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Entwicklungsbedeutung von Familienunternehmen für Transitionswirtschaften – Kommentar: The role of family businesses in the transition period in Slovenia

Matej Lahovnik[*]

The paper deals with the role of family businesses in the Slovenian economy during the transition period. While around 130,000 jobs were lost during the restructuring process of large companies, the number of small and medium sized enterprises (defined as having fewer than 250 employees) has more than doubled since 1989, and employment in this sector has grown by 400 %. It now accounts for over 53% of total employment and 58% of sales. On the other hand, more than two thirds of all small businesses have one or no employees, and the average number is less than five. Three quarters of all SME's are in the service sector (Statistical Yearbook of the Republic of Slovenia, 1999). The family business tradition in Slovenia has been terminated after the Second World War. After that time, private initiative has been limited to craftsmen. The thesis of the author regarding the lack of small companies in Slovenia that have between 10 and 250 employees is correct.

The statement of the author regarding the increasing importance of family business in Slovenia in the future has many supporting arguments but there are also some opposing arguments that have to be considered. First of all, we were faced with a turning point in 1999 that will strongly determine the entrepreneurship development in Slovenia. For the first time since the beginning of the transition process in Slovenia, employment in all three sectors (small, medium-sized and large enterprises) is growing. Significant proportion of employees, however, does not have an appropriate profession. Specialised and highly-qualified workers such as program engineers or constructors are specially needed. We may expect that the lack of skilled workers could slow down the future development of the small business sector in Slovenia, especially in the regions that already have problems in attracting skilled workers.

The author of the paper has focused his research on the Kozjansko-Obsotelje region. This region is one of the least developed in Slovenia. Therefore, significance of family businesses located there is even more important. However, there is a question of whether these family owned firms have potential for sustainable and steady growth. According to the research most family owned

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firms do not have a mission, strategy and objectives in any established form. Daily operating problems take up the time necessary for long-term planning. The author makes a correct assumption that further development in a turbulent environment without strategic realignment to the changing environment is not possible. Most family owned firms would have tremendous problems if their scale of operations was larger. This could be a critical situation in the coming years. Porter's (1980) focus and differentiation strategies are the most attractive alternatives to small companies which recognise their size limitations. They can continue their growth once they have found a niche. A family business can expand by pursuing a specific generic business strategy in its current and related markets if it has the facilities, skills and resources needed for success. According to other research, 43.2% of Slovenian SME's are still practising some "stuck in the middle" type of business strategy (See Pučko et al., 1998: 48). Obviously, many managers in family owned firms completely neglect this strategic issue as well. Different regional centres established by the Slovenian local and government authorities should pay special attention to this issue.

Slovenian family firms do not have as much institutional support as their Western European counterparts. The Family Business Network, registered in Switzerland, was formed as non-profit and independent international organisation that offers various services to its members in order to improve the management efficiency of family businesses in Europe. Such a network could be one of the measures to enable the fastest growth of Slovenian family firms. Small Slovenian firms are not satisfied with the current form of the national institutional organisation of SME's because it does not offer appropriate support to entrepreneurs. On the other hand, these firms are less interested in cooperation with professional consultants (See Vadnjal, 1996:105). Small business managers in Slovenia often lack the skills necessary to begin the strategic management process and do not wish to spend the money necessary to import trained consultants. This could seriously jeopardise growth potential of many family firms.

Several businesses that still have to solve the problem of inheritance could negatively influence the development of family business. Slovenian entrepreneurs don't have enough experience solving such inter-generation problems. On the other hand, the transition of a company from one generation to another could lead to a positive influence on the business by the infusion of new ideas on leadership and development of the family owned company (See Syms, 1992). The Educational level of the younger generation in Slovenia has been improved and represents a further basis for family business development. Churchill and Hatten (1987) propose that a family business go through four sequential phases from the initial phase where the venture is strictly managed by the founder to the final phase when the next generation takes charge. Most family firms in Slovenia are either still in an owner-managed phase or are in the

process of training and developing a new generation. The real contribution of family businesses to the economic growth of Slovenia will depend on the capability of many family businesses to develop into firms with at least ten employees.

Scholars suggested in the "Strategy of Economic Development of Slovenia" that the current level of entrepreneurship enables the economic growth of 3-4% (See Vahčič, 2000). This has been realised. The highest potential economic growth of 6-7% will be possible by more actively promoting and supporting entrepreneurship, especially those firms that have sufficient growth potential to employ more than just a few family members in the future. Thirty-four percent of Slovenian small firms in the other 1998 research sample were developing some kind of subcontracting strategy and the prediction made by Slovenian managing directors showed that subcontracting strategies will be implemented even more frequently in the near future (See Pučko et al., 1998: 47). Some family owned firms should put more effort into developing different forms of strategic partnerships with larger domestic and foreign companies. This would enable them to achieve and maintain a faster growth rate. The most successful entrepreneur of 1999 in Slovenia (Blues Company) formed his family business at the beginning of the transition process in Slovenia (1991). He has succeeded in developing long-term strategic cooperation with the biggest export firm in Slovenia – Gorenje. Such cooperation is a strategic base for further development of the family business.

There are many cases of partnership formation between fathers and sons where the older partner in pension is being reactivated (Vadnjal, 1996). Considering the fact that retired Slovenians are on average much younger compared with retirees of other European states, there are certainly some additional arguments to support the author's thesis that family businesses in Slovenia could become more important than they have been throughout the past period of transition. However, I believe that further restructuring of large enterprises will still remain the determining factor in the successful transition in Slovenia.

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