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Interaction between Territorial Capital and Family Businesses

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Interaction between Territorial Capital and Family Businesses

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Abstract

The purpose of the study is to investigate the interaction between the territorial capital of a region and the family businesses operating there. In order to obtain a comprehensive picture about the interaction between family businesses and certain elements of territorial capital. On one hand, the study is based on the scientific literature of research areas and the previous research. On the other hand, two business studies are demonstrated based on deep interviews with the successors of the family businesses. The study gives an example of the social and cultural impacts of territorial capital on family businesses and the growing power of family businesses in terms of territorial capital. There is a strong interaction between corporate regional involvement and embedding and territorial capital.

Keywords: territorial capital, family businesses, embedding, interaction

JEL classification: M21

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Introduction

The study presents various approaches to family business. The topic of generational change is mentioned. We describe the territorial capital based on different perspectives. We discuss social capital according to different approaches. We provide an overview of the theoretical bases and dimensions of social capital. Elements of social and cultural capital are mentioned.

Within the framework of the research, we tried to explore the effects of social and cultural capital on family businesses. In addition, we got an answer to the question how the two businesses affect the social and cultural capital of the region.

We had the opportunity to get a picture about a family business working in the metal industry and an automotive family business. The interview was made with the younger generation of the owners of Blaskovics Autószervíz and Borsodi Műhely Ltd.

These two family businesses have successfully coped with the generational change. In the interviews, they honestly spoke about the social and cultural capital of the region. In connection with the social capital of the region, we could learn about the local networks, relationships and activities of the business, its relationship

with the local government, its attitude towards the social organizations, its embeddedness into the region and its regional bonding. Regarding the cultural capital of the region, we could explore the relationship of the business with educational and cultural institutions, its impact on educational and cultural life, its community building and its impulse for innovation. Paper aims at providing answers to the following research questions: (i) Can strong regional bonds of the founders be manifested for the next generations? (ii) How do family businesses contribute to the expansion of the territorial capital?, and (iii) there a context between corporate regional involvement and embeddedness and territorial capital?

Family business

Although family businesses are in Hungary for a long time, most of them were founded around the regime change and the researches related to family businesses has started intensively in recent years.

Definitions of family business

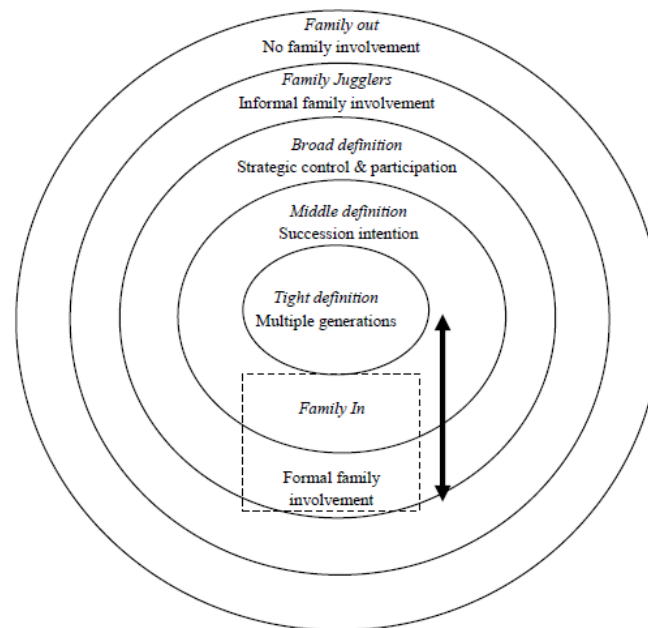
According to the article of Inc American business magazine about Family-Owned Businesses, the first difficulty in defining a family business is the different interpretation of the concept of family in different cultures. In the individualist cultures, it is typically interpreted as a narrow family (parents and children), while in the collectivist cultures it is interpreted as an extended family, a broad family circle. The family-owned business can be defined as a business activity involving two or more family members and the majority of ownership or control is within the family. Family business can be considered as the oldest business organization. Farms were the early forms of family business in which today's privacy and work life are intertwined. In a city environment, it was normal for a shopkeeper or for a doctor to live in the same building he was working for and the family members often assist in the business if it is necessary. The family business is the interaction of two separate but interconnected systems – the business and family – and it can be interpreted as an ambiguous boundaries and different rules. Family businesses can include a number of family combinations in different business roles, including husbands, wives, parents and children, extended families and more generations who play the role of shareholders, board of directors, staff, counsellors and employees. There are often conflicts because of these roles. Personal concerns or rivalry can also lead to the disadvantage of the company. For success, a family business must maintain open communication, must use the strategic planning tools and must ask for external consultants' help if it is necessary (Inc.).

The definition of family business published by the European Commission (Csákné Filep, 2012): an enterprise can be classified as a family business independent on its size if: (i) the founder, his/her parents, children or relatives own most of the decision-making rights; (ii) at least one member of the family or one member of the kinship formally have a say about the operation; and (iii) stock-exchange-listed companies when the founder or purchaser of the company or their family or descendants own more than 25% of the shares.

In the survey of Pricewaterhouse Coopers (2008) those businesses are considered to be family businesses where at least 51% of the ownership is owned by one or more family members, the senior management mostly consists of family members and the owners carry out the daily operation process. Anderson et al. (2005) gives a complex and flexible definition about the typology of family businesses (Figure 1). In the outer circle are "Family Out" businesses, which do not have any family involvement. The

next category is "Family Jugglers" where family participation is only informal. Three categories of "Family In" businesses can be distinguished. Based on the involvement of family members the outer circle indicates those businesses in which family involvement includes only strategic issues. There are businesses where the handover of the business to the next generation is planned and finally there are businesses where several generations work together (Anderson et al., 2005; Csákné Filep, 2012, pp. 9). This model is well known and has been used by many experts, such as Pieper et al. (2012), Konczosné (2014).

Figure 1
Extended Bull Eye Model



Source: Anderson et al., 2005, pp. 138.

Generational change

According to the article Family-Owned Businesses, the inheritance decision is an important issue related to family businesses. Most important is to avoid conflicts about who will hand the business over. They need to have a well-defined plan because an organized plan to achieve goals can help prevent a number of possible problems. When the handover is postponed, older relatives who continue to participate in the family business may develop the status quo (Inc.).

Territorial capital

Dombi (2017) believes that territorial capital consists of tangible or immaterial goods that contribute to economic value creation; public-, mixed- or private goods, internal factors that construct variations and typical structures. The territorial capital contains several factors. Therefore, it includes various dimensions that can be divided into factors. Dombi (2017) shows that we can differentiate natural, economic and social factors according to geographical grouping. This generalization is not used in research on territorial capital.

Dombi (2017) used the following literatures to determine the types of capital:

- Kitson és társai Regional Competitive (2004)

- Emery és Flora Spiraling-up: Mapping Community Transformation with Community Capital Framework (2006)
- Stimson és társai Regional economic development: Analysis and planning strategy (2006)
- McCann Modern Urban and Regional Economics (2011)
- Carayannis és társai The quintuple helix innovation model: global warming as challenge and driver for innovation (2012)
- Lengyel Regionális növekedés, fejlődés, területi tőke és versenyképesség (2012)
- Kengyel Kohéziós politika és felzárkózás az Európai Unióban (2015)

So according to Dombi (2017) the types of capital are: economic, produced, state/governmental/entrepreneurial, organizational, constructed/infrastructural, intellectual, creativity, psychic, social, structural, relationship, institutional, political, cultural, symbolic, ecological/natural, nominal/financial, human and knowledge capital.

In Reznitzer's book, Camagni's model was outlined as a theory related to the territorial capital. Figure 2 shows nine elements and rivalry and goods dimensions (Reznitzer, 2016).

Reznitzer categorized the types of capital into three groups: social, cultural and economic capital. From these three territorial capital elements social capital and cultural capital are described in more details in this study.

Figure 2
The Territorial Capital

<p>Powerful rivalry</p> <p>Pure private goods</p>	<p>Permanent private equity stock</p> <p>External financial conditions (hard)</p> <p>Goods with usage fee</p>	<p>Related private services:</p> <ul style="list-style-type: none"> ➢ External affiliates and partners of companies ➢ Transfer of R&D results <p>Higher education connections</p>	<p>Human capital:</p> <ul style="list-style-type: none"> ➢ Entrepreneurial spirit ➢ Knowledge ➢ Creativity <p>External financial conditions (soft)</p>
<p>Not pure private goods</p> <p>Not pure public goods</p>	<p>Private networks</p> <p>Public sources:</p> <ul style="list-style-type: none"> ➢ Countryside, landscape ➢ Cultural heritage 	<p>Cooperation networks:</p> <ul style="list-style-type: none"> ➢ Strategic collaborations (R&D) ➢ Synergies from partner relationships <p>Regulation of natural and cultural resources</p>	<p>Relationship capital</p> <ul style="list-style-type: none"> ➢ Collaboration ➢ Ability to joint action ➢ Common competences
<p>Pure public goods</p> <p>Weak rivalry</p>	<p>Natural and cultural resources</p> <p>Infrastructure</p>	<p>K+F agencies</p> <p>Consulting Skills</p> <p>Connection</p> <p>Peripheral economy</p>	<p>Social capital:</p> <ul style="list-style-type: none"> ➢ Institutions ➢ Behavioural models ➢ Local values ➢ Trust, reputation ➢ Willingness to build relationships, to join and to associate
	Tangible goods	Mixed goods	Immaterial goods

Source: Reznitzer (2016), p. 16

Social capital

Definitions of social capital

According to Field (2008) the definition of social capital has become more and more worldwide in the social sciences, in political circles and in mass media. Van Staveren (2003) found that social capital was a controversial concept of economists since it was established in economic literature in the mid-1990s. This is not a theory, like human capital theory and not a clearly distinguishable field of research but it is a concept that has been taken as a missing relationship between economic analyses.

According to van Staveren (2003) this concept essentially addresses the social and cultural aspect of human behaviour recognizing that these dimensions have economic consequences. Van Staveren (2003) has concluded that most definitions of social capital refer to a functional dimension referring to collective action, social cohesion or prosperity or even economic growth. For example, the World Bank defines the social capital and poverty research project as a concept of social capital for institutions, relationships, attitudes, and values, which regulate interactions between people and contribute to economic and social development.

Individual or collective property?

Claridge (2018) argues that the full range of views is available in the literature but in recent years, there has been a general agreement that social capital has an individual and a community component. This is because the individual has some degree of control over certain aspects of social capital but does little control to guide other aspects.

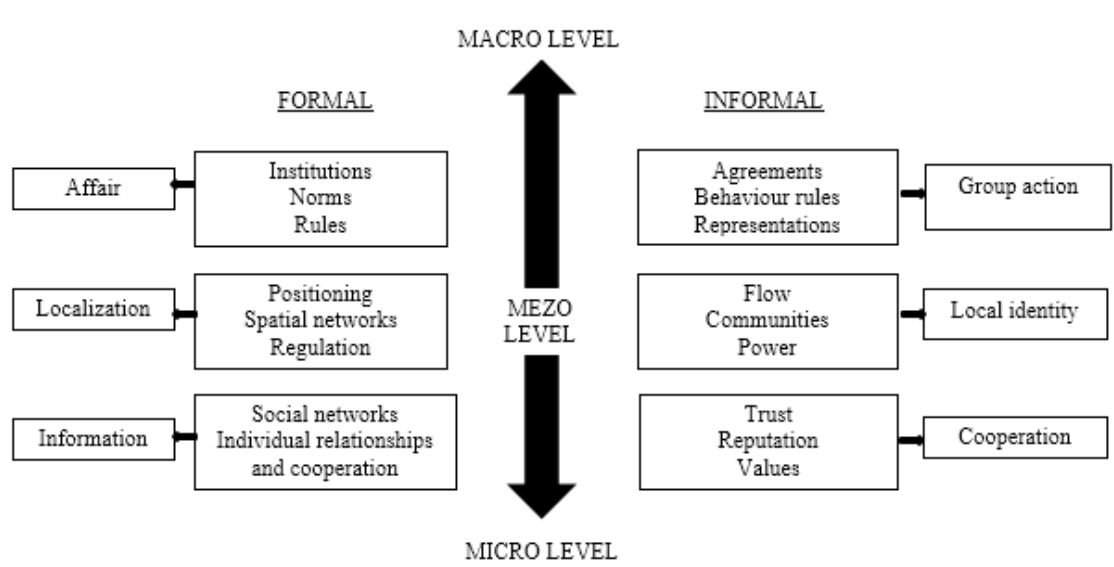
Claridge shows some examples of authors who place social capital as individual or collective property. Individuals can invest in personal relationships to create social capital. He can participate in network events; can join community or interest groups. This will allow him to meet new people and create new relationships. They can be friendly, they can help, and become trustworthy and nice people. Therefore, they can gain a positive reputation. They can spend a lot of time on their network connections and share their experiences and perspectives. Claridge (2018) shows that not only positive actions affect the individual's social capital. Negative actions can be the most serious consequences of social capital, especially acts that are the exploitation or betrayal of trust. He also states that these measures generally have significant and long-lasting effects. It can take long time to generate strong relationships, goodwill and trust but it can be destroyed in minutes.

Social capital, as a kind of capital

"Social capital is the sum of the current and potential resources that are related to have a permanent network of more or less institutionalized relations of mutual acquaintance or recognition; or in other words resources that are based on belonging to a group "(Rechnitzer, 2016, p. 19). Rechnitzer (2016) states that the group in this case is the town, the place (city), social capital illustrates its unique characteristics. Here can be found established norms, rules, ties, formal and informal networks that live, affect and operate in these territorial system so they become essentially local public goods. According to Rechnitzer (2016) these definitions can be found at micro level for individuals and communities or for businesses and institutions but these follow other rules than those that are generated by the territorial system. Similarly, at macro level, bonds can be observed but they are more related to society as a whole, they are not just connected to one place but they can be reversed to local dimensions, for example, to determine the functioning of territorial

units, the collection or management of resources, the development of the place (city). Reznitzer (2016) found that the requirements of macro levels and micro levels meet in the territorial dimension creating the local public good, which also includes social capital (Figure 3).

Figure 3
The Elements of Social Capital



Source: Reznitzer (2016), p. 20

Theoretical basics of the social capital

Nagy (2016) highlights that social capital theory is one of the most popular and applied collecting theories in contemporary social sciences. He believes that its existence is positive for society and huge benefits can be gained while its absence indicates negative tendencies. He notes that Hanifan was the first who employed social capital. He presents three other significant persons: Bourdieu, Coleman, and Putnam.

The most important dimensions of the social capital

Nagy (2016) explains that social capital appears at different levels of social networks: individual, communities, groups, networks. He demonstrates that the two most important dimensions of the capital type are trust and reciprocity. Mutual trust includes trust between people, public trust and trust between business organizations and actors. "If we are talking about reciprocity, we can primarily think of symmetric reciprocity. In case of a high level of social capital during the act of reciprocity the person providing the reward can be changed and the time of the reward may be a later." (Nagy, 2016, pp. 29).

Manifestations of the social capital

According to Nagy (2016) social capital includes social relationships, norms, values between social actors. He presents three significant persons: Nanlin, Field and Cox. From Nanlin's point of view, he emphasizes the division of social capital into two levels: individuals and groups. By Field he could see that Field distinguishes three types of social capital: bridging, bonding, and linking social capital. In Cox's work he found interesting that we should try not only to achieve a certain level of social

capital but to constantly increase it. From Cox he highlights the essential elements. These are: trust, self-confidence, interpersonal trust, confidence in the government and institutions; reciprocity; tolerance and diversity; participation and cooperation; belonging to somewhere; the debate and the questioning; to strengthen and enhance the values of ourselves and others; social conditions, opportunities. Nagy (2016) also highlights that "other authors emphasize that trust, social conditions, cooperation, recognition and endorsement are the major components of social capital that are directly related to participation, citizen engagement and stable democracy." (Nagy, 2016, pp. 39).

Social capital and urban crime

Based on an overview of Danielle Lively's Neal Social Capital and Urban Crime (2011), the conclusion can be drawn that the social capital level of a community influences the interaction of members of the community and may affect the level of crime. Neal examined the link between crime level and social capital level in the United States, which resulted that there is a strong evidence of the link between social capital and crime; but he saw that the reduction of crime rather prevents the growth of social capital and not vice versa.

Cultural capital

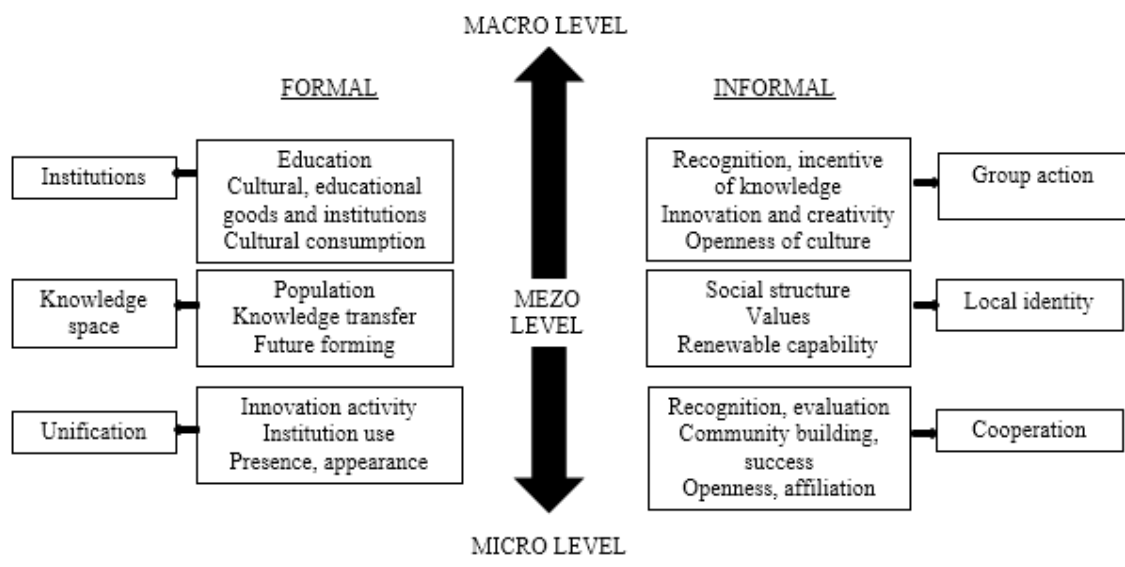
Definitions of cultural capital

An overview of cultural capital describes the term used by Bourdieu, which refers to symbols, ideas, tastes and preferences that can be used strategically as resources in social action. Bourdieu considers this cultural capital as "habitus", embodied socialized willingness or a susceptibility to act, think or feel somehow (Oxford Reference). Sullivan (2001) inferred that according to the Bourdieu's cultural reproduction theory children from middle-class family's benefit from the acquisition of educational entitlements resulting from the possession of cultural capital. According to this, Sullivan (2001) states that cultural capital is transferred to home and has a significant impact on the child's performance. At the same time, during the controlling of the cultural capital, the great, direct impact of the social class remains to the process of implementation. Therefore, "cultural reproduction" only partly explains the differences in social class in school education. Andersen et al. (2011) shows that according to Bourdieu the culture of the strongest classes is such a legitimate culture that its members can acquire in varying degrees. Students, who benefit from their cultural childhood, are most likely to be successful in academic area.

Cultural capital

Rechnitzer (2016) highlights that the relinquishment of lack of trust is related to the cultural capital. "The place (city) creates a workable culture, lifestyle patterns, consumption models or entertainment and forms of leisure time. But the cultural goods objectified in communities also accumulate whose retention, recognition, integration embodies a sense of value or a different view in the world of everyday life. We can talk about symbols, personalities, organizations, behavioural methods, behavioural patterns that are also the specifics of a particular place and city" (Rechnitzer, 2016, pp. 22). It lists the elements of cultural capital (Figure 4).

Figure 4
The elements of cultural capital



Source: Rechnitzer (2016), p. 23

Description of the two chosen family businesses

Blaskovics Autószervíz

László Blaskovics (grandfather) was one of the determinate persons of the car mechanics profession. At the end of his school, he showed his dedication in the Mezőgép and at the Autóklub of Győr. He replaced the fought, secure existence for artisanal business. He received for his successful artisanal work the The Excellent Master of the Industry Award for the suggestion of Győr's Industrial Body and he received Győr City Medal Award. He started in the repair space in the yard of the father's house, after a while he had to open a new repair space, and he had to do the artisanal business in full time. His son, László Blaskovics (father), as he finished the school, followed his father in the work. The straight-line development led to the opening of the brand trading on Bajza Street in 1992 when it became official brand representative of two brands: Suzuki and Volvo. In the countryside, they became the best trader related to the Suzuki, as a brand. When they opened the Blaskovics Car-saloon in Győr in 1992, there were only 4 Volvo in the city, since then their number has multiplied. As the number of customers grew, in 1994, the neighbouring house was purchased and renewed where Volvo got a new home on Nagy Sándor József Street. In 1998, with substantial financial investment the family opened the Suzuki-Volvo Saloon – which satisfied all need – on the Hold Street. On this opening, László Blaskovics (grandfather) was unfortunately unable to attend, his wife, Mariann Blaskovics (grandmother) took over the business. In 2000 and in 2003, they won a Special Award at the Family-friendly job application. Many years later, for the first time, they "gave back" the Suzuki, then the two locations became so many and they discarded the newer one so they remained in the core. László Blaskovics (son) has learnt as a car mechanic. He was apprentice in the business so he was in the repair space every two weeks since the age of 14. Barbara Blaskovics (daughter) graduated in Tourism and Hospitality. She started working for the business at the age of 14. First, she helped in the business for small pocket money in the summer. After she finished her studies, she continued to work in the business.

Borsodi Műhely Ltd.

"As our crest shows we do everything what we can do with metal" – said Mr. Borsodi, owner (Borsodi Műhely Kft., 2018a). "Our principle is trustworthy unique manufacturing, our goal is the growth and the reinforcement of the additional services," – said Mónika Horváth Borsodi, managing director (Borsodi Műhely Kft., 2018a). "Machine parts at the highest level. We do something that others cannot or do not like to do" – said László Borsodi Jr., managing director (Borsodi Műhely Kft., 2018a).

The family business with the slogan "A Precise Metal Future!" was founded by Mr. Borsodi in 1981. In 1999, their second location was established in Kisújszállás. In 2002, a new location was formed in Győr, in Industrial Park. In 2004, their location was established in Szombathely. They – as the second generation – have already been leading the business for the fifth year. Mónika Horváth Borsodi and László Borsodi Jr. are the managing directors. Their parents are in the business as owners. In 2016, a new plant was opened in Szombathely and this year they were enlarging their plant in Győr (Borsodi Műhely Kft., 2018b). Mónika Borsodi has studied as a mechanical engineer. For this reason, first she had performed engineering tasks and later she became responsible for economic and HR activities. László Borsodi Jr. deals with production and customers.

Interview analysis*Blaskovics Autószervíz*

They have a very good relationship with their suppliers. According to Barbara, the suppliers of the business do not like to compete with each other; all of them try to be unique. The business does not like to order from a thousand places, it is much better, more convenient and safer to order it from one place.

They support the blind-guide dogs of Győrújbaráthy every year and the mouth-foot painter. The Blaskovics Autószervíz is in partnership with the Győr-Moson-Sopron County Chamber of Commerce and Industry. The colleagues who have children receive financial support periodically. Nobody has ever fired from the business. They organize family events; celebrate their name days and birthdays. The colleagues are continuously trained within training courses and professional training.

Since they had relationships with schools, they were able to provide jobs for those students who were learning by them. The business is bound to the city because every family member of the businesses comes from Győr. Their goal is to satisfy the customers by performing the tasks on every car very precisely. In addition, the reputation of the business is enhanced by fair examinations.

Borsodi Műhely Ltd.

The business has been working for 37 years. The firm has stable relations in Győr, Szombathely and Kisújszállás, as well. It is important for Mónika Horváth Borsodi, László Borsodi Jr. and their parents to know them. Mr. Borsodi tried to establish a good relationship with the local government, local management, and business leaders in the Industrial Park, training institutes, local university and other universities. Mónika Horváth Borsodi and László Borsodi Jr. try to maintain these long-lasting relationships.

They have continuous contact not just with the Széchenyi István University, but also with the University of Miskolc and with the Budapest University of Technology and Economics. Universities regularly find them and vice versa. Furthermore, there is a mutual relationship with the Győr-Moson-Sopron County Chamber of Commerce and Industry. They supported the activity of the city in Kisújszállás, they are there as a

significant employer, practical training of students take place there and they are exemplars in the city. The business considers the citizens' ideas in the field of education. They pay close attention to what are the local characteristics, they are thinking in a long-term perspective so they have strong relationships with educational institutions. They always ask what the other needs. In 2008, they started to deal with students in Kisújszállás because there was no engineering training and then they indicated it to the school and to the Employment Centre that younger people would be needed. They organized a conference, invited similar businesses in the area and they started one class with the training institutions. Since then, there has been continuously such training and after that, practice and job opportunity can be offered by the business. They support all of the three cities financially.

If there is a development or training in the local government, they come to them and vice versa. The mayor organizes a partner meeting each year and he invites the main local taxpayers, including Borsodi Műhely Ltd., as well. He makes consultations with the local businesses, and involves them in polling. When guests come to Győr they show him the Borsodi Műhely Ltd., as well. The business also has a continuous relationship with the Employment Centre. The company can be considered as a founding member of the career orientation consortium.

The business put an increasing emphasis on corporate responsibility. All this significantly depends on the business' opportunities. The business has much less chance of supporting a city event than big companies. They do not have their own events; they do not think such things. However, for example, they supported the Arrabona Running Race. It also supports the governments, which usually used this for the Summer Closing concert in the three cities. The business also supports such an event in because it is a good feeling to the business that they have done well to other citizens. They are also regularly sponsors on the University Student Cup and the Mobilis Experiment Bureau organized by the Széchenyi István University. In addition, they always attend on the Career Exhibitions.

The business also supports foundations related to culture, health care, children and pedagogy. They do not support a fixed one but it is based on requests. According to Mónika, the environment counts for them so they have to act responsible and they have to give a good example. They also participate in student training. According to Mónika, it is not enough to talk about it but it has to be done for it. They focus on young people's career orientation. In the spring and autumn, they also organize factory visits. For 10 years, Mónika together with another employee used to accompany the kids and the students.

The business can be characterized by strong regional bonds. It is a value of having a family business. It is true that the number of staff increases but they put a great emphasis on feeling of having a family business and they would not moving away from Győr, Szombathely or Kisújszállás. Everyone in his or her family comes from Győr so there is strong regional bonding. They also insist on their colleagues. Mónika Horváth Borsodi and László Borsodi Jr. deeply respect the culture. For example, by the Applause Award they are the founders because Mr. Borsodi invented it and since then they make this Award. They are the supporter of the culture and for example, they recently attend in an auction supporting young creators.

The business actively participates on events of the Győr-Moson-Sopron County Chamber of Commerce and Industry, in the organizations, in the innovation life of the city. In addition, the business has a say what and how it should be in the Industrial Park. Mónika Horváth Borsodi and László Borsodi Jr. think a lot about what will happen in the future. They have already been leading the business for the fifth year, they are active owners and they have long-term plans: development and

growth. They said, "If they do not spoil something, then the firm will stay stable". It is a great advantage to have a variety of activities. For example, heat treatment, machine design etc. which can separately be successful and which can be developed very well. Growth has many components. They do not want to be much bigger and bigger and they do not want to be a big company. They would not like a drastic but a cautious growth. They would like to operate the business stable because stability is very important to them so that their children would have a nice heritage. In 2016, a completely new plant was built, in Szombathely, which was obviously due to the future planning. In the three cities, there is a need for the work of the business. The point is that everyone in the business have to work just as precisely as before and the firm will keep its customers and partners. Mónika formulated her thoughts in a sentence at the end of the interview: "Nice gift, nice gift, but sometimes it is a heavy backpack."

Conclusion

In the summary, I formulate the impact of the two businesses on the cultural and social capital of the region - and vice versa. Both founder of the two businesses started its activity at home in a small place and then they grow from these small places and nowadays they become well known in the region. Both businesses have stable relations in the region; they have strong relationships with their partners. They are in connection with the Győr-Moson-Sopron County Chamber of Commerce and Industry, too. Both businesses provide jobs for the students who were in connection with the business during the school. In terms of social responsibility, both businesses support foundations. They also participate in student training. Both businesses are bound to the city by region because every family member of the businesses comes from Győr. Both businesses have different kind of recognitions on which they and the region can be proud.

Research questions can be answered in the following way: The strong regional bonds of the founders can be demonstrated for the next generations, too. The family businesses contribute to the growth of social and cultural capital. The regional involvement of the examined businesses results growing embeddedness and increasing contribution to territorial capital. At the same time, it should be noted for the limit of the research and for further future direction that the results can interpreted as a guideline and as a basis for further research due to the small sample number.

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