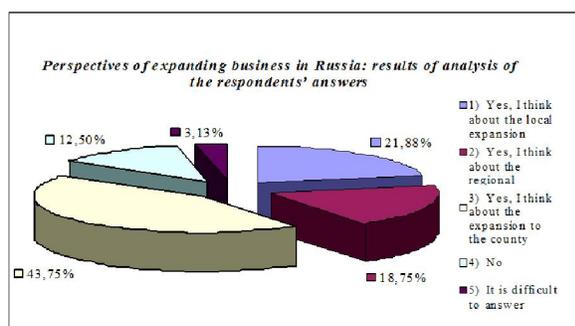
- only 9,3% of the business owners possess the documents, which regulate the business transfer;

-the family members of only 43,8% respondents perform managerial functions;

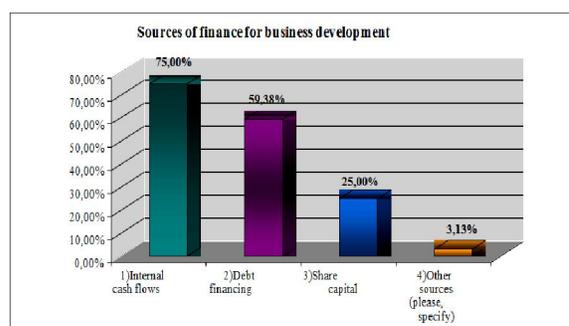
- the family members of 15,7% respondents are included in the Board of directors.

Table 1. Research results

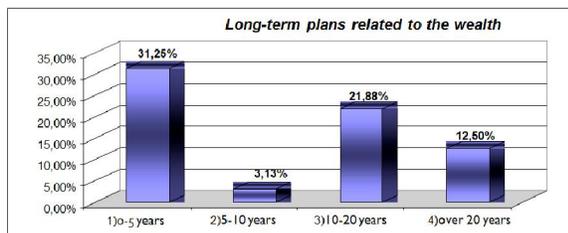
Name of research	Research description	Research results:
Global Entrepreneurship Monitor [1,2]	Rating of the entrepreneurial activity of the population	International longitudinal research project studying the level of the population's entrepreneurial activity: Global Entrepreneurship Monitor (GEM): 1999- 10 countries, 2008- 42 countries
Doing Business 2010- The World Bank Group [3]	Rating of the World Bank "Conditions for conducting business"	Conditions for conducting business (data of subnational reports)
Boston Consulting Group [4]	World trends of family business development	Number of "millionaire dynasties" in the world has grown by 14% during the last year (up to 9,6 mln.), among them only a quarter lives in Europe, nearly a half – in USA and Canada, and one fifth – in Asian Pacific Ocean region
International Family Enterprise Research Academy (IFERA), McKinsey, LSE [5]	World trends of family business development	On average family enterprises create 55% GDP of the explored countries, and the family form of business organization is now the main one for the range of large countries with the developing economies
Scorpio Partnership [6]	European trends of family business development	In Europe there are 11,3 thousand families, whose wealth exceeds 100 mln. dollars
Family Office Exchange [7]	European trends of family business development	In some families the amounts from 5 to 40 bln. Dollars are transferred from one generation to another
Gallup Europe[8]	European trends of family business development	<ol style="list-style-type: none"> 1. The largest number of the oldest business dynasties live in Great Britain, not less than 16% of all family enterprises belong to the fourth and further generations; 2. In Swiss there is the highest share of people employed in family business - 61% of able-bodied population of the country; 3. Spanish families are more than other European families involved in the sector of wholesale and retail trade; 4. In Italy every fifth business family has the average turnover about 2 mln. Euro.



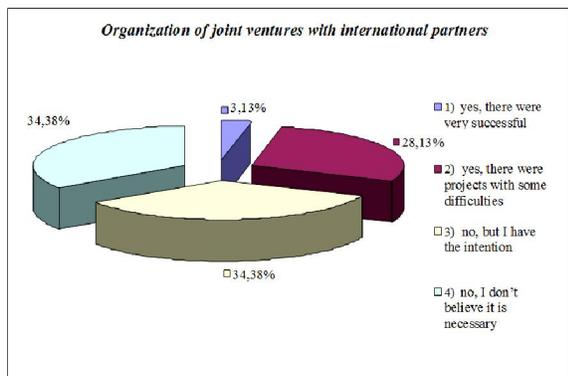
Pic.1



Pic.2



Pic.3



Pic.4

When determining the main investment goal of the family in relation to the capital, respondents mark the following:

- necessity to secure the capital – 15,6%;
- necessity to protect the capital from inflation – 12,5%;
- balanced approach – 50%;
- growth – 34,4%;
- aggressive growth – 3,1%;
- 65,6% invest into the domestic real estate;
- 18,8% respondents consider precious metals to be an efficient tool for investing personal funds in the current market situation.

The efficient family business management is based on defining and forming the family values. Family values become the company's "business card" and serve the foundation for the consolidation of family members, merging of their interests with the interests of business, which will be the basis for the wealth management and the understanding of the family's assets, expenses, expected level of income, as well as for the development of the succession policy.

In this situation the task of working out the adequate government measures for the small entrepreneurship support, which would take into account the features of different entrepreneurial

groups at all stages of business development, is considered to be the most actual. In particular, it is necessary to ensure the practical realization of different state programs of small business financing, to encourage the development of innovation entrepreneurship, to introduce the system of preferential treatment at the early stages of small enterprise development.

Conclusions

1. Entrepreneurship development in Russia has the significantly successive character, and the analysis of the best traditions of the Russian entrepreneurship allows to observe succession in the existing technologies of the family capital creation and management which are the most adapted to the Russian specifics.

2. Analysis of the key elements of family business establishment and development in the existing legislative systems has revealed, that the family business is based on the so called fiduciary, i.e. personal and confidential relations. When considering family business as the object of inheritance in the modern legal environment, the necessity of working out the family business succession policy is evident. It will allow to avoid the interest conflicts during the power transfer from one generation to another and will serve the basis for ensuring two main conditions of the family companies' long-term success – professional management and continuous business management by the members of the family.

3. The process of business inheritance is divided into two main stages: the complex of top priority measures for ensuring business stability and the complex of measures for the consecutive business transfer from one generation to the other. The top priority measures for ensuring business stability are directed only to bring the assets, during the shortest possible period, to such a state, when their transfer to another generation would be legally and physically possible.

4. Personal and confidential relations determine the specific of family business. The succession policy allows to avoid the interest conflicts in the process of transferring the power from one generation to another. As a consequence 2 main success conditions of the family companies are formed: professional management; continuous process of business management by the family members.

5. The key moment of the competitive advantages formation of family companies is the integration of the best qualities and best practices of the Russian merchants in pre-revolutionary period and the foreign experience in the family business. In this project the position is

grounded, that combining the strategy of diversification with the strategy of concentration in family business is the optimal approach to the realization of the efficient family business management model.

6. The key factors of the long-term success strategy of family business are the following: strong boards of directors; uncompromising standards of meritocracy, when it is impossible to get a position without the necessary qualification; risk diversification and business renovation through the intensive assets' portfolio management; long-term financial policy.

7. Development of small entrepreneurship in the modern Russia, and particularly of the family entrepreneurship is the necessary condition for solving a complex of the difficult social and economic problems, involvement of significant part of the unemployed population in entrepreneurial sector, re-orientation of the credit and tax policy for encouraging the production development, transition to the innovation type of economic development.

8. In this situation the task of working out the adequate government measures for the small entrepreneurship support, which would take into account the features of different entrepreneurial groups at all stages of business development, is considered to be the most actual. In particular, it is necessary to ensure the practical realization of different state programs of small business financing, to encourage the development of innovation entrepreneurship, to introduce the system of preferential treatment at the early stages of small enterprise development.

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7/29/2014