

SUSTAINABILITY OF RURAL FAMILY ENTERPRISES

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Abstract

Family enterprises have been researched in traditional, stable market economies, to a lesser extent also in former socialist economies. A special focus has been on family enterprises' sustainability and it has been discovered that one of the main pain spots is the change of generation related problems. Family enterprises can be sustainable only when they are prepared for a generation change. Family business culture and family traditions in Estonia have been broken. After Estonia regained independence in 1991, entrepreneurs started to restore previous farms and wished to continue family traditions of their ancestors; entrepreneurship started to develop and many people, especially in rural areas, started a family business. In 2012, these family entrepreneurs have a choice to make how to ensure that their family business will stay sustainable, how to pass family business over to their descendants so that the family business traditions won't cease. This paper seeks to analyse factors that inhibit sustainability of family enterprises. The data sources are special scientific literature and the questionnaire surveys and interviews with family entrepreneurs conducted by the author over 2007–2011. It is possible to ensure that a family enterprise is sustainable only when the family entrepreneurs are prepared for the generation change. The present and future family entrepreneurs in Estonia can get information from this paper about the problems that may arise in connection with the generation change and knowledge to ensure sustainability of their family business.

Keywords: family entrepreneur, family enterprise, organisational culture, strategy, management

JEL Classification: M10; M13; M19

Introduction

We can find family enterprises in nearly all regions in Estonia; they operate in all areas of activity, the most still in services, agriculture, tourism and production. The factors that influence the activities and successfulness of a family enterprise are the relationships between family members, a comprehensive and well-considered organisational culture. Family entrepreneurs are convinced that with a strong organisational culture and strategic management they can be sustainable.

Family enterprises can be found everywhere in Estonia, but they are most numerous still in rural areas. Family entrepreneurship is playing a significant role in the economy. Entrepreneurship policies support all entrepreneurial people and appreciate entrepreneurship as a promoter of national economic development. The Estonian entrepreneurship policy strategy until the year 2013 is targeted at the

advancement of knowledge and skills, promotion of investment and internationalisation, and development of legal environment. An inseparable part of the entrepreneurship policy is national entrepreneurship development and support programmes for entrepreneurs provided via various foundations and organisations. In order for the Estonian entrepreneurship policy development plan to work successfully it is necessary to value regional, local, saving and information society development. Entrepreneurship policies support in every way development of responsible entrepreneurship so as to avoid that entrepreneurship growth and profitability wouldn't happen on account of other members of society or natural environment (Estonian Enterprise..., 2009). It is important for rural areas to have business activity going on; business should start first in agriculture and after it has taken roots also other areas of activity would start growing in this region (Bourge, 1994). Economic performance of agricultural enterprises depends on enterprises' work on making their economic activity more effective and on state activities in providing an economic policy framework for enterprises, while enterprises need to develop intensive and extensive joint activity for the development of a system of common services and for designing an economic policy environment (Reiljan, Tamm, 2005). More attention than today was focused on development of rural areas during the occupation period. In the year 2012, most of the buildings erected during the occupation period are in bad repair; people have moved away to towns due to unemployment; there are no proper road network and bus connections any more. Small country shops, post offices, kindergartens and primary schools have been liquidated, and higher schools will follow soon.

In 2010 already, the State Audit Office submitted a report to the *Riigikogu* about the impact of entrepreneurship support measures on the competitiveness of Estonian economy, where they concluded that the state does not support its enterprises in the best way. According to the State Audit Office, the support has not increased productivity and export capacity of Estonian enterprises. The State Audit Office reached a conclusion that when the present principles of granting support continue, the impact of support will stay incidental and will not help improve the competitiveness of national economy in the future. The State Audit identified that the state has no complete, well-considered entrepreneurship policy with clear impact objectives. Entrepreneurship policy has consisted in distributing European Union aid funds; enterprises' development problems have not been taken into account. The State Audit recommended increasing of the capacity of designing the entrepreneurship policies in order to find development obstacles in different areas of activity and suggesting complex solutions for conquering them; then correcting granting of support. The State Audit found that the most important keywords of the updated model for the grant of support must be: knowledge and efficient knowledge acquisition system, flexible measures depending on enterprises' needs; in order to prefer certain areas of activity entrepreneurship organisations and specialists must be involved (Riigikontrolli ..., 2010).

The current entrepreneurship policy and the supporting development plans cover the period until 2013. The Ministry of Economic Affairs and Communications has initiated a new programme based on the European Union entrepreneurship policy;

all other ministries have also started to plan updating of development plans which need to be based on various draft laws of the European Parliament and Council.

This research seeks to analyse sustainability of family enterprises. The following research tasks have been set for the achievement of the research objective:

- Provide an overview of research conducted in the sphere;
- Provide an overview of the methods of research;
- Analyse the generation change related problems and the factors that inhibit sustainable development of family enterprises;
- Find problems that need to be solved in practice.

The paper, written on the basis of the survey results, comprises three parts: the first part provides an overview of a family enterprise and of the research conducted on sustainability of family enterprises; the second part presents methods of the research and the third part presents results of the research.

All knowledge about family enterprises is useful in order to be able to transfer family business management on to the next generation and make family business sustainable.

Input data are from scientific literature and the questionnaire surveys and interviews conducted by the author with family entrepreneurs over 2007 - 2011.

Sustainable family enterprises

A special focus has been on family enterprises' sustainability and it has been discovered that one of the main pain spots is the change of generation related problems. Family enterprises can be sustainable only when they are prepared for a generation change. It is possible to ensure that a family enterprise is sustainable only when the family entrepreneurs are prepared for the generation change.

Family enterprises are characterised primarily by their small size; they usually employ up to ten people, but there are also exceptions. One of the most positive qualities of family enterprises is their short decision-making chain. A specific feature of a family enterprise is that business and personal activities are intertwined, for example, use of time, common living space, operating and production facilities etc. In addition to entrepreneurship, family members are connected by friendship and family relations, marriage (Kaseorg; Raudsaar, 2008). Owner of a family enterprise is often manager of the family enterprise (Gersick et al., 1997) and his/her personal ambitions determine the enterprise's business objectives (Chrisman et al., 2003) and he/she prefers keeping the enterprise small in order to maintain and control what he owns (Kaseorg et al., 2007a; Kaseorg et al., 2007b).

A typical feature of family enterprises is that the family business is the main source of income for both their owners and family members. Family enterprises are defined in different ways, but it is obvious that a family or some family members are always

participating in the family business. There is no unanimous definition of family enterprise; however, it can be said in brief that it is a family enterprise where family members own all shares or holdings, or when their share is higher than 50% and most of the family members participate in the activity of the family enterprise (at least in the first and second generation), hence family enterprise is under the control of family members.

As a result of analysing research conducted in different countries it is possible to say that many family enterprises are sustainable (Nordqvist, 2005; Chrisman, Chua, Steier, 2005; Poutziouris, 2000; Quo..., 2003; Gallo, 1995; Poza, 1995; Hanzelkova, 2004; Popczyk et al., 1999; Yalin, 2008; Halttunen, 2004; Vasques et al., 2008; Vadjnal, 2005; Krošlakova, 2007; Balint, 2006; Perry-McLean, 2008), have operated for decades, have transferred management over to descending generations, family traditions have not been broken. Family enterprises are rendered sustainable by the division of roles between family members, especially appreciating the role of woman as housewife (Kakkonen, 2006; Römer-Paakkanen, 2002; Brazzale, 2007; Rautamäki, 2007); women take care of the cosy home, at the same time giving a major contribution to family business development. However, inter-generational problems prevent family enterprises being sustainable (Brun de Pontet, 2008; Moyer, 2006; Wickham, 2004).

The number of family business related research in Finland has been increasing since 2001 when the special attention has been paid to family enterprises' sustainability, women's role in family, involvement of children in business and the problem of successors (Quo..., 2003). Taru Hautala (2006) conducted a research on transfer of management in a family enterprise. Hautala found that family enterprises can be sustainable only when ownership, management as well as knowledge are turned over to descendants, meaning children. Problems are caused by transfers to non-family members; it was found that sustainability can be ensured only when mentors are included in the turnover process. Family enterprises' sustainability has been investigated based on the consolidation of wage labour and family interests (Römer-Paakkanen, 2002), woman's role in family (Rautamäki, 2007), integration of children into family business (Tormakangas, 2005) and succession problems (Hautala, 2006). Research papers have pointed out that family enterprises are more sustainable when all members work in the name of a common objective (Juutilainen, 2005). Research results have concluded that if children want to continue what their parents started, then parents pass knowledge and skills on to them (Littunen, 2001). When children do not wish to participate in family business, the issue of continuing business, whom to leave the business to, whom to appoint manager etc sooner or later arise to the agenda (Kakkonen, 2006). The issue whether to terminate business or bring a person from outside the family may cause conflicts and prevent family business from being sustainable (Niemela, 2003). The reasons why critical situations arise in a family business are (Qua..., 2003):

- descendants have a conflict with older generation who cannot stay away from management;
- manager brought from outside does not reckon with family interests;

- single undertakers have not enough time to let the descendants know the labyrinth of business;
- young generation has wanted to make cardinal changes based on what they were taught at school, which the previous generation does not like.

The papers analysed by the author have reached one conclusion that family enterprises can be sustainable only with long family traditions (Nordqvist, 2005; Chrisman, Chua, Steier, 2005; Poutziouris, 2000; Gallo, 1995; Poza, 1995; Popczyk et al., 1999; Yalin, 2008; Halttunen, 2004; Vasques et al., 2008; Balint, 2006; Perry-McLean, 2008).

Investigations of the composition of family enterprises have pointed out that the first generation family firm should have manager only from among own family members, and starting from the second generation they should employ additional workforce outside, whereas family members must definitely work together with them to ensure the sustainable development of the family firm (Nedlin, 2003). Many family enterprises face conflicts when transferring management; in order to avoid conflicts it is recommended that successors worked before assuming management outside the family enterprise (Sardeshmukh, 2008), take-over without conflicts will improve the reputation of family enterprises. Reputation (both positive and negative) of a family firm has a significant impact on the use of resources (Runge, 1998; Rutherford et al., 2008). Bianchi (2007) conducted a research on the basis of various case studies, emphasising the significance of the family entrepreneur's and family business's reputation and how vulnerable and at the same time sustainable the family enterprises are. Positive reputation of family enterprises is due to that family entrepreneurs have long-term operating experiences and are faithful to the traditions (Kellermanns et al., 2008), which in turn will make them reliable and sustainable.

One cannot draw an explicit line between family and entrepreneurship; family is constantly participating in the entrepreneurship process. Family is engaged in business also outside the working hours; they expect success only if all family is involved (Craig, Lindsay, 2002). Whether the family business survives or not depends largely on its manager, whether the manager is leader or not. Relations with the offspring must be good, it is important to have open communication and approve each other's achievements. Owners of many family enterprises (family business entrepreneurs) are of the opinion that longevity of family enterprises is important and that family business descended to the next generation. Various surveys have pointed out that 30% of family enterprises are successful in the second generation and only 10...15% in the third generation (Aronoff, 1999; Kets de Vries, 1993; Ward, 1997). Surveys of family enterprises have demonstrated that gender differences between family members must definitely be taken into consideration for the family business to be sustainable; the importance of females in family enterprises can be increased by appreciating the women's position in society (Maeda, 2006). For example, in a Japanese family firm the successor must be traditionally male, but in reality no restrictions are imposed when female widows often take over management of the inheritance; they only want to set up unique

family enterprises which would satisfy consumer demand (Maeda, 2006). The existence/nonexistence of gender inequality has been studied in Italian family firms, where we can encounter gender inequality. Brazzale (2007) with his research contributed to the prevention of gender inequality of females. Koffi (2008) claims that family firms where the successors are males, are more vigorous in the managerial decision-making, whereas female successors are too trusting. The role of females in the work of a family firm may not be underestimated (Rautamäki, 2007); women are able to combine lifestyle and work, and at the same time keep them apart from each other (Hite, 2007). The significance of women cannot be underestimated in generation change either.

A family enterprise can be sustainable only when family entrepreneurs are aware of the factors that ensure sustainability, as well as those that restrain sustainable development (Table), and is able to make the right choice.

The issue of generation change in family firms is growing to be increasingly topical and more serious attention has been recently focused on that topic; it is important to distribute ownership correctly, attaching importance to consistency and traditions; because each new generation will get a legacy (Tormakangas, 2005). Different generations may have a different influence on further development and strategy of a family firm (Brun de Pontet, 2008). With the ageing of the first generation of entrepreneurs the following issues will be topical: What will happen when they step aside? Is the successor from family? How to turn over management to the successor, not only as a position but also skills, connections, role of manager and ownership? (Kirsipuu, 2007). Intergenerational relationships play a role not only in the turnover of business but also in management; religious views of different generations may be different, which in turn cause social tensions in family firms; in addition to “Godly Guidance”, one also needs knowledge and wisdom (Moyer, 2006). Generation changes are more successful when successor is interested in the family business; however, it is not sufficient to have the desire, one must also have various skills and the skill of controlling the market (Brun de Pontet, 2008). One has to be aware of the problems that might arise while passing on skills to successors (Hautala, 2006) to avoid the situation where children do not wish to participate in family business. One should be ready for that and decide quickly whom to leave the business to in that case, whom to appoint a new manager (Kakkonen, 2006). In case children want to continue what their parents started, then the knowledge and skills are passed on to the children (Littunen, 2001).

A special focus has been on family enterprises’ sustainability and it has been discovered that one of the main pain spots is the change of generation related problems. Family enterprises can be sustainable only when they are prepared for a generation change. A precondition for a family enterprise to be sustainable is that family enterprises were prepared for a generation change.

Table 1. Sustainability factors for family enterprises (compiled by the author)

Factors	Source
HELPFUL FACTORS	
Positive image	Runge, 1998; Bianchi, 2007; Rutherford et al., 2008
Skilfull distribution of the roles between family members	Römer-Paakkanen, 2002; Kakkonen, 2006; Maeda 2006; Brazzale, 2007; Rautamäki, 2007; Hite, 2007
Involvement of children	Tormakangas, 2005
Educating of future generations with training outside the family	Hautala, 2006; Sardeshmukh, 2008
Passing management on to the next generation together with ownership, management and knowledge	Littunen, 2001; Tormkangas, 2005; Hautala 2006
Common aim, stay faithful to family traditions	Gallo, 1995; Poza, 1995; Popczyk et al., 1999; Poutziouris, 2000; Römer-Paakkanen, 2002; Halttunen, 2004; Hanzelkova, 2004; Nordqvist, 2005; Chrisman, Chua, Steier, 2005; Vadnjal, 2005; Juutilaine, 2005; Tormakangas, 2005; Balint, 2006; Krošlakova, 2007; Yalin, 2008; Vasques et al., 2008; Perry-McLean, 2008; Kellermanns et al., 2008
LIMITING FACTORS	
Conflicts between non-family as well as family members	Niemela, 2003; Sardeshmukh, 2008
In the first generation family firm is managed by a non-family member	Nedlin, 2003; Kakkonen, 2006
In generation change management is passed to a non-family member	Niemela, 2003; Hautala, 2006; Kakkonen 2006
Problems associated with generation change	Wickham, 2004; Hautala 2006; Moyer, 2006; Brun de Pontet, 2008

Methodology

An objective of the survey was to investigate family enterprises' sustainability and the generation change related problems using qualitative methods of research. The main instruments used in this research were structured and unstructured questionnaires and interviews. Structured interviews were based on the standard interview form with emphasis on fixed categories of answers and systematic sampling, and on completion procedures combined with quantitative measures and statistical methods. In unstructured interviews the respondents were given nearly full freedom to discuss the reactions to, opinions on and conduct in a particular question; the interviewer asked only leading questions and recorded the answers. An advantage of the interview before other data collection methods is that interviews

can be used in different situations and combined with other methods of research and, where necessary, the sequence and formulation of questions can be changed during the interview. The author chose the interview method because it provides an opportunity to personally communicate with the interviewees and ask supplementary questions later.

Based on the theoretical information, the questionnaires and interview questions were formulated and targets were set what the interviews had to accomplish. The interviews were based on open-ended questions supplemented by special questions. If only questionnaires had been used, the answers would have been more laconic and mostly anonymous. Specifying questions were asked in open conversation; many liked that personal conversation enabled them to speak „face to face“. Before going to the interview, the author studied thoroughly the theoretical sources and legislation and made preparations so as to know the background of family entrepreneurs; contacts were established with the interviewees, agreements were made and opportunities of seeing final results of the research were promised. Then a peaceful place was selected to eliminate disturbing factors, and keeping the appointment a promise was given to be confidential and guarantee anonymity. Before asking the questions and conducting interviews the researcher had to realise that the interviewees may be not very honest in delicate questions. Talks over the phone were conducted with the potential interviewees in order to carry out the interviews smoothly. It was explained to the respondents that if they answered truthfully it would be possible, based on the conclusions made from the results, to propose measures for development of family entrepreneurship and improvement of support systems. This helped arouse kind of interest among the respondents and they were motivated to find time.

The questionnaire surveys and interviews were conducted from 2007 to 2011. The topics of questionnaires and interviews can be divided into three main groups:

- entrepreneur's background, areas of activity;
- activity as family business entrepreneur;
- participation of family in family business.

This paper discusses only the part related to sustainability of family business enterprises. The sustainable development related questions were:

- What are the specific characteristics of your family enterprise?
- What characterises the organisational culture of your family enterprise?
- Is the strategic plan of your family enterprise formulated in your mind, in writing, or missing?
- Who of your family members (relatives) participate in the business?
- What is the division of labour between your family members?
- Are the owners and managerial staff of the family enterprise the same?
- In which way is your family enterprise managed? What kind of manager are you?

- Have you been thinking about retiring from active management of your family business and passing management to a person outside the family? Give reasons?
- Who of your family members could easily take over the duties of manager?
- What is important for you as family entrepreneur (continuing family traditions; providing future for the children; reselling business with profit; providing for the family; nonrefundable aid).
- Do you hope that someone will continue your family business when you have to retire from business one day? Who specifically?
- Are the successor problems worrying you?
- Is the survival of your family enterprise a problem to you?
- Have you been thinking about terminating the family business? If yes, then what has caused such thoughts?
- What is the attitude of your business partners, clients etc toward your family enterprise?
- Has there been a situation where your undertaking has not been regarded as sufficiently attractive and you have felt discriminated compared to others?
- How do you imagine a family business development model with long family traditions passing on from generation to generation?
- Please describe some important event or situation associated with your family enterprise which has been a talking point for a long time.
- Name the main problems in your family enterprise.
- What are the mistakes you have made due to insufficient knowledge?
- What kind of family entrepreneurship support activities do you need?
- Area and place of activity; number of family members; age when starting the family business etc general informative questions.

In 2007–2011, the author sent questionnaires to 2035 hypothetical family business entrepreneurs to find out whether the entrepreneurs regarded themselves as family entrepreneurs or not. 1500 respondents who regarded themselves as family entrepreneurs received another questionnaire, which identified that 1188 of the respondents can be actually considered family entrepreneurs; interviews were conducted with more than one thousand family entrepreneurs from among them, including in-depth interviews with 76. The questions were mostly sent by e-mail; however, those whose e-mail address was not available in databases, the author called and got the answers by phone; and those who had neither an e-mail address nor telephone number in databases, she sent the questionnaire by post. Questionnaires were sent by post, some of them were delivered personally and some network questionnaires were sent by e-mail. 1320 completed questionnaires, or 88% were returned to the author (100% from the personally delivered questionnaires; 90% from those sent by post; 86% from those sent by e-mail).

When commencing the research the author used a special sample formed of beef cattle breeders conducting performance testing in 2007 and of sport horse breeders who had registered their horses in the database of sport horses in 2008. The author got the information from the Animal Recording Centre's database *Liisu* and from the

horse database (Liisu..., 2007; Hobuste..., 2008). A random sample was formed for interviews conducted in 2009 and later. The method of systematic random sampling was used. For every county a hypothetical list of family enterprises in alphabetical order was drafted; the sample was made starting from a hypothetical family enterprise with a random number in the list and advancing by a predetermined step. The same principle was used for generating the interview samples. The 2009 random sample was formed of rural enterprises. For conducting this survey the sample was made as follows: a random sample of rural enterprises, the sample size was 10% of the enterprises in the respective rural area. The author received input data for the sample from the Agricultural Registers and Information Board's (PRIA) register of farm animals, from the holding register (PRIA..., 2009). The 2010 random sample was selected from among the enterprises registered in Estonia; the author removed from the sample those enterprises which had registered their holdings in PRIA's animal register and those whose legal address was in Tallinn. Input data for the sample were received from on-line information system of the Commercial Register accessible for registered users in the Ministry of Justice's Centre of Registers and Information Systems (Äriregistri..., 2010).

The survey consisted of five questions, which sought to learn whether the entrepreneur regarded himself as a family enterprise. Analysis of the results identified the family enterprises to whom the author sent the questionnaire, which contained 45 questions. The questionnaire attempted to get information on the background of family entrepreneurs; the reasons why they became family entrepreneurs; the structure and organisational culture of family enterprises; strategy and management of family enterprises; generation change related problems. The questionnaire started with introductory, easy questions followed by the questions about the research subject. Opinion and attitude related questions and open ended questions were placed in the second part of the questionnaire. The questionnaire ended with asking the objective data (gender, age, education). Interviews were conducted with those who had completed the questionnaire; interviews contained 20 questions, which were based on the questionnaire but allowed the author an in-depth analysis of family entrepreneurs. The author considered it important that the questions were based on the questionnaire since answers to the questionnaire needn't always be objective. Interview questions were randomly sequenced, so as to avoid the situation where answers to previous questions influence answers to the subsequent questions. An in-depth interview consisted of 60 questions, and represented a detailed approach to previously discussed topics. In-depth interview is a particularly suitable method of data collection where the research subject is sophisticated and detailed information is required. Before conducted an in-depth interview, the author came to realise that the interviewees needn't be very honest in answering sensitive questions (formal employment relations, remuneration, dividends, money) and in order to receive as unbiased and honest answers as possible, she agreed with all interviewees over the phone and explained why and for what reason she has to meet them and once more discuss the subject. The interviewees were explained that when they answered truthfully it would be possible, based on the aggregate results, to make proposals, for example, for the establishment of family entrepreneurship support systems, and, why not, for

inserting the family business notion into legislation. This helped to achieve a kind of interest among the respondents and they were motivated to talk and sacrifice some of their time.

The author afforded the interviewees after answering the questions an opportunity to have a talk in the topic the interviewee was interested in. The interviewer reformulated some questions based on the personality of the interviewee, keeping the meaning and purposefulness. The most difficult was to get answers to sensitive questions. From some respondents the author received objective answers to sensitive questions; however, some people did not open. After interviews the author wrote down the most important points from the interview and notes on practical details. They were useful in the process of analysing, since some questions required concretisation. Analysis of the interviews started from data interpretation, which is a prerequisite for analysing the questions. The author made notes from the questionnaires and interviews, rewrote the interviews and selected data, analysed questions in order to get an objective picture of the interviewees and their problems. All interviews received symbols during analysis. Survey data are concentrated, simplified and modified, and presented as a compressed set of information (figures).

The results of the questionnaire and interview surveys can be considered reliable. When analysing the questionnaires and interviews, the author reached a conclusion that the methods used were suitable.

Results

1188 family enterprises were questioned or interviewed during 2007–2011. The results of analyses have been aggregated. The survey covered family enterprises from all counties (Figure 1), the most from islands (11.2%); the least from Ida-Viru County (3.7%) and Rapla County (4.0%). 33.3% of the family business entrepreneurs had higher education, 20.0% secondary specialised education, 26.0% secondary education, 20.0% basic education and 0.7% primary education. Family entrepreneurs have studied various specialities, for example, agronomy, zoology, animal breeding, tailor, food technology, electrician, bookkeeping, design, pedagogy, bookbinding, journalism, metalworking, veterinary, medicine, art, dramaturgy, etc.

In the start-up phase, women accounted for 40% and men for 60% of the family entrepreneurs; age of family entrepreneurs ranged from 21 to 55. The start-up initiative came in 60% of the cases from men, who then invited their wives and then children and other relatives. First the spouse acquired family business membership (75%), then children (20%) and close relatives only in 5% of the enterprises; spouse was involved in all family business enterprises in the stage under investigation.

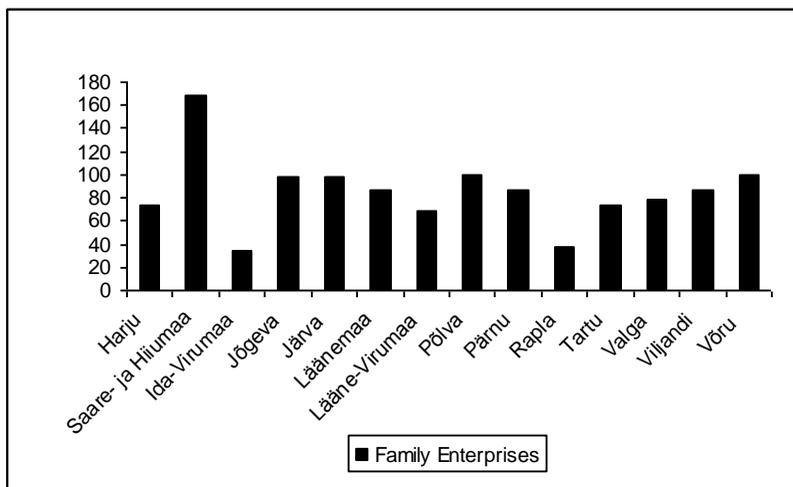


Figure 1. Family enterprises in the survey across counties, in 2007–2011 (compiled by the author).

Family composition varied a lot while starting a family business; they started with up to six persons, hence the family business start-up depends not only on the size of family but also on the needs, ambitions and enterprising spirit of the family. While starting a family business it is of no significance whether the couple is officially married or not. Most of the family entrepreneurs think a family consists of cohabiting members (not living in the same household); it is of no significance whether the conjugal relations are official or not, only cohabiting counts. 15% of the family business entrepreneurs, however, did not regard it right when cohabitation was not officially registered; they found that family business culture is undermined when founders of a family business have not ‘legitimately consummated’ their relationship, or „promised in the presence of God to help each other in joy and in sorrow“; they found that a long family tradition can be ensured only by the family business where all members have all relationships legalised, only that way a family tradition can go on from generation to generation, already because the family name would go on. All these family business entrepreneurs who could continue what their fore-fathers have done were 100% convinced that only marriage is the right groundwork for a family and only through marriage it is possible to set up, maintain and assure a sustainable family business.

Family entrepreneurs are positive that a family business must first satisfy needs of the cohabiting family, and only then the needs of family members who live elsewhere. While starting a family business they rather set up a family enterprise where only family members are employed; only later they start to hire workers outside the family. Family entrepreneurs also find that problems are almost missing in a family enterprise of a cohabiting family; however, when distant relatives are

involved, problems arise, for instance from sayings such as „What are you bossing around, you runny-nosed youngster”, or „I have been taking care of you enough, don't forget it,” or „Who bought you candy when you went to the second class”, etc. The older the generator of problems, the more difficult it is for the family entrepreneur to establish him/herself; there is „gratitude“, „respect for older people”; at the same time, they believe they may not „let them obtrude themselves on me”.

Spouse, children, parents and siblings participate in the family businesses studied in this survey (Figure 2). To the question why family business, why not keep family and business apart, they answered that family business cements the family relations, everybody knows everything and you can completely trust family members and „you can work rather than watch for someone not making off with something“.

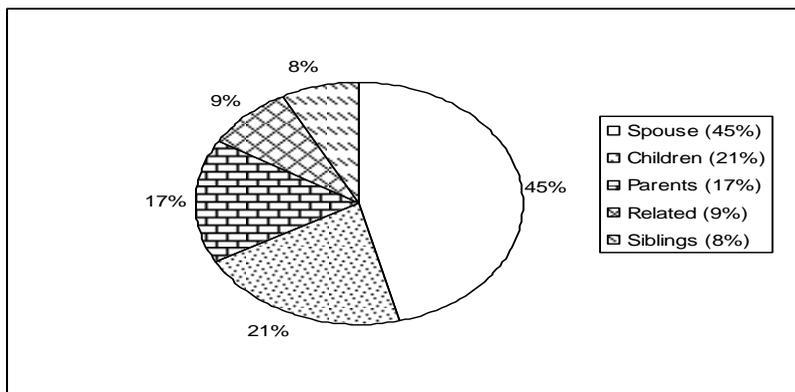


Figure 2. Members of a family enterprise in 2007–2011 (compiled by the author).

With a non-existent organisational culture, which is normal in the business set-up phase, there are more conflicts in both family and business relations as well as between generations. The clearer the organisational culture, the fewer the tensions and conflicts. Tensions are also caused by the situation where an educated family member returns to the family business and wants to start managing the business according to what he/she learned at school. Answers to how to solve the conflicts were: „We have sat down and talked it out”; „We established definite rules”; „We redistributed the areas of activity”; „We made a decision and admit that „the egg is smarter than the hen””. At the same time, all family entrepreneurs believe that business should be expanded and the motivating factor is the next generation. Older family entrepreneurs themselves do not want to aggressively expand business; they say they „need a push“, „let children come and do“, „I'd expand but have no time to go to training courses”.

In interviews entrepreneurs attached great importance to managerial skills, especially experiences; however, when ranking different qualities they overlooked the managerial skills. This allows concluding that family entrepreneurs lack

awareness of the significance of management and strategy and connection to business performance, and entrepreneurs need to attend various training courses and come together rather than stay only with their business from day to day.

A strong organisational culture where definite rules have been established helps to bring clarity into work and personal relations. One of the spouses said the following about the relationships between them: „We complement each other”, „We think similarly”, „The spouse sets the strategy, I help work out strategy implementation”. A strong organisational culture helps minimise tensions which rise when an educated family member starts working in a family business; the situation is especially tense when an adult child comes to work here. Family business owners who have hired an executive manager from outside the family say that „it is very hard to step aside at the beginning”; „it is very hard to entrust management of something you have created to a stranger”; „I am afraid of weakening of my leading position”. When they overcame these feelings, they found that the outsiders are realistic, can see the family business strategy more clearly and make changes, which occasionally have destroyed the so far strong organisational culture.

Destruction of the organisational culture was discerned by family entrepreneurs who had started the family business in the early 1990s; they had understood that the organisational culture they had established „had influences from the occupation period and had grown outdated”. Introduction of changes to the organisational culture was, despite the need of changes, an extremely painful and time-consuming process. At the same time, such family enterprises where an educated family member who had worked elsewhere in the meanwhile returned, could make changes to the organisational culture less painfully and faster, since they „still trust one of your own rather than a stranger”. It is believed to be important that only family members are in the management of a family enterprise, not people hired from outside the family, since this would ensure instant understanding, „You needn't end a sentence, the other already knows”, „Material welfare for the family is provided”.

They find that when family business expands it is increasingly difficult to discriminate between work and family, which in turn leads them drawing apart from each other and will raise the family business interests higher than personal interests; there is no more free time. Conflicts arise, which may lead to collapse of the family. 28.4% of those family enterprises with a sun-shaped organisation are losing control over the management of the family business, especially those enterprises which have to pass management on to the next generation. A family entrepreneur cannot stay away from the management process and is constantly interfering. 72.7% of the respondents are of the opinion that organisational culture of the family enterprise contributes to the achievement of the objectives and that the organisational culture is the same in all locations. Family entrepreneurs believe that the organisational culture is focused on human relations and they are satisfied with the existing organisational culture, appreciation of values is most important for them. Organisational culture in family enterprises is influenced by the family entrepreneurs; hired executive management has the task to reinforce the existing organisational culture via goal setting.

Family traditions were regarded as the most important thing by 55.1% of those family enterprises which had operated for more than ten years, and only by 15.7% of those enterprises which had operated for a shorter period. The family enterprises interviewed in this survey have found their niche in the entrepreneurship environment, are satisfied with this and do not regard expansion as a priority. Those family enterprises which are focused on providing welfare for future generations are more sustainable and have a stronger organisational culture than those which lack such a focus. Rural family enterprises wish to invest into future generations to continue long family traditions, which had been suppressed for nearly 50 years. They would be glad to invest in expansion and educate both family members and non-family employees, because they want to leave the family business to the offspring. A family business which cannot leave the firm to future generations will start going down in a long term; interest will fade, for example, „Why should I care and labour when after me some distant relatives will come and get my work and fruits; I rather squander and leave them empty handed”.

With the ageing of the „first round” of entrepreneurs the following issues will be topical: What will happen when they step aside? Is the successor from family and how to turn over management to the successor; not only the position but also skills, connections, role of manager and ownership, which all are important from the aspect of sustainable family business. Generation change problems have more topically risen to the agenda in family enterprises operating in agriculture, since most of the rural family entrepreneurs started business in 1991–1999; their average age then was 45. Family entrepreneurs say that „children do not want to come to the countryside and continue family traditions“. Many rural family entrepreneurs have problems with offspring. Young people want to go to town to lead easier life and obtain wisdom in the world. Fortunately there are farms where a change of generation has already happened and therefore they need not worry about offspring; for example, young farmers are the sun of Siimu farm; siblings of Taivo Koka farm.

A problem for nearly all family entrepreneurs was insufficient entrepreneurship knowledge, experiences, especially about the transfer of management to the successors. All family entrepreneurs wished that more attention were focused on the role of family enterprises in the economy and that training courses were organised for family entrepreneurs about management, strategy, time planning, transfer of family enterprises to successors etc. They also want, in order to improve their competitiveness, state assistance in the form of finances, in order to operate in a sustainable way. Their common wish is a properly working supply chain to ensure access to new markets. Most of the family entrepreneurs believe that with a strong and knowing family, with the right management strategy and strong family business culture they can ensure achievement of the objectives and earn profit.

As a result of analysing the interviews it was found that family enterprises are sustainable when

- they operate for a long time and create family traditions;

- family enterprises have a planning system, strategic plans and strong organisational culture;
- they purposefully educate succeeding generations;
- expand business and pass the enterprise on to the next generation.

As a result of analysing the interviews it was found that the factors that prevent family enterprises from being sustainable are:

- Insufficient experiences in and knowledge about entrepreneurship;
- Arousing interest of the next generation for participation in the family business;
- Lack of skills for passing management on to the next generation;
- Conflicts in the change of generation.

Family enterprises in the first years are unsustainable when they have not set priorities and do not realise that starting a family business will take all their free time; they cannot believe that family members cannot do all the works they have no skills for and so they do not hire outside workforce.

It is not possible to provide definite, unambiguous guidelines for family entrepreneurs. What works well for one family enterprise, needn't work with the others. Every family firm needs to take such strategic decisions which are suitable for them only and take into consideration the abilities and specific qualities of their family enterprise. 98% of the owners of family enterprises investigated within this survey were actively participating in management of their family business. 40% of the family enterprises have a properly formulated strategy to ensure sustainable development of the family business. Strategies have been made in writing, formulating a detailed vision, mission and objectives. It takes time to implement a new strategy, but with joint efforts of the family it goes much faster and easily than between non-family members. Cooperation between family members is extremely important; cooperation helps to change the attitude of non-family employees. A good example is irresistible to imitate and a proper manager does not miss such an opportunity. If the family is committed to the new objectives, then employees of the family enterprise will do it also. Family enterprises may not be satisfied with what they have achieved but have to start looking for new challenges. They have to constantly analyse the potential of strategic objectives and success and watch what the rivals are doing. Family entrepreneurs need to study their area of activity to discover new aspects, find new and unoccupied strategic positions and keep the heritage of family business culture, passing it on to future generations.

In 1981, long-living family enterprises founded an association *Les Henokiens*. The membership criteria are as follows: a minimum age of 200 years, the family still owns the company or is the majority share holder. A requirement is that the company is managed by a descendant of the founder; the company is in good financial health and modern. It is one of the most exclusive family business organisations in the world; their one objective is to value the concept of family firms. The organisation had 39 members as of 2011: 14 from Italy, 12 from France, 5 from Japan, 3 from Germany, 2 from the Netherlands and 1 from Switzerland and

Belgium (History..., 2011). Sustainability of Estonian family firms will ensure them access to this association after the next couple of hundred years.

According to the author, no similar research has been conducted in Estonia before; hence it is not possible to compare the research results. The novelty of the research, in the author's opinion, is that this is the first extensive research among family enterprises and the information obtained can be used for continuing research as well as for study material.

Family entrepreneurship in Estonia is in the first generation only; the time when family business is passed on to the next generation is coming soon, in some enterprises it is already happening. In order for the transfer of a family enterprise to happen with no problems one has to make preparations today. Whether the sustainable development success factors of Estonian family enterprises are the same as in other countries is an issue to be researched after a couple of decades. However, whether the factors inhibiting sustainable development of Estonian family enterprises are the same as in other world will be a research topic in a few years already.

Conclusions

A specific feature of family enterprises is that family business is the main source of income for family members. One of the most positive qualities of family enterprises is their short decision-making chain, which ensures rapid implementation of the objectives. The factors that influence performance and success of family enterprises are mutual relationships between family members and comprehensive and well-considered strategic action plan and organisational culture. All knowledge about family entrepreneurship is necessary in order to help set up new family enterprises, develop the existing ones, know how to transfer management over to the next generation and make family enterprises sustainable. In order to promote rural life people living there should have good living and employment conditions.

In rural family enterprises children usually tend to leave to cities after having obtained education, but soon they return to their roots and continue what their parents have started. Family involved in the business may be a significant competitive advantage. Family enterprises can use many instruments in marketing that are not accessible to other enterprises. Management of a family business is accomplishable for a family, division of labour is only between family members and there is no need to hire full-time employees all year round. For example, most of the Estonian tourist farms are family businesses. Family firm has often started from the head of the household's large-scale role of owner-executive manager, which he has started to share with his family members.

As a result of analysing the interviews it was found that family enterprises are sustainable when

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As a result of analysing the interviews it was found that the factors that prevent family enterprises from being sustainable are:

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The research allows drawing a conclusion that family enterprises wish to operate in several areas of activity for a longer period and become traditional sustainable family businesses with a well-established family business culture. To achieve that purpose it is necessary to:

- organise entrepreneurship training courses for family entrepreneurs;
- organise specialised continuing training courses;
- organise training courses on how to transfer management to offspring;
- develop cooperation and societies in rural areas;
- promote family entrepreneurship to a greater extent;
- provide advice free of charge for finding additional funds;
- improve cooperation between local governments and family enterprises.

The research allows concluding that family enterprises have a strong organisational culture and they have developed targeted strategies for performing economic activities. Family enterprises have long traditions, which ensure confidential relationships between the family members as well as with employees; appreciation of family traditions in family business contributes to development of family enterprises and their survival in longer perspective.

It is not possible to provide definite, unambiguous guidelines for family entrepreneurs on how to be sustainable and how to pass on management to the next generation. What works well for one family enterprise, needn't work with the other. Every family firm needs to take such decisions which are suitable for them only and take into consideration the family business culture of their enterprise, specific qualities and abilities of their family firm.

An important role in being sustainable is played by transfer of family business to the next generation; in case it fails, the business activity will terminate and the particular family business will cease to exist.

There are no textbooks or manuals for family enterprises published in Estonia, and no family business programme in any of the educational institutions in Estonia. But knowledge about family business are necessary in order to set up new family enterprises, develop the existing ones, know how to transfer management to the next

generation and make family enterprises sustainable. This gap should be filled. The author is certain that the current and future family entrepreneurs in Estonia will be encouraged by this paper and her doctoral thesis, in whatever they do.

Future family business researchers need to be aware of the specific nature of family enterprises and of their specific problems is constantly growing in Estonia; awareness is missing about specific characteristics of management, relationships between family members and non-family employees and succession problems.

Family entrepreneurship in Estonia is in the first generation only; the time when family business is passed on to the next generation is coming soon, in some enterprises it is already happening. In order for the transfer of a family enterprise to happen with no problems one has to make preparations today. Whether the sustainable development success factors of Estonian family enterprises are the same as in other countries is an issue to be researched after a couple of decades. However, whether the factors inhibiting sustainable development of Estonian family enterprises are the same as in other world will be a research topic in a few years already.

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