Impact of family businesses in the development of the national economy in the Republic of Macedonia

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Abstract
The family-run business companies present a driving force of the society in which they function and take great part in identification of market needs. By developing skills and building new types of business, the business owners strive to satisfy those needs, reaffirming the work ethics and entrepreneurial spirit as a solid base for family-run business.

The purpose of this paper is to emphasize the importance of family-run business and to recognize its significance in the new social, political background and economic system of our country. By developing strategies for family-run business, the country should boost confidence of young people regarding the possibilities these kinds of business offers in accomplishing individual ambitions.

To be able to successfully the challenges of the environment, Family businesses have to adapt to new market conditions. Following the market supply and demand and appropriately responding to the same family businesses contribute to strengthen their market position. Also spur innovation, contributes to this kind of businesses to successfully cope with market competition.

Development documents in all these years of independence of the Republic of Macedonia contain provisions for strengthening the small business sector by providing financial support to the operations of the companies, especially new and young enterprises. But despite the fact that several projects were opened several institutions and provide some funds for financing, there remains the conclusion that helping and strengthening the development of family businesses should be treated as a permanent process in the interest of faster employment, using creative potential employees, laid-off workers, young and educated people. Commitment to helping the development of family business is a constant and long-term process, which should be a permanent task and goal of macroeconomic policy.
The absence of a quick and relatively easy access to capital, information and new technology, requiring long-lasting process in the policy of encouraging the development of family businesses.

Key words: family business, entrepreneur, development, market

Introduction

As result of the new situation in Republic of Macedonia after the independent, when more of enterprises have been given the challenge to cope with market liberation and closed their plants for the workers, many of these workers decided to face with the reality and using their own entrepreneurial spirit and intuition, tried to open own business. Forming an own business, is opportunity and chance to contribute to the economic survival of the family. At the beginning, they were small, and each idea for a new business or establishment a new way of the work, was a risk for them.

In the start, the businesses were small, and every idea for a new business or introducing innovations in the operation, was a risk. However, some of startup businesses, as result of the entrepreneurial skills of their owners, managed to survive and develop, so today they are successful companies.

Forms of organization and association of family businesses, are numerous and very effective to promote the entrepreneurial ideas of individuals. They are in the interest of consistent state support of the private sector, in the management, as an imperative for a way out of economic stagnation, unemployment and poverty. In the interest of the Macedonian economy and the Macedonian state, is serious and long-term consistent national approach to the issue of development of small businesses. Forms of organization through various forms of association and joint operations are numerous, and for them there are many positive examples in the world economy and in our country, so they need to develop, nurture and assist with various measures of the means and instruments. It should be a constant task and goal at the national level, institutional level, and enterprise level.

Macedonian state, should explicitly commit to a firm and clear support of the private sector, leaving no room for the negative perceptions that the private sector should be alone to develop spontaneously. Change awareness among people and decision makers at the national level, is great importance for unimpeded and rapid development of small businesses. It is a way out of the deep sedimentary problems in employment and poverty population.

Financing family businesses in rural and urban strata of the population in Macedonia is insufficient. Despite funding programs, which are mainly foreign financial institutions, however, there is no transparency in the marketing of such financial assets inside the state, on the contrary, a large percentage of them
are place in Skopje, where actually the concentration of family businesses are the largest.

Thus, to create opportunities for the development of family businesses and to provide development assistance already established family businesses in the Republic of Macedonia, should take measures. They measures concern on institutional adaptation of the financial sector, introducing or expanding the impact of informal financial institutions, greater cooperation and linking formal with informal financial institutions and the opportunity for the establishment of new financial institutions to support the family businesses.

Transition and privatization in Macedonia after the independence, cause significant unemployment and the closure of a several large enterprises due to their insolvency and inability to adapt to the new way of doing business. This is also one reason for the need, for the development of family businesses. However, low credit activity contributed little interest in the possibilities for the development of family businesses. It stems from weak supply appropriate solutions and programs by banks. Many countries have this or a similar situation, joined the reconstruction and adjustment of the financial sector in order to create conditions for the development of formal and informal capital market in order to increase the ability to support not only this kind of business, but to development the business sector in general.

1. Opportunity for developing the entrepreneurship and the family businesses

The idea for opening own business, is associated with an appropriate business decision for the implementation of specific business activities, from who are expected concrete results. From idea to realize the own business, it needed a large variety of activities. Up with the idea for own business, they come for various reasons. That is the reason of lack of work, availability of capital, information and insights, and opportunities for more earnings.

The starting of any business activity, that should give a score, based on the idea. The idea to start any business does not come by itself. First, it is the result of specific needs for success and proof, but and certain observations, knowledge, experience, research and analysis. The idea for own business, is an expression of the needs of different character. These needs can be a reflection of the different situation, which it is the holder of the idea. We believe that, the idea for own business is a result of the following situations:

- Lack of permanent job,
- Lack of sufficient means of subsistence,
- Possession of free financial resources,
- When someone working in an organization where his superior is with less expertise, knowledge and
- Due to the possession of entrepreneurial spirit.

Initiative and ability to move in the wake of the risk to succeed or not in connection with the realization of an idea for a new product, entering new markets, or the like, refers to the activities and processes with the common name referred to as entrepreneurship.

Discovering the opportunities for a new product, a new way of working, new ideas about the possibilities of business ventures and accepting the risk of implementation, suggests that it comes to entrepreneurship. In doing, have not successful business and business venture, without risky decision.

The owners of family businesses, theirs weak management will exceed with education and research new opportunities for profiting. They will build their own marketing concept of their business in terms of profit. Entrepreneurial experiences of family business show that, their innovation and change enter the risk of realization of their ideas. But, not always, these activities end successfully. The characteristic of an entrepreneur, is not to give up the business enterprise, therefore failure of one trial, reacts with the beginning of a new.

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2. Opportunity for the family business development in Republic of Macedonia

Family businesses development in Republic of Macedonia is a good opportunity to overcome the existing socio-economic situation, in which Republic of Macedonia is since independence.

Figures, suggest themselves to the fact that a large number of newly established businesses after Macedonia independence is family businesses established of one, or in some cases by several families.

To start and grow a family business is need the government to create economic, financial, institutional and legal conditions, as opportunity to develop the family businesses.

The Republic of Macedonia is a market with about two million inhabitants, of which 942,420 capable, 648,200 or 68.8% of them are employees and 294,220 or 31.2% are unemployed.
Revenue structure in 2011, prevailing remuneration in respect of regular and temporary employment by 65.1%, pensions accounted for 18%, income from agriculture by 4.8%, income from abroad by 3.1%, by 1.7 in social benefits. The data indicate that the average household with their income provides 92.7% of its consumption, and the rest covered with loan borrowing. Average household in the Republic of Macedonia about 60% of its income, spent on basic household needs food and clothing.

1 State Statistical Office "Macedonia in numbers", Skopje, 2012
As result of high unemployment, the initiatives to open own businesses are frequently, in which mostly would work family members. The majority of family businesses in the Republic of Macedonia are located in Skopje, and it is the reason for unequal economic regional development of the country. In fact that, the capital of the Republic of Macedonia is concentrated almost a quarter of the total population, and that most of the investment activities happen right there, it is clear why the concentration of small and medium enterprises are precisely in the capital.

In ‘90-th, in most cases, the owner sees the family business as a necessity to ensure the subsistence of his family, not as an opportunity for development and expansion of the business or the exercise of his desire to open a new business. Later the situation is changed, the owners started to think more not only for satisfying his living needs and his subsistence, he through market, will present his innovative, creative and entrepreneurial skills, through new products and services with aim to expand.

Long transition on Macedonian economy, is slow down the recovery of the country’s economy and attracting foreign direct investment.

After an initial transition-induced recession that began in 1991, the Macedonian economy started to grow again in 1996. However, between 1996 and 2003, the growth rate was relatively low, partly by various external shocks. With an average annual growth rate of around 2% in this period, the realized growth rate of GDP of the Republic of Macedonia was below than level of many of the other economies in transition. The general situation has improved in the period 2004 - 2007 with an average annual GDP growth rate of 4.5%, but still lower than most other EU candidate countries and new EU countries².

The Family businesses related to manufacturing industry, have the most important role among industrial sectors. Within the manufacturing industry, the most important is the processing of basic metals and processed metal products, followed by the production of food products, beverages and tobacco, and then the manufacture of textiles and textile products. This structure of the industry particularly large production of basic metals and processed metal products, suggesting on possible convenience Macedonian industry in terms of global economic crisis.

In the structure of the industry, dominate branches with low benefit. Such a structure maintained has been for years. The industries that have a stimulating effect in the economy such as electronic, chemical and pharmaceutical industry, products with higher value-added industries by applying intensive research

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and development, information technology and so on poorly represented in the Macedonian economy.

In Macedonia are started certain structural changes, targeted towards to increase of private initiative in certain sectors, then adjustment the country and its legislation to the EU, as well as cluster activities.

Exports, as a strategic goal of all businesses and family businesses, play a major role in improving the effects of family businesses and incentives for active participation in the markets. In exports, the Macedonian industry is generally positioned on traditional markets through exports of basic metals, food and beverage, where price is the primary driver of competitiveness. However, in traditional industries in the global economy, the rise is tendency primary profit in the chain of production is located in areas outside of manufacturing.

To contribute to the faster development of family businesses and their surviving in early stage in their growth and development, it is necessary to supported by certain founds. Therefore, it is necessary to realize education to introduce the possibilities of opening a small business, training opportunities for the use of credits programs development for start up business, request fund from banks and other institutions, etc. It is necessary to facilitate family businesses access to banks and other sources of funding programs. Therefore, should create a favorable tax and other working conditions of family businesses in the early years.

Thus, entrepreneurs are encouraged and with successful continuation of the work of family businesses, are create conditions for state revenues, funds and other institutions that financed by taxes, contributions of businesses. In this respect, a significant contribution given the measures undertaken by the Government of the Republic of Macedonia targeted toward reduction tax and other incentives for employment in small businesses under macroeconomic policy orientation of the government of the Republic of Macedonia. The research shows that, the importance for development of family businesses is they to relate to one another on compatible programs, as well as with larger enterprises. This is a prerequisite, the family business to survive and grow in conditions of increased competition in the domestic market and the need for more pronounced export orientation of production, which realized in this sector of the economy.

Is estimated that, the development of family businesses should be performed on a complex program of measures and activities. In this context, is importance to exist system one stop shop which will simplify the procedure for registration and start-up family businesses, will be pursued education stakeholders to launch and develop the business, will create conditions for
giving necessary business information, support family businesses connect with each other and with large enterprises, facilitating access to financial institutions and so on.

The development documents in all these years of independence of the Republic of Macedonia contain provisions for strengthening the small business sector by providing financial support and pecuniary aid in business operations of the companies, especially new and young enterprises. But, despite the fact that the several projects with which were opened several institutions and were provided some funds for financing, remains the conclusion that the help to strengthen the development of family businesses should be treated as a permanent process in the interest of faster employment, using creative potential employees laid-off workers, young and educated people.

The first and more important step of this policy in our country has been made with the establishment of a network of institutions for the development of small and medium enterprises through the establishment of:

- APPRM - Agency to support entrepreneurship in the Republic of Macedonia APE is responsible for implementation of government policy on the development of entrepreneurship 2007-2013.
- Agency to assist the companies in Tetovo, Ohrid, Gostivar funding from the UK government
- PREDА, the Regional Development Agency for Pelagonia Region - Prilep, funding from the Swiss government.
- SEED Office established 2001 with funds from IFC
- Macedonian Business Center, established in 1996 with funding from the U.S. Agency for International Development.
- Macedonian Enterprise Development Foundation, within the Macedonian Center for International Cooperation, provides technical and financial support, financed through commercial banks.
- For several years successfully working business incubators funded by the World Bank programs.
- Since 1996 things charity "Mozhnosti" from Skopje as a USAID project which has units in Kochani, Kichevo, Kumanovo, Strumica and providing micro-financing of small and start-up businesses including group loans.
- In 1998-th was found the Macedonian Bank for Development and as a promotional bank operating through commercial banks in the country. It was established with a capital budget of the German bank KFW.

Family businesses have a major role in the rapid and efficient resolution of employment problems, in the restructuring of production and in the change of
the economic structure, to increase the competitive ability of the economy as a whole, giving it priority in the development and economic policy of the Republic of Macedonia.

Development of the system of financing the family businesses based on reforms that will cover macroeconomic policy, institutional transformation and instrumental innovation, and infrastructure development certainly would contribute greatly to the increase in economic activities of this type of business. There are major opportunities for adaptation of existing and establishment of new institutions for financial support of family businesses. So in developed countries operate a number of institutions involved in the financing of this kind of businesses. Here we can mention the commercial and development banks, local banks, private financial institutions or municipally owned, non-credit institutions, NGOs and other types of informal financial institutions.

According to the experiences of developed countries, family businesses such funding problems could be overcome through several strategic approaches:

**First** Adjustment of monetary policy reforms in the real sector, the transformation of the financial infrastructure and the development of local funding

**Second** Creating favorable conditions in the interest rate policy of the state,

**Third** Lending to small and family businesses from the state or from other funds.

In order to accelerate the investment activity in our country, should be used more forms of sources of funding for small and family businesses through formal and non-formal sources of funding. Of course, the experience of developed countries represents significant assistance in the implementation of such activities in view of their experience in this domain.

In the interest of the Macedonian economy and the Macedonian state is serious and long-term consistent national approach to the question of the development of small businesses and family businesses.

The opportunities for the family businesses development of the Republic of Macedonia are supporting with development of a national policy for small and family businesses. The national policy will be accomplished by building a network of various institutions to support and strengthening of small and family businesses. In the interest of a faster economic development of the Republic of Macedonia, is needed to adopt and apply contemporary methods of operation, funding and institutional support family businesses.

An important point in all this is a change in the awareness of the population and those who are responsible for making decisions in the national interest for unimpeded and rapid development family businesses, as a way out of accumulated problems, unemployment and poverty of the population.
The existence of family businesses is an important part of the economy in every society and that they have these spaces existed for a long time, will substantiate the following example.

The story of the winery “Tikvesh” started in 1885, ie at the time when the Ottoman Empire losessits power. While the world is in the throes of intense change, in Macedonia, Pano Velkov merchant, nobleman and landowner, dreaming to establish a winery in Kavadarci, where later an area of 1200 square meters building “Tikvesh” winery.

In 1912, the “Tikvesh” winery, inherits the founder's son, Alexander, who continued successful development of the winery, which signed an agreement on cooperation Greek manufacturer wine and spirits Metachka.

In 1938, Alexander's previous owner withdraws from the management of the family business and it continues to lead his eldest son, Pano and youngest son Stephen. They increase the production of wine and spirits and begin to produce and beverages. Where the winery is becoming a well-known brand in the Balkans, and its products are sold in Serbia, Albania, Greece, Egypt, Turkey, etc.

Socially - political changes that occurred after the Second World War, and the change of the editor, Alexander taught Velkov arbitrary state own company requesting his sons who were heirs of this family business as good connoisseurs of the technological process and business to stay at work then already state-owned winery.

Today, the "Tikvesh" winery again is private enterprises that successfully meet the challenges that intertwine before his operation. With the re-privatization, starting a new cycle of investment and procurement of production equipment with an overall attention is given to the whole process of wine production.

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