THE CHARACTERISTICS OF FAMILY BUSINESSES: A COMPARATIVE ANALYSIS OF EAST EUROPEAN COUNTRIES

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Abstract

The characteristics of family businesses in the East European regions may be associated with the distinctive regional cultures suggesting support for the presence of culturally implicit theories in family business characteristics. The research design was used to develop samples of articles for content, analyzing the characteristics of family businesses in the East European cluster. This article provides an overview and comparative analysis of East European cluster differences of Anglo, Germanic and Nordic clusters and provides recommendations for the development of the family business in the East European cluster. This analysis is of East European countries, where family business cultures and family traditions have been broken. After regaining independence, entrepreneurs started to restore previous firms and wished to continue family traditions; entrepreneurship started to develop, and many started family businesses. Family businesses have become stronger interests in East European countries.

Keywords: family, business, management, ownership, generation succession

JEL Classification Codes: M10; M13; M19

Introduction

A literature review related to the typology of family business characteristics and the comparative studies of family businesses. The research design was to develop a sample of articles for content, analyzing the characteristics of family businesses in the East European cluster. Most of the research project on the succession process in a family firm has been conducted in Western countries. This analysis is of East European countries, where family business cultures and family traditions have been broken. After regaining independence, entrepreneurs started to restore previous firms and wished to continue family traditions; entrepreneurship started to develop and many started family businesses. Family businesses have become stronger in East European countries.

This article provides an overview comparative analysis of East European cluster differences between Anglo, Germanic and Nordic clusters, and provides recommendations for the development of the family business. This analysis helps to not

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only identify the family business differences but also helps to identify the constructs and related variables.

Literature review

Family business as a discipline is in the process of normal science (Kuhn 1970). The knowledge can be summarized by the Development of the Dominant Paradigm, by the following five ideas (Casillas, Acedo 2007):

1) the family exists as a specific type of firm;
2) the family firm is a reality composed of several systems:
3) family, ownership, and management; as a consequence, conflicts may arise due to the complexity of the existing relationships;
4) the main challenges faced by a family firm is succession;
5) there are tools that allow these conflicts and challenges faced by family firms to be overcome: planning, professionalism, a division of personal roles, the use of external counselors and advisors, and so forth.

The family firm cannot be understood just us a kind of organization, as opposed to nonfamily firms (Litz 1995; Shanker, Astrachan 1996). Daily and Dollinger (1992) results from family and nonfamily firms are compared in order to contrast proposals from agency theory; they show that the alignment of control and ownership leads to greater performance. Family structures impose on the business and the resulting impact it has on strategic issues such as ownership structure, future planning, that is, and inheritance, relations between members based on their family status, management strategy and responsibility on their ever-thorny issue of play. The importance of family influences on a business can be implicitly or explicitly seen (Garcia, Capitan, Matinez 2014).

Family capital is a special form of social capital; it is the moral infrastructure that guides relationships between family members (Hoffman, Hoelscher, Sorenson 2006). Family values are also the basis of the culture of the family business and one of its strengths for survival (Aronof 2004). Dysfunctional family capital has the capacity to contaminate the development of the business (Le Breton-Miller, Miller 2009). Families facilitate the operationalization of the variable culture of a family business and allow discovery of the extent to which intangible elements, such as values on the influence of the family, provide a resource or capacity for action in the company. Family capital, consisting of variables that are part of the family culture is a factor in the performance of the company. Sharing knowledge and information in the family contributes to greater coherence between the values that are transferred to the company. When family and business values are similar, there is greater efficiency in making business decisions, which in principle will result in a more predictable, more assured and possibly more manageable future (Garcia, Capitan, Matinez 2014).

Family ownership can more readily have schedule flexibility and the right to bring children to the office, but they may find it more difficult to mentally separate work life and non-work life. Family businesses could not be considered successful if their operation was responsible for the demise of the family. Family effects were perceived as being more positive by female owner/managers, and the effects were larger for women.

Independent family members act too frequently without consulting or coordinating with the family, whereas enmeshed family members cannot act alone. Family business owners ostensibly have more control than employees do over that balance, but they may also have more obligations and, thus, feel them more keenly than employees do (Stafford, Tews 2009).

Typically deeply rooted in local cultures, communities, and institutions, and dependent on the family`s resources for leadership, these family firms are influenced by the specific cultural context within which they exist (Gupta et al. 2011). In the Scandinavian countries, the model of a welfare state and common history, culture, and religion and similar language prevails. These nations are most influenced by the Lutheran interpretation of Christianity (Einola, Turgeon 2000). In order to truly understand the dilemmas and decisions these family businesses face, they must be examined within the cultural contexts in which they breed, nourish, and grow (Gupta et al. 2011).

In family businesses, the boards work differently not only performing the traditional supervisory tasks, but probably more focusing on advisory and mentoring tasks. When multiple generations are involved in the business, they might foster further international expansion. The traditional family business is known to have a board of directors whose members, selected according to their status and influence within the family and not according to their knowledge of the activity or industry, occupy their positions for long periods and have insufficient or inadequate professional competences (Calabro et al. 2012).

Family business perspective can be seen on the classic model of the three circles: in which management (business), ownership, and family evolve (family) (Gersick et al. 1997). The overlapping areas between the three circles depict the diverse interaction between family and business. The three-circle model illustrates the multiple roles that can exist in a family business compared with the governance chain in a typical publicly held organization. The three circles model describes the family business system as three independent but overlapping subsystems: business, ownership, and family. Any individual in a family business can be placed in one of the seven sectors that are formed by the overlapping circles of the subsystem (Figure).

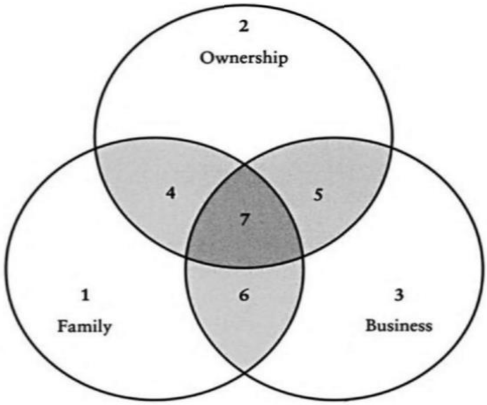

Figure. The three circle model (Source: Gersick et al. 1997)

For example, all owners (partners, shareholders) and only owners will be within the top circle. Similarly, all family members are in the bottom left circle and all employees in the bottom right. A person who has only one connection to the firm will be in one of the outside sectors (1, 2, 3). For example, a family member who is neither an owner nor an employee will be in sector 1. Individuals who have more than one connection to the business will be one of the overlapping sectors, which fall in two or three of the circles at the same time. An owner who is also a family member but not an employee will be in sector 4, which is inside both the ownership and family circles. If he or she is also an employee, then the individual will be in center sector 7, which is inside all three circles. Every individual who is a member of the family business system has one location and only one location in this model (Figure). The reason that the three-circle model is good is that it is very useful tool for understanding the source of interpersonal conflicts, role dilemmas, priorities and boundaries in a family firm.

The challenge for business families is that family, ownership and business roles involve different and sometimes conflicting values, goals, and actions. A three-circle family model is shows how the roles may overlap. Everyone in the family (in all generations) obviously belongs to the Family circle, but some family members will never own shares in the family business, or ever work there. A family member is concerned with social capital (reputation within the community), dividends, and family unity. The Ownership circle may include family members, investors and/or employee owners. An owner is concerned with financial capital (business performance and dividends). The Management circle typically includes non-family members who are employed by the family business. Family members may also be employees. An employee is concerned with social capital (reputation), emotional capital (career opportunities, bonuses and fair performance measures).A few people; for example, the founder or a senior family member; may hold all three roles: family member, owner and employee. These individuals are intensely connected to the family business, and concerned with any or all of the above sources of value creation. The three-circle model of family business is very important for the explanation to investigate the sustainability of family businesses. It will be noticed that the mission and the structure of the family business with respect to the business, family and ownership has a lot to do with the sustainability of the family business (Cho, Okuboyejo, Dickson 2017).

Specifying different roles and subsystems helps to break down the complex interactions within a family business and makes it easier to see what is actually happening and why it needs to focus on the agency and stewardship theory, Resource-Based Views and human capital. By Chrisman, Chua and Sharma (2005) the best potential to combine theory (agency, RBV, stewardship, and stakeholder) for a better understanding of the stages of development of a strategic management theory of the family firm.

The agency theory explains how altruism and entrenchment, combined with intentions to maintain family control, can influence a family firm behavior in ways that nullify the value of existing capabilities, prevent or retard the development of new capabilities, and make cooperation dysfunctional. The sources of agency costs in family firms are somewhat different from those in nonfamily firms. Strategic management view of family firms agency theory. Differences between firms with involvement in management by families holding controlling ownership and firms with holdings by nonfamily controlling owners (Chrisman et al. 2005).

Agency costs arise because of conflicts of interest and asymmetric information between two parties to a contract (Jensen, Meckling 1976). Jensen and Meckling (1976) define the concept of agency costs to include all actions by an agent that contravene the interests of a principal plus all activities, incentives, and structures used to align the interests and actions of agents with the interests of principals. Chrisman et.al. (2005) applying agency theory to family firms have concentrated primarily on relationships between owners and managers and secondarily between majority and minority shareholders. In the context of agency theory, management entrenchment permits managers to extract private benefits from owners (Chrisman et al. 2003, 2005).

The agency theory (between principal and agent) also makes possible to identify the most efficient type of contract in terms of organization costs, which are determined by the remuneration that it is necessary to give the agent to induce him to accept the risk. Agency theory is characterized by the overlap between ownership and management. The parent-child relationship is characterized, even in business contexts, by attitudes and acts of generosity on the part of the older generation, according to a universal model of the relationship of care and help. This condition raises the risk of the principal (and for all members of the family working in the company) to favor the members perceived as belonging to the same group, and at the same time to discriminate against the outside group (those who are considered to belong to groups outside one’s own) (Ferrari 2013).
Davis, Schoorman and Donaldson (1997) propose that family business management could be accurately described by the stewardship theory: managers are driven by a commitment to the interest of owners and will be as diligent and committed as owners would be in managing the business. Chrisman et al. (2005) believe that incorporating stakeholder theory can fit into a family business, because the stakeholder theory has the potential to explain how the different players, through the interplay of their stakes, power, legitimacy, and urgency in formulating organizational goals and strategies cause

resources to be acquired and agency costs to be eliminated or amplified. The stewardship theory considers the family to be a source of competitive advantage whose uniqueness derives from the integration of family and business. In family firms, both family member-owners and managers view themselves as stewards of the family firm; their motives are to support future generations (Granata, Chirico 2010).

Miller, Le Breton-Miller and Schlnick (2008) delineate the following three forms of stewardship in family firms:

1) stewardship over the continuity of business: stewardship over the continuity leads family firms to invest more in product research and reputation developments when compared with nonfamily firms;
2) stewardship over employees: intensive training programs are developed to coach employees to do their job well, and acquire new knowledge;
3) stewardship over customer relationships: family firms tend to be closer to their customers, to improve the exchange networks and associations with clients and other suppliers of valuable resources.

Resource-Based View (RBV) application to family business by Simon and Hitt (2003), they distinguish between five sources of family firm capital: human, social, survivability, patient, and governance structures, and argue that family firms evaluate, acquire, shed, bundle, and leverage their resources in ways that are different from those of nonfamily firms. They believe that these differences allow family firms to develop competitive advantages (Simon, Hitt 2003). The relationship between entrepreneurship and the cultural dimension of individualism is nonlinear, and the relationship between entrepreneurship and three other cultural dimensions: external orientation, distinctive families, and long versus short term orientation are linear and positive (Chrisman et al. 2005).

Rothausen (2009) complements models in family business research, rather than simply the interaction pattern. Her work-family fit model for family business delineates the interplay among a host of variables, such as family values and culture; work-family demands, relationship, and rewards; and effective, behavioral, and performance outcomes. She fits between the business and the family; she proposes several types of fit as a means of addressing the balance. She addresses person-to-person fit (exists when a person has a good relationship with another, whether at work or at home); person-to-environment fit (reflects the match between one`s skills and the job requirements); and environment-to-environment fit (refers to harmony between a person’s family and the employment context). Her environment-to-environment fit is appropriate for most types of family businesses, but it may be problematic for an owner who views their business as part of their lifestyle (Rothausen 2009).

Family structures impose on the business and the resulting impact it has on strategic issues such as ownership structure, future planning, that is, inheritance, relations between members based on their family status, management strategy and responsibility on their ever-thorny issues of play. The importance of family influences on a business can be implicitly or explicitly seen (Garcia et al. 2014). Family capital is a special form of social capital; it is the moral infrastructure that guides the relationship between family members

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Families facilitate the operationalization of the variable culture of a family business and allow discovery of the extent to which intangible elements, such as values on the influence of the family, provide a resource or capacity for action in the company. Family capital, consisting of variables that are part of the family culture is a factor in the performance of the company. Sharing knowledge and information in the family contributes to greater coherence between the values that are transferred to the company. When family and business values are similar, there is greater efficiency in making business decisions, which in principle will result in a more predictable, more assured and possibly a more manageable future (Garcia et al. 2014).

Research design

East European post-communist countries are different from the Western countries because in this region are countries whose common features are considered a low standard of living and increased social problems. After the start of post-communist transformations with a growing number of entrepreneurs, this process will certainly have great impact on the growth dynamics of the whole economy.

This analysis was completed in thirteen East European countries. The East European countries family business characteristics and work culture of the family business comparative to cluster analyses, was done by Gupta et al. (2011), who systematically analyzed articles on family businesses in Anglo, Germanic, and the Nordic region, and they were identified nine ethnic dimensions.

These comparative clusters countries are: Anglo cluster (Australia, New Zealand, Canada, the USA, and the UK); Germanic cluster (Germany, the Netherlands, Austria, and Switzerland); Nordic (Finland, Sweden, Denmark, Iceland and Norway). The Anglo and Nordic models represent two forms of family businesses, while the Germanic model reflects a quasi-hybrid form (table 1).

Table 1. The Family business dimensions for Anglo, Germanic and Nordic Europe (Gupta et al. 2011)

Dimension	Anglo cluster	Germanic cluster	Nordic cluster
Regulated boundaries	High	Moderately high	Moderate
Business reputation	High	Moderately high	Moderate
Bridging relationships	High	Moderately high	Moderate
Organizational professionalism	High	High	Moderately high

Regulated family power	High	Moderately high	Moderately high
Competitive succession	High	Moderately high	Moderate
Gender-centered leadership	Moderately high	Moderately high	Moderate
Operational resiliency	Moderately high	Moderately high	Moderately high
Contextual embeddedness	High	High	High

In the Anglo region, there is a high degree of boundary regulation between the family and the business, the emphasis is on business reputation, bridging relationships are highly important, the exercise of power by the family is highly regulated, the succession process tends to be competitive, and leadership tends to be fairly gender-centered. In contrast, in the Nordic region, there is lower regulation of boundary between the family and the business, family reputation receives greater regard, bonding relationships are more important, the exercise of power by the family is less regulated, the succession process tends to be more cooperative, and leadership tends to be less gender-centered than in the Anglo region. In the Germanic region, the situation tends to be between the other two regions. Only in terms of operational resiliency and contextual embeddedness does one finds similarity amongst the three regions – in each region, the family firms tend to be fairly resilient and reflect characteristics typical of their local contexts (Gupta et al. 2011).

Gupta et al. (2011) concluded that family and family businesses are different as a result of their national cultures, and will remain so, the family businesses will need to find their own culture-specific competitive advantage to achieve future success. Gupta et al. (2011) concluded that understanding the cultural aspects of family businesses would also aid in forming international alliances and partnerships with family businesses from different cultures, this is because families and cultures are co-embedded: families define cultures as much as the culture defines families.

Those countries started to be involved in the introduction of the democratic political regime and thorough reform of the economic and social system. The research design used GLOBE methods; this article strives to identify common and varying cultural elements as a basis for the observed family business characteristics. GLOBE's first major achievement is a comprehensive description of how cultures are different or similar to one another. GLOBE established nine cultural dimensions that make it possible to capture the similarities and/or differences in norms, values, beliefs, and practices among Societies (House et.al. 2004). This analysis, was designed to bring out the differences and make recommendations for the new countries in the development of the family business.

The authors reviewed thirteen countries (Estonia, Latvia, Lithuania, Bulgaria, Poland, Romania, Czech Republic, Slovenia, Slovakia, Croatia, Serbia, Macedonia, and Kosovo), who are independent and homogeneous of the former communist regime. The authors analyzed articles and literature on family businesses, the typology of family business characteristics and the comparative studies of a family business.

Research

Comparative analysis of the East European cluster (Estonia, Latvian, Lithuania, Bulgaria, Poland, Romania, Czech Republic, Slovenia, Slovakia, Croatia, Serbia, Macedonia, and Kosovo), with the differences to Anglo, Germanic and Nordic clusters. The comparative analysis cluster difference with dimensions: regulated boundaries; regulated family power; competitive succession, gender-centered leadership, operational resiliency, and contextual embeddedness.

Regulated boundaries

Boundaries between the family and the business are the least regulated. Regulation of the power is moderately high. Family businesses in overall employment equal and even exceed 70-80% in the EU, according to the EU studies analysis of family businesses represent 90% of all businesses in Slovenia, Estonia, Latvian, Lithuania; 84% in Czech, 75% in Poland, 50% in Croatia and Romania (Mandl 2008). Family business decisions are kept within the family. Majority family business form of ownership varied with more self-employed (sole proprietorship) and entrepreneurs in private limited company (partnership). In the majority of European countries, sole proprietors (i.e., companies owned by a single person but eventually employing family and/or non-family staff members) are considered family businesses. Sole proprietors are in any case considered as family businesses as the dominant ownership criterion (full or majority ownership within the family), and management criterion (full or majority control over strategic business decisions) are combined in the single person of the entrepreneur (Mandl 2008). For example in Kosovo 81% sole proprietors and 16% partnerships (Sonfield, Lussier, Barbato 2011), in Poland sole proprietors 70% and partnerships 19% (Surdej, Wach 2012). Agriculture is dominated by family business (Borec et al. 2013; Žutinic, Gregic 2010; Kirsipuu 2011, Kirsipuu 2012).

Business reputation

Business reputation is important to members of a family business, but only the least regulated. Family and community resources are involved only if it is guided by primarily family interests. The family needs to have a harmonious relationship with employees. The difference also serves successor relationships among family members involved in the business. Więcek-Janka (2014) found out at the beginning it is very hard, then the children grow up and begin to help their parents, family members as opposed to non-family employees, to be creative. Specification of family business comes from common interaction of three elements: the family, the business and the ownership; ownership is key to the business life of the firm (Smardova, Elexa 2013). Family members advance to the leadership position based on their competence and experience of “culture shock” (Vucinic-Neškovic 2003). The first generation family owner’s leadership position is different than the subsequent generation family firm’s owners (Sonfield, Lussier, Barbato 2011; Güldenkoh 2014). Family members were often willing to work long hours to support the business (Dyer, Mortensen 2005, Kirsipuu 2013).

Bridging relationships

Bridging relationships are hardly moderated, and in the traditional agricultural sectors are moderately important. The relationship between family business status include learning orientation and growth strategies, and the owner wants to break out to access resources outside the family and home community (Yordanova 2011; Kirsipuu, Teder, Venesaar 2013). The relationships between women and men stimulate the start-up of a business (On 2011). Family agriculture business farming to be a continuation of the family tradition requires to take the farm over from their parents and by marrying into a farm family (Žutinic, Gregic 2010). Family owners do not believe in hiring family members since working with family would bring additional problems into the family relationship; family members "need a rest from each other" and should not work together (Dyer, Mortensen 2005). Family businesses are mostly local and regional and are family businesses inside the family (Wach 2013; Kirsipuu 2010; Kirsipuu 2013).

Organizational professionalism

Professionalism is moderate where managers and employees who do strategic planning, systems, and procedures are hardly moderated. The management leadership of the family business (Surdej, Wach 2012). Where the owner is the manager working with some employees, they do strategic planning, but only in their minds. Dynamic development of family enterprises and continuous valuation of the organizational culture are secured in the first generation regardless of the employees. Family enterprises' stability depends rather on whether the family enterprise has formulated strategic plans and value organizational culture. (Güldenkoh 2014). Strategic planning is not necessary (Rebernik et al. 2007; Stoica 2004; Dyer, Mortensen 2005; Kirsipuu, Teder, Venesaar 2013). When family business entrepreneurs are aware of the need for strategic management, they are more competitive (Huybrechts et al. 2011).

In those family enterprises which have a strong and stable organisational culture, family members are able to plan free time better and keep the family and work apart. They can also involve all of the family business team in the off-duty relations; all employees of the family enterprises feel as one family and enjoy the off-duty time spent together (Rautamäki 2007). For example, in Estonia, the manager's role is most important in the development of the organisational culture in a family enterprise. The manager's value judgements influence the organisational culture. Strategic management in a family business is focused on activity and attends to what needs to be done now, and in which way specific activities should be carried out; a family business strategy setup needs to be planned in detail; all stages have a specific content and have to be carried out consistently (Kirsipuu, Teder, Venesaar 2013).

Managers and employees who have professional skills to make operational decisions and participate actively in the strategic decisions are 51% members of the organization (Vecèrnik 2003). In multi-generation family businesses, the enterprise pursued a coherent development strategy for centuries. It currently offers recreational services, biological regeneration and therapeutic massages (Więcek-Janka 2014). Family enterprises have great independence in making decisions and can quickly be changed, there are motivation managers who are not family members (Kostadinov 2013). The subsequent generation family firms to include non-family members within top management advisor and professional services more likely than first-generation family firms (Sonfield, Lussier, Barbato 2011).

Regulated family power

Ownership that is structured by family members from the family business is moderate. The owner took care of everyone and everything (Więcek-Janka 2014). Ownership is structured in strategic management and strategic decisions (Smardova, Elexa 2013). Family power is prevalent when owned and managed by husbands, children and sisters-brothers (Dyer, Mortensen 2005). Family entrepreneurs consider it important that family members (spouse, children, and kin) could be employed within the family business (Kirsipuu, Teder, Venesaar 2013). Power in family companies on ownership have a complex family council, family constitution, family assembly and family office (Koladkiewicz 2014).

Competitive succession

Inter-generational succession tends to be hardly moderated. In Poland are institutions, associations, and foundations that gather family business members constituting a platform to exchange experiences, and a base for scientific research. Usually, the new owner is the first son (Więcek-Janka 2014). Family owner-run businesses have more flexibility in their personal and family life (Kostadinov 2013). This family business that is more active to women, the new owner's focus are on daughters (Sonfield, Lussier, Barbato 2011). In rural areas the family business owners have a considerable influence on the succession plans, they end of education of a child which starts working in family agriculture business, but they often do not have potential successors, although this matter affects their future. Family owners want to gender the business first only to a son, if they don`t have a son, then only to a daughter. The children typically don`t want to be the head of agriculture family business (Žutinic, Gregic 2010). Important management decisions made by consultation with friends and family (Zapalska, Bugaj, Rudd 2005). Estonia has several companies that have made the transformation to the next generation but in some Eastern European countries where free market opened later the first intergenerational successions processes are just starting to occur, but the law of succession act should be consulted. Most of the family businesses in Estonia are sole proprietors or have registered their business as a private limited company; a few have chosen the legal form of a public limited company or general or limited partnership (Güldenkoh, 2014).

Gender-centered leadership

Gender-centered leadership is hardly moderated. The women’s role in some countries is active, but they do not play an important role in the family business at this time, when countries do not have EU membership. The women’s role is to grow, and women have a moderate role in family businesses. By Wiecek-Janka (2014) women should watch out for fire and be responsible for it, and the men take care of the water, which expresses the balance attributing women with higher emotions and men with reason. By Aidis et al. (2008) women entrepreneurs who have started their own businesses explain the reasons for starting their own businesses are complex and varied, affected by a combination of personal and environmental conditions.

Women in a certain field of activity, view their personal or family life as positive, there entrepreneurial motivations are layered in the same way by family (On 2011; Kirsipuu, Silberg 2013). The women who start operating in family agricultural businesses, where the husbands have died or work off the farm (Žutinic, Gregic 2010). Independent family woman who were only in charge of family budgets, household activities, raising children, and serving their husbands; then during the transition period, women's double burden was further aggravated when family support systems collapsed, after ten years freedom women formed self-help networking groups and worked with partners full-time with family businesses (Welter, Kolb 2006; Kirsipuu, Silberg 2013). Although family businesses have now been researched for decades, it is still one of the less studied areas in Estonia (Kirsipuu, Silberg 2013).

Operational resiliency

Operational resiliency is hardly regulated. By Kostadinov (2013) in a crisis, the family enterprises share of capital by non-family members changes. In rural areas, family members keep local traditions, and the rural way of life in general; farms have been "in the hand" of the same family (Borec et.al. 2013). Positive relationships between entrepreneurs and their conventional human capital help and develop the skills that could alleviate a crises situation (Aidis, Paag 2007). Family and friends are particular capital; social capital was the key to securing financial capital. Family and friends, along with personal savings, were the primary sources of funds (Dyer, Mortensen 2005). When a family firm has grown an access to external finances, the money comes from family members in order to accommodate outside investors (Surdej, Wach 2012). Social security should be guaranteed to all persons engaged in business, in business employees are hired and in this respect, they also have social guarantees. Family businesses, especially start-ups, do not have enough resources to hire workers, and to formalize an employment contract with family members. The family members, whose employment relationships have not been formalized in the family enterprise, lack social guarantees. Sole proprietors have even more difficulties (Kirsipuu, Silberg 2013).

Contextual embeddedness

Contextual embeddedness is moderate. By Wiecek-Janka (2014) the family business guarantee of high-quality offered services, contribute to building a network of loyal customers by reference to tradition, respect for others and the desire to develop the virtues understood as excellence in all areas of activity: spiritual, emotional and material in each area, that is in individual and family businesses. For example, in Lithuania family business sent out to addresses obtained from the membership lists of various entrepreneurship organizations (Aidis et al. 2008). For example in Estonia many in the private sector are operating in the capacity of family entrepreneurs, i.e. the majority of the share capital is held by the family, or the sole proprietor has involved family members in his or her business activities. The growth of entrepreneurs including family entrepreneurs has increased year after year (Güldenkoh, Silberg 2016).

Family businesses largely shape the economic environment in rural areas (Kostadinov 2013). Family enterprises have the support of the family network, which represents a source of critical support services (Rebernik, Tomnic, Duh 2007). Family savings, contacts with customers, close friends, connection with suppliers success to the ability to export goods through connections to other countries (Dyer, Mortensen 2005).

The public sectors in east cluster countries have reduced administrative burdens on the private sector: it has made registration of a company easy, set up the electronic environment for submission of reports, and reduced the volume of the submitted annual report by the distribution of business operators into categories. On making appropriate choices, the state has taken into account the public interest as the main decision criterion and offered the private sector with the maximum range of options. For example, in order to facilitate cooperation with taxpayers, the public sector in Estonia has been working to reduce the tax burden on the private sector and to make the economic activity more transparent. A single tax environment and the possibility of submitting electronic declarations has been established (Güldenkoh, Silberg 2016).

The public sector can receive a quick and transparent overview of the tax behavior and performance of tax obligations of the taxpayers. The taxpayer must just declare the taxes in a timely manner and then meet the tax liability. Everything happens in a single electronic environment, and the taxpayer (a private sector representative) is not required to submit paper documents, everything can be done electronically, which speeds up the data submission, and through which fraud can be prevented. For the private sector, an opportunity has been created to use a variety of electronic interfaces to upload the data from the accounting programs to the electronic environment generated by the tax authorities. The operation of programs helps to avoid mistakes related to human activities and inaccuracies in reporting. This does not guarantee the 100% accuracy of submission of data since the data is entered into programs by the business operators. In the future, the state plans to introduce an electronic billing system in which the bills begin to move through the electronic billing interfaces, and no differences can emerge in the transmission of data and their presentation (Güldenkoh, Silberg 2016).

East European clusters are different then Anglo, Germanic and Nordic clusters. East European clusters are not similar; all dimensions almost are hardly moderate. East clusters are moderated only by the dimension of bridging relationships, contextual embeddedness, and regulated family power (Table 2). East European countries must have regulated family business laws, and the family businesses can grow.

Table 2. The Family business dimensions for Anglo, Germanic, Nordic and East Europe (Gupta et al. 2011, improved by the authors)

Dimension	Anglo cluster	Germanic cluster	Nordic cluster	East cluster
Regulated boundary	High	Moderately high	Moderate	Few moderate
Business reputation	High	Moderately high	Moderate	Few moderate
Bridging relationship	High	Moderately high	Moderate	Moderate
Organizational professionalism	High	High	Moderately high	Few moderate
Regulated family power	High	Moderately high	Moderately high	Moderate
Competitive succession	High	Moderately high	Moderate	Few moderate
Gender-centered leadership	Moderately high	Moderately high	Moderate	Few moderate
Operational resiliency	Moderately high	Moderately high	Moderately high	Few moderate
Contextual embeddedness	High	High	High	Moderate

The analyzed Eastern European countries are similar and therefore it can be argued that in all countries family organization and strategic management are best suited to combining theory (agency, RBV, stewardship, and stakeholder). Ownership of family businesses based relations agency theory, focusing on satisfaction. At the same time, the family business and family members may have a different understanding of the strategic development of the family business, so the stakeholder theory is applied at the company level, which influences the company's strategy to achieve the set goals. At the stakeholder theory, responsibility is assumed to ensure that all family goals are met at the same time. Applying all these theories together, the stewardship theory and RBV must be applied to provide valuable resources.

Analyzing the data collected in the analysis of strategic management and organizational behavior of Estonian family entrepreneurs (Kirsipuu, Teder, Venesaar 2013), it can be said that Estonian family entrepreneurs have been placed in the three circle model differently depending on the duration of the country's independence.

The same basic data and the same analysis program were used in the analysis as in the Kirsipuu, Teder, Venesaar study in 2013. Parameters were the start-up of the family business and the relationship between family ownership and business. As a result, the initial five clusters of the study were divided into two: the first fifteen years after the country regained its independence, and from the 16th anniversary of the restoration of independence, i.e. the years of stability. Their position in the three circle model differed radically.

The three-circle model is good that it is very useful tool for understanding the source of interpersonal conflicts, role dilemmas, priorities and boundaries in a family firm (figure p 66). After the restoration of independence and family businesses created in the first fifteen years of the country, there are no persons in sector 2, those who are not family members and do not work in family businesses, and those who are owners but are not members of the family but work in family businesses (sector 5). Also, there are no persons in sector 1 who are only family members and do not participate in business activities and there are no persons in sector 3, those who work and do not belong to family members and owners, and there are no persons in sector 4 (family members who do not work in family business).

Family members who do not belong to the owners but work in the family business (sector 6) are in the majority. In the circle of owners (sector 4 and 7), only one to two of the family members depend on the chosen legal form. Those who started their business since 2004 consider values shared by family businesses important, have roles-based management, and are oriented towards an open system. The family business designed the family business as an organization at traceability level, personalized management and a human organizational culture.

The relationships in the three circle model were distributed to the family business that started fifteen years after independence, as follows:

- Family – involving spouses, relatives and children.
- Owners – the sole proprietorship and private company are equally preferred.
- Entrepreneurial Entrepreneurship, at company level it is preferable to be monitoring, the type of leadership is preferred to power and personal culture, while the company is an open system and results oriented.

Relationships in the three circle model were broken down in the restored independence state as follows:

- Family – involved, husband, children, relatives.
- Owners – they prefer to be single entrepreneurs who involve the family.
- Business – free will to start a business, shared values and understanding are preferred at company level, personal culture is preferred to management, and the company is geared towards humanity.

The authors are convinced that similar distributions int the three circle model are also found in other independent states. The authors cannot add a time scale, but based on the revised literature used in comparative analysis, it can be argued that the pattern in the three re-independence countries is the same for the three-way model.
The business activity of the private sector ensures the sustainability of the country, whereas the cooperation between the public and the private sector ensures the stability of the country.

Discussion

East European clusters are different then Anglo, Germanic and Nordic clusters. East European clusters are not similar; all dimensions are hardly moderate. The East clusters are moderate only in dimension by bridging relationships, contextual embeddedness and regulated family power. East European countries must have regulated family business laws, and then family businesses can grow.

The analyzed Eastern European countries are similar and therefore it can be argued that in all countries family organization and strategic management are best suited to combine theory (agency, RBV, stewardship, and stakeholder). On the example of Estonia, it can be said that the relationships of family businesses in the three circle model depend on how long the state has been independent. Fifteen years after independence have been similar, and since 16 years of independence, other links. Based on the theoretical sources used in the benchmarking exercise, it can be argued that the same distributions have been in other re-independence countries, but no temporal dimension can be added.

Family entrepreneurship has a substantial role in the east cluster economy. Public-private partnerships ensure the functioning of the state and contribute to the rise of the economic activity in the country, the partnership must be efficient, and the administrative burden of the private sector must not increase as a result of the partnership. The public sector must in every way encourage business activity in the country, and the availability of the information displayed to the public. Tax revenues account for a large proportion of the income of the public sector, i.e., of the state revenues. The private sector is the major taxpayer in the country. In order that the receipt of tax revenues would be timely and the planned receipt and increase of the revenues would be executed, the administrative burden of the private sector should be reduced in this area.

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