
**PROGRESSION OF FAMILY BUSINESS IN MICRO AND SMALL ENTERPRISE – A STUDY IN GONDAR
REGION IN AMARA STATE, ETHIOPIA**

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ABSTRACT

Entrepreneurship, in a very broad sense, has always been at the heart of firm and industrial dynamics extolling influence at macro level. Family businesses are an important group of enterprises not only in many of the world's large enterprises but also within the Micro, Small and Medium-sized (MSME) sector. Family businesses were often perceived to be the weakest type of enterprises; had they been successful, it would have been concluded that such success was attributed to their family character. Though family businesses account considerably more in Ethiopia, yet there is acuity of knowledge about their ways of organizing and managing MSME businesses in these rapidly changing times. Succession planning, gender disparities, financial goals, retaining relationships, professionalization, leadership are the decisive facets which will evaluate the longevity of the particular business. A study on Micro and Small enterprises with family business at different markets of Gondar region in Amara state, Ethiopia has revealed a number of convinced findings amalgamated with both benefits and shortcomings. This paper highlights the propinquity of achieving accomplished success in family business with certain tailored efforts which will broaden our understanding of family businesses' issues and possible solutions. It also facilitates an opportunity for the further study on numerous parallel decision-making lines that will increase the complexity of the enterprise's functioning.

Key words: Entrepreneurship Frame work, Family business, Succession planning, professionalization, leadership

I. Introduction

The very first step of entrepreneurial process starts with a small business where entrepreneurs hatch ideas, congregate resources, take individual risks and endeavor all efforts to be successful in their ventures. The owner-and the originator of the business, the entrepreneur plays all managerial roles and starts learning things slowly from his/her experience will aim for innovations and creativity will help to get success at the start up stage. Many studies have supported the concept of family business at micro and small enterprise level for the success rate stretches out much on certain constraints dexterously amalgamated with family governance.

Family businesses are an important group of enterprises not only within the micro, small and medium-sized (MSME) sector but also many of the world's large enterprises are in family businesses. Despite a few statistics feed enough to map the presence of family businesses throughout the world, many studies conducted in different countries have confirmed the credence of these businesses carry in national economies. In the past, family businesses were often perceived to be the weakest type of enterprises; if they were successful, it would be concluded that such success was attributed to their family character. The notion of ownership is fundamental to family businesses. It is important to improve our knowledge of ownership and how it affects the business behaviour of family firms.

Many of the challenges faced by family businesses also concern SMEs in general. However, some affect family firms more specifically, and others are exclusive to them. Even though family firms are important, not only because they make an essential contribution to the economy, but also because of the long-term stability they bring, the specific commitment they show to local communities, the responsibility they feel as owners and the values they stand for.

Though family businesses account for a considerable increase in the percentage of businesses in Ethiopia, yet there is a scarcity of knowledge about their ways of organizing and managing business in these rapidly changing times. The institutional outline and policy initiatives concerning to family businesses vary from country to country. Measures facilitating family businesses can deal with a range of challenges such as taxation, company law, planning the business transfer, awareness-raising through lobbying and policy advice, research and dissemination of information, promotion of entrepreneurship, family-business-specific education, and family governance. Exchanging the 'good practices' identified has enormous anticipations for the development of sector and the government has to play a vital role in promoting the information for mainstreaming relevant issues of family-business by adopting measures to create a more favourable environment.

The research provides a portrayal in particular of family businesses at the regional level i.e. at Gondar region of Amhara state, Ethiopia where more detailed information on each of the issues

could be covered because of the compatibility of the study area. It also suggests a set of good practices for most Micro and Small Enterprises as a considerable number of family companies here are associated with MSEs.

II. Literature Review:

Numerous attempts have been made to articulate conceptual and operational definitions of a family enterprise. Empirical research has revealed that family enterprises vary in terms of degrees of family involvement (*e.g.*, Sharma, 2004), which can change during the lifetime of the family business and is well illustrated within different family business developmental models (*e.g.*, Gersick *et al.*, 1997). Mandl (2008, 2), in the study "Overview of family business relevant issues," found 90 different definitions across 33 European countries, which mainly require major family influence on ownership and management/strategic control. Other characteristics used to differentiate family businesses from non-family ones were the active involvement of family members in the enterprise's everyday activities, the enterprise's contribution to the family's income generation, and intergenerational considerations. A study (Mandl, 2008,) confirms the absence of a single definition of a family business that would be "widely and exclusively applied to every conceivable area, such as to public and policy discussions, to legal regulations, as an eligibility criterion for support services, and to the provision of statistical data and academic research." The lack of a single definition for family business leads to other problems in addition to the absence of reliable and comparable data on family businesses in national economies.

Chrisman and co-authors (2005, 556-557) describe such approaches to definitions as the components-of-involvement approach to defining a family enterprise and thus propose as more adequate definition whose essential approach is "based on the belief that family involvement is only a necessary condition; family involvement must be directed toward behaviors that produce certain distinctiveness before it can be considered a family firm." As such, two enterprises with the same extent of family involvement may not be family businesses if either lacks the intention, vision, familialness, and/or behavior that constitute the essence of a family business. Steier and Ward (2006) suggested that family businesses differ from non-family ones along important strategic and organizational dimensions. Mandl (2008, 54-55) exposed one of the most important characteristics of family businesses—namely, the strong inter-relationship between the family and the business; the family is at the center of the enterprise, formally (*e.g.*, through ownership, involvement in management or employment) or informally (*e.g.*, by providing advice and consultancy) influencing the business. These parallel decision-making lines increase the complexity of the enterprise's functioning. According to Olson and co-authors (2003), family businesses are complicated by

dynamics within the family that owns and manages them. These dynamics affect not only business performance, but also business growth, change, and transitions over time.

III. Ethiopian Scenario

Emphasis on the development of MSE is associated with good research and implementation of policies is considerably good in Ethiopia and the importance being given exclusively to family business and its development is to be debated at high level because of the characteristics of the MSE in the country recommend the research needs. Firstly the challenges faced by the family business in the country are found vary from one business type to another and problems associated with many factors are almost innumerable. Secondly the complacency among the members of the family business towards the turnover and profit which leads the business to be static enough and the efforts to further development is much ignored. The density of MSE business in Ethiopia is comparatively strong and the base is supported with the high involvement of emotional attachment of every member so as the participation in every respect of the business such as physical distribution, financial issues and customer relations are highly substantial. Work sharing and decision making is found to be the crux of any business and the family amalgamated with either joint or neutral influences a little gender discrimination where the male and female have the similar capabilities. Strategic thinking about the development of the business in terms of the expansions is a factor being neglected because of inadequacy of certain modified and modernised business techniques for longevity. Operational performance of every activity of the business in MSE is situational and the management of the situation does not yield expected productivity.

The challenges faced by the family business are to be taken into consideration while debating the progression of the MSE sector in Ethiopia. Firstly the financial challenges such as return on investment, working capital management, taxes to be paid and outstanding balances require to be tresspassed with proper management. Secondly the challenges in work sharing in accordance with the gender, age and education are to be solved within their family confinements. Decision making and probabilities of success rate play a significant role and pave the way to ego-centric atmosphere in the family is the third challenge. Fourthly the socio-cultural problems which are much influenced by geographical imbalances and the types of the business have a greater impact on the business. Lastly the technological trends that master the growth of the business with dynamic and dramatic changes will have to be overcome. The areas of challenges which are observed in various types of the businesses have a significant impact on the business growth and many are found to be the obstacles for the development. To offer better solutions to shoot the challenges it is recommended to evaluate the challenges in association with the priority given by different types of the businesses

in expectation with a vast change from business to business.

IV. Objectives of the Study:

1. To identify the entrepreneurial research priorities of Family Business in Micro, Small and Medium Enterprise in Gondar region.
2. To evaluate the relatedness of progression of Family Business Enterprises with the challenges faced by major categories in Gondar region.
3. To analyze the priority of major family business categories of Micro and Small Enterprises on the different challenges that they countenance.
4. To offer the attuned recommendations to rationalize the exploring opportunity profile for the progression of Family Business in Gondar region

V. Hypothesis

H1: There is a significant difference among different family Business category respondents in priority given to the financial problems in their Family Businesses.

H2: There is a significant difference among different family business category respondents in priority given to challenges in work sharing in their Family Businesses.

H3: There is a significant difference between the family business category group respondents in priority given to challenges in Decision-Making in their Family Businesses.

H4: There is a significant difference among different family business category respondents in priority given to the socio- cultural challenges in their Family Businesses.

H5: There is a significant difference in priority given to Technological Challenges among different family business category respondents in their Family Businesses.

VI. Methodology

The factors that contributed to the selection of Gondar region for the purpose of the study are: firstly, this is the one of the regions in the State to have the thickest density of Micro, Small and Medium Enterprises; secondly, this is the district in the State which has gone through a historic development of business trade of several industries. Thirdly, the possibilities of execution of different innovative marketing techniques are found that suit the urbanized people. Main markets of the study area taken for the survey are Arada, piyasa, condomium 1, condomium 2, marki, college and samunaber. Some of the entities that Micro and small scale business enterprises selected in the selected area are General Stores, Coffee Shops, Vegetable Shops and Bar and Resturents

VII. Analysis of the study

Table 1: Significant difference among different category respondents of Family Business enterprises on priority basis facing the challenges in the progression of the business

Challenges of Family Business	Respondent category	N	Mean	Std. Deviation	SS Effect	MS Effect	df	f-value	Sig.
Financial Challenges	Coffee shops	77	1.81	0.69	2.49	0.83	196	5.64**	0.00
	General stores	38	1.79	0.93					
	bars	29	1.83	0.80					
	Vegetable shops	56	1.84	0.76					
	Total	200	1.82	0.77					
Work Sharing Challenges	Coffee shops	77	1.64	0.72	0.46	0.19	196	1.67	0.25
	General stores	38	1.87	0.74					
	bars	29	1.90	0.67					
	Vegetable shops	56	1.70	0.74					
	Total	200	1.74	0.73					
Decision making Challenges	Coffee shops	77	1.19	0.51	4.33	1.44	196	10.66**	0.00
	General stores	38	1.71	0.77					
	bars	29	1.79	0.73					
	Vegetable shops	56	1.70	0.71					
	Total	200	1.52	0.70					
Challenges from Socio-cultural constraints	Coffee shops	77	2.06	0.77	0.51	0.14	196	0.94	0.42
	General stores	38	2.32	0.70					
	bars	29	2.34	0.61					
	Vegetable shops	56	2.25	0.61					
	Total	200	2.21	0.70					
Technological Challenges	Coffee shops	77	2.48	0.66	0.74	0.25	196	2.74*	0.04
	General stores	38	2.63	0.54					
	bars	29	2.52	0.74					
	Vegetable shops	56	2.34	0.75					
	Total	200	2.48	0.68					

* Significant @ 5% level ** Significant @ 1% level

The significant difference on priority basis of facing challenges in running the family businesses among different categories entrepreneur respondents in the study area has been presented in the above table.

H1: There is a significant difference among different family Business category respondents in priority given to the financial problems in their Family Businesses.

According to the above table the priority basis on financial challenges is dominated by vegetable shops category of Family business (1.84) followed by bars (1.83), coffee shops, (1.81) and the General stores category encountered least priority (1.79). The respective standard deviations are 0.76, 0.80, 0.69 and 0.93. The calculated f-value 5.64 indicates significant at 0.01 level. Therefore, this shows that there is a significant difference among different family Business category respondents in priority given to the financial problems in their Family Businesses. *Hence the hypothesis is accepted.*

H2: There is a significant difference among different family business category respondents in priority given to challenges in work sharing in their Family Businesses.

The priority basis on challenges in work sharing is dominated by Bars category of the family business (1.90) followed by General Stores (1.87), Vegetable shops (1.70) and the Coffee shops category has stood with least priority (1.64). The standard deviations are 0.67, 0.74, 0.74 and 0.72 respectively. The tested f-value 1.67 is found not significant. Hence, this indicates that there is no significant difference among different family business category respondents in priority given to challenges in work sharing in their Family Businesses. *Hence the hypothesis is rejected.*

H3: There is a significant difference between the family business category group respondents in priority given to challenges in Decision-Making in their Family Businesses.

Regarding priority basis on challenges in Decision-Making the Bars category of the family business is dominating with 1.79 followed by General Stores (1.71) and Vegetable shops (1.70), and the Coffee shops category is found least priority towards challenges in Decision-Making with 1.19. The respective standard deviations are 0.73, 0.77, 0.71 and 0.51. The calculated f-value is 10.66, indicates significant at 0.01 level. Therefore, there is a significant difference between the family business category group respondents in priority given to challenges in Decision-Making in their Family Businesses. *Hence the hypothesis is accepted.*

H4: There is a significant difference among different family business category respondents in priority given to the socio- cultural challenges in their Family Businesses.

The priority basis on the socio-cultural challenges is dominated by Bars category of the family (2.34) followed by General Stores (2.32), Vegetable Stores (2.25) and the Coffee shops category stands with the least priority (2.06). The standard deviations are 0.61, 0.70, 0.61 and 0.77 respectively. The tested f-value 0.94 is found not significant. Hence, this indicates that there is no significant difference among different family business category respondents in priority given to the socio-cultural challenges in their Family Businesses. *Hence the hypothesis is rejected.*

H5: There is a significant difference in priority given to Technological Challenges among different family business category respondents in their Family Businesses.

Regarding priority basis on Technological Challenges is dominated surprisingly by General stores category (2.63) followed by Bars (2.52), Coffee shops (2.48) and the Vegetable shops category stands with the least priority (2.34). The derived standard deviations are 0.54, 0.74, 0.66 and 0.75 respectively. The projected f-value is 2.74 indicate significant at 0.05 level. Therefore, this indicates that there is a significant difference in priority given to Technological Challenges among different family business category respondents in their Family Businesses. *Hence the hypothesis is accepted.*

From the above analysis it can be concluded that Bars category respondents indicate more priority in facing the challenges such as Work sharing, Decision-making and Socio-cultural constraints. Whereas, Vegetable stores category have given more priority to Financial challenges and General stores category have given more priority to Technological challenges.

VIII. Recommendations and Conclusions

1. In spite of the general and common funding and training programmes provided by the government and different NGOs, an exclusive support to the family business units is found to be extremely needed as the specification of the techniques are different.
2. Accurate analysis of challenges with respect to the severity, risk tolerance, certainties, handling probabilities for different business types to carry out the solutions is highly recommended
3. Entrepreneurial education and training for the improvement of Family business start ups with respect to the issues pertaining to financial, decision making, work sharing, management of socio-cultural problems and technology trends is to be taken up.
4. Exploring the opportunity profile to the extent that the family business can stretch to start and continue the business with the least possible pains.

5. Elements associated with Family business such as emotional bonding, shared values, family governance which help to increase the business are to be educated to many so as to be a stimuli for the new FB s to come up

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