

## Impacts of entrepreneurs' stress and family members on SMEs' business success in Serbian family-owned firms\*

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*This paper focuses on micro, small and medium-sized enterprises in Serbia, with a special emphasis on family-owned businesses. The main goal of this research is to analyze family business owners' perception of stress caused by high levels of responsibility and flexible working hours, as well as to analyze the influence of family member employees on the success of a company. This research has confirmed that high levels of responsibility and flexible working hours do not represent important factors for giving up on starting a business. Furthermore, owners perceive these two stressors as "positive" stress. The second important result of this study is that a large number of family member employees, and unclear hierarchy between them, can endanger a company's success in terms of annual income and annual turnover.*

*Dieser Beitrag konzentriert sich auf kleinste, kleine und mittlere Unternehmen in Serbien, mit einem Fokus auf Familienunternehmen. Das Ziel dieser Studie ist die Analyse der Stresswahrnehmung des Eigentümers des Familienunternehmens, verursacht durch ein hohes Maß an Verantwortung und flexiblen Arbeitszeiten. Ebenso wird der Einfluss von mitarbeitenden Familienmitgliedern auf den Unternehmenserfolg untersucht. Diese Forschungsarbeit bestätigt, dass ein hohes Maß an Verantwortung und flexible Arbeitszeiten keine wichtigen Faktoren gegen die Unternehmensgründung sind. Darüber hinaus nehmen die Besitzer diese beiden Stressoren als "positiven" Stress wahr. Das zweite wichtige Ergebnis dieser Studie ist, dass eine große Anzahl an mitarbeitenden Familienmitgliedern, und eine unklare Hierarchie zwischen ihnen, den Unternehmenserfolg im Hinblick auf den jährlichen Ertrag und den jährlichen Umsatz gefährden können.*

**Key words:** Serbian SME sector, family, business success, stress, SME owner (JEL: M12; M20; M21; M51; M54)

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# 1. Introduction

Today, the concept of entrepreneurship implies the creation and organization of market-oriented business activities whose ultimate goal is to procure financial benefit. The sector of small and medium-sized businesses is classified according to the number of employees: micro enterprises have 9 or fewer employees, small enterprises have 10 to 49 employees and medium enterprises have 50 to 250 employees (Radonjic Petrovic et al. 2010). In *Doing Business 2011*, the eighth in a series of annual reports published by IFC and the World Bank, Serbian economy ranked 92<sup>nd</sup> out of 183 economies. The most significant improvement in ranking relates to registering property, which pushed Serbia 59 positions up. In order to found a company, one needs to complete 7 procedures instead of the formerly necessary 11 procedures. The share of SME sector in Serbian economy is 99.8% of the overall number of companies, i.e. the sector provides jobs for 66.7% of the overall number of employees in the country (Radonjić Petrović et al. 2010). As far as the already founded companies are concerned, the most popular type of company in democratic societies is family-owned business, i.e. the companies whose owners provide employment for at least one member of their family (Motwani et al. 2006). As far as basic parameters on current investments and position of SME sector in Serbia are concerned, the data is much more encouraging than in the previous years, but still remains below EU average. Investments per employee equal EUR 3,400, while EU average amounts to EUR 7,400. In Serbia, investments per company add up to EUR 8,700, while EU average is at EUR 33,400. During 2009, the number of small and medium-sized companies in Serbia (entrepreneurs and micro businesses excluded) equalled 12,343 with a downward trend. More than EUR 318mn was earmarked from Serbian budget for financial and non-financial support to SME sector.

This paper aims to present the circumstances currently surrounding entrepreneurs in Serbian SME sector through theoretical and empirical research, as well as to establish certain psycho-sociological correlations and determinants that influence an SME owner. Stress and the number of family members employed at an SME will be analyzed in detail, since the existing studies on Serbian SME sector do not shed sufficient light on these two factors. Not a single one of these studies focused on stress (caused by high levels of responsibility and/or flexible working hours) and its impact on a firm's business results, or on the number of owner's family members working at the firm and the influence of this fact on the same indicators.

The literature review confirmed that stress has been sufficiently examined and analyzed. Nevertheless, the influence of the number of owner's family members working at an SME, psychological profile of the owner and decision-making processes, offer room for additional analysis.

By putting an SME owner in the center of analysis, it is possible to reach certain conclusions, regarding the areas that have been researched to a smaller or greater extent, using theoretical and empirical approach. This mostly relates to an owner's perception of stress, as a factor that could be additionally analyzed in the context of CEE business environment.

Following the findings gathered from the literature review, based on the experience of numerous authors from relevant journals, the authors of this paper identified a gap that should be researched empirically. The gap includes two factors that can be researched using psycho-sociological considerations and presented with adequate psychometric tests (life event scales, levels of influence etc.).

Methodological approach of this paper offers, along with the identified factors, a theoretical comparison of these factors and their influence on family and non-family (other) businesses. In other words, the extent to which a certain factor is relevant or irrelevant in a non-family business, and the negative impact of a factor irrelevant for non-family businesses on a family-owned enterprise. The factors were then used to create a draft for a possible survey and research.

The study begins with literature overview from the field of family business and continues with the identification of insufficiently analyzed factors from the same field of study. In continuation, it presents the methodological background of this study and research findings, and proceeds with testing the established hypotheses. The discussion of analyzed factors (theoretically and empirically), closes the literature gap. The study ends in conclusions yielded by the research and announcement of future research.

The contribution of this study is the new approach to the problem of running a family-owned business. That is, the study introduces new variables in the complexity of business life of an owner of a family SME, since his/her task is to find a balance between the number of family members working for his/her firm and the company's business success in order for that firm to survive. Negative influence of stress has been analyzed in numerous studies from literature overview. Nevertheless, this paper sees stress as a manifestation of high level of responsibility and flexible working hours. The contribution of this paper is also evident in correlations established between the two mentioned factors and business success indicators (the indicators that have been made available to authors).

Furthermore, the information can also be useful for existing and future entrepreneurs, since knowledge of other people's experiences can alter the perception of foreign and domestic business circles.

## 2. Literature review

### 2.1 *Stress as a factor of influence*

Stress is an everyday phenomenon and an inherent property of organizational life; it is closely connected to performing and completing business assignments and everyday tasks, establishing relations with other people, controlling and executing managerial processes. In addition, it accompanies unplanned and unpredictable circumstances an owner of a business has to face during his company's life cycle. Potential stress factors typical for entrepreneurs are: the work itself, the type of one's job, the fear of losing employment, extreme fatigue, short deadlines, lack of support from superiors, the inability to influence business processes or organization of work, and alienation from other employees. There is an entire range of stress symptoms managers can display in a business environment.

Antonioni (1996), Rahim (1996) and Harris (1999) discover five principal dimensions (job characteristics) which cause job stress, and affect the owner: role conflict (sources and handling), role ambiguity (undefined hierarchy), role overload (flexible working time), role insufficiency (absence of training, quality management), and high level of responsibility. All of these dimensions will be examined in this research.

These stress factors mostly affect the owner of a business and only then the other managers in the company. While all employees in an organization face a normal, natural level of stress, the situation is a bit different in the case of owners (Lovelace et al. 2004). Fassin et al. (2011) discuss the main sources of stress for an SME owner (long-term planning, financial investments, job security and the status of their business operations), while other authors confirm and expand previously, from status of owners' business operations (Olson et al. 2003), long-term planning (Ward 2004), as well as job security (Stalk/Foley 2012), and health-care provision (Mihic et al. 2014).

Having this in mind, family members can help the owner overcome some of the issues by simply offering support and advice, while this might not be the case in non-family firms. "Emotional costs" cause the owners of family firms to experience stress, mainly due to the number of years spent building the firm, the number of working hours per week, and the "gravity" of work-family conflicts (Zellweger/Astrachan 2008).

An owner of a family-owned SME experiences stress for different reasons. Williams (1985), Prottas/Thompson (2006), as well as Kariv (2008) conclude that there is a statistical correlation between different stress factors and a company's business results. The results of a research conducted by Williams confirmed that stress levels are higher before a firm's failure to achieve the planned business performances than after that happens. Kariv builds on this conclusion and adds

the problem of conflicting roles in a family-owned business, a factor bound to generate stress. Prottas and Thompson write about family-business conflicts that generate stress. Chu (2008) explores problems that generate stress for Nigerian entrepreneurs stating that unreliable workers represent the most common and intensive problems they face since they have a great impact on the company's business results. Akande (1994) states the four most common reasons that generate stress for owners of family SMEs: loneliness, time demands of the business, conflicts with partners and employees, and achievement needs.

Stressful situations in a family business can affect the owner and his employees in completely different ways. The dissimilarities also exist when it comes to reducing the negative effects of stress and building mechanisms for fighting stress (Patterson et al. 2005). If loyalty, professional approach to business and family-business correlation are not valued in a company, employees feel that their beliefs have been betrayed, and they are unable to avoid stress (Culbertson et al. 2010). Because of the unique characteristics of small businesses with fewer employees and resources, owners are often placed in overload situations. So, Yuhshy (2006) defines work overload (flexible working time) as a major source of stress.

Schindehutte et al. (2006) and Obradovic et al. (2013) present the experiences of entrepreneurs, who were able to achieve the best performances (by achieving business success) and, therefore, become completely satisfied with their jobs. Many investigators have pointed out the connections between organizational culture and job satisfaction. The general conclusion is that certain dimensions of organizational culture (for example: competitiveness, innovation, performance orientation, emphasis on rewards, social responsibility, stability and supportiveness) influence general job satisfaction significantly, Vukonjanski et al. (2012). Owners' satisfaction also comes from the fact that they are independent, free and make money on their own. On the other hand, risk and an increased level of responsibility often have a bad influence on entrepreneurs. All this, along with the fact that they work longer hours, i.e. they have flexible working hours, generates a lot of "negative" stress (Alstete 2009). On the other side, Judge et al. (2012) present a clear connection between achieving job satisfaction and stress reduction (correlation coefficient equals -0.07). The negative consequence of this connection is the fact that unachievable job goals cause health problems, which manifests directly (correlation coefficient equals 0.64) in stress.

An important issue that hasn't been sufficiently explored is the fact that entrepreneurs do not regard these stressors as a negative influence; they start their own businesses regardless and in spite of them. They are fully aware of the potential threat, but they will hardly give up on their business because of stress.

Autonomy in work and the power to make decisions (Alstete 2009), infrequent conflicts (Zellweger/Astrachan 2008), and a proactive approach to employability

(Scholarios et al. 2008), present different emotional (psychological) benefits relevant for an owner of a small or medium-sized business.

In the case of family-business owners, certain emotional states can represent a disadvantage, so according to Koskina/Keithley (2010) these disadvantages may lead to excessive fatigue and bad B2C (business to consumer) relations, while Zellweger/Astrachan (2008) believe they are the cause of conflicting roles and high levels of responsibility. On the other hand, according to Scholarios (2008), problems arise because the selection of a successor is hardly ever unanimous, while the number of successors is limited. A study by KPMG (2011) confirms these claims, by discovering that family-owned and operated businesses have the additional challenge of dealing with their family component, as they try to formalize their inheritance processes. These efforts lead to conflicts of personalities, roles and expectations.

There is a major difference between stressors typical for a family and stressors typical for a non-family business. Sometimes, in SMEs, the owner may play favorites giving advantage to certain employees, or simply exaggerate in encouraging informal atmosphere. A strong relation between an owner and a person employed in his family business can generate conflicts and stressful situations as a consequence of unclear social rules in a company (Baillien et al. 2011). These things are clearly avoided in non-family businesses.

Family business owner has one extra preoccupation: there is never a clear line between family problems and business problems. Leaders are more prone to higher levels of stress, precisely due to the responsibilities their position implies and the demands he or she faces on daily basis. In addition, Davidson/Cooper (1984) outline three separate “arenas” – home, work and individual, in which managers of family SMEs have to deal with stress. Battling all of these “arenas” implicates and causes: work overload (flexible working time), time pressures and lack of communication – all of which result in different manifestations of stress.

The statements above all lead to the conclusion that the existing studies do not focus on flexible working hours and high level of responsibility as “positive” stress factors on managers (these facts will represent a part of this paper’s research topic), thus leaving space for empirical research and alternative theoretical approach to the mentioned issues. The previously discussed issues and theoretical approach enable the authors to draw parallels and determine similarities with SMEs in Serbia. The authors of this paper believe it is necessary to determine to which extent the stress plays an important role when a person decides not to start a business. However, it is also necessary to determine whether stress can represent an integral part of an owner’s business life.

## 2.2 *Family members as a factor of influence*

Gurd/Thomas (2012) use concept “familiness” in order to refer to a positive, motivating factor that contributes to a company's success. Spurlock/Liedka (2013) use the term “familism” to describe the involvement of Iraqi immigrants in US family-owned businesses.

In their studies, Dyer (2006) and Kidwell (2013) discuss the “effect of family” on a company's performance, stating the influence of “bad” employees (who are also the owner's family members) on the company's hereditary (inheritance) processes. In addition, it is their opinion that the “effect of family” also influences production activities, a firm's characteristics, management and leadership style, having a vast impact on its performances.

On the other hand, James Jr. (2004) analyzes the positive influence of owner's family members on the firm's performances. The positive contribution comes from family members' willingness to invest in training of other employees in order to improve their knowledge and preserve the continuity and safety of business operations.

In family-owned businesses, business goals are usually less important than family goals. As a result, there are different reference goals for each family business (Mahto et al. 2010; Howorth et al. 2010). Following this logic, Robson (2009) and Classen et al. (2014) analyze the innovativeness of family members (mostly relating to production processes and innovations of products/services) as a measure of success. Classen compares propensity and intensity to invest in innovations both in family and non-family businesses (family SMEs have a higher propensity to invest in innovation, but they do it less intensively, than their non-family counter-parts).

Howorth (2010) takes into consideration the different influences family members can have on company goals, depending on its size, concluding that bigger “open family firms” strive to achieve financial goals, while smaller “close family firms” strive to accomplish family goals.

Nevertheless, the concept cannot be practiced only through interactions with family members; it implies the positive resources (links) that family members can transfer from their family circles to their businesses. These positive resources can later be transformed into business advantages (Bocatto et al. 2010). These resources can be included in a non-family firm as well by creating a network between several family members in different non-family firms. Nevertheless, such situations are rare.

Marchisio et al. (2010), Herz Brown/Jaffe (2011) and Zahra (2012) discuss about different examples of human capital boosting through corporate ventures established by family members. They state the example of transferring the values of one family generation in the firm to future generations, or the example of

transferring the credits of one or more family members to other family members. The disadvantages of working for a family member include: the possibility of discrepancy between personal career interests and opportunities available at the firm, as well as the possibility of burdening the younger members with excessive wealth accumulated by the firm. In addition, they stress the positive correlation between family ownership and organizational learning processes in terms of speed, width and depth of this complex process.

It takes a lot of effort and good will in order to avoid the traps of family business. Stalk/Foley (2012) presented several of these traps: job security for each employed family member, the business' inability to grow fast enough to support everyone, as well as the tendency of owners and their successors to specialize in the same field (finance, operations, marketing).

The analyzed literature presents numerous disadvantages of giving management positions to family members in a family-owned company. For example, family members might insist on assuming management positions irrespective of their actual competences; excessive focus on family goals might generate conflicts as it can lead to poor financial performances of the company in question (Fiegener 2010). Schmitt/Frese (2011) analyzed the negative influence of an owner's family members in Chinese and German business environments, stressing that family members' start up investments lead to limited innovation potential and business success, caused by different expectations and small differences in opinion among family members. Feltham (2005), Eddleston/Kellermans (2007), Shane/Nicolaou (2013), offer an overview of both positive and negative influences family members may have on the overall "genetics" of a company. Shane/Nicolaou (2013) stress the link between the emotional stability of the owner (as a result of stability in the family) and his performances in the company. In addition, Feltham et al. (2005) discuss excessive dependence on a single decision-maker (65% of all registered family businesses, questioned in the study, have owners who make decisions in 3 of 5 functional areas). In the end, participative model in strategic decision making leads to better business performances, while conflicts among family members yield poorer business performances (Eddleston/Kellermans 2007).

Different studies focus on family members' influence on a company's performances. If a company requires a high level of managerial skills, the company with a professional CEO (not a family member) will have better performances (Lin/Hu 2007). On the other hand, Berent-Braun/Uhlaner (2012) claim that management composed of family members contributes positively to a company's performances by sharing the wealth accumulated through joint efforts in the firm.

Not all available studies focus on establishing a direct link between family member employees and a company's business results. Boyle et al. (2012) claim



that there is no connection between hiring family members and financial performances of a company (correlation coefficient  $r=0.006$ ). Instead, they propose exploring new influences and characteristics of family companies, implying that business performances are not all that counts.

A study conducted in Israel presents another perspective on the influence of family members on their family's business. Lerner (1997) argues that female owners of family businesses receive support from their families only if they do not disregard their obligations towards the family (female owner's children's age is tightly connected to her business' profitability  $p<.01$ ). Network affiliation is also in tight relation with profitability ( $p<0.001$ ). In a Japanese study, statistical correlations are completely different for male and female entrepreneurs. They stress various advantages of family businesses, such as flexible working hours (they can dedicate to children and family obligations), maternity and pregnancy leave, caring for a sick family member (Yanadori/Takao 2009). In a study by Breaugh/Frye (2008), the authors support the fact that flexible working hours are an advantage, confirming that business owners who are able to work at home have fewer incidents in their personal lives than those who work only outside of home.

Having in mind the literature overview presented above, it can be concluded that most authors insist on positive and negative contributions of family members on a company's business operations (advantages and disadvantages of family businesses, inheritance processes, flexible working hours, cultural and national uniqueness), while the number of owner's family members who work at his/her company is not being treated as an important trigger for certain events – especially in terms of unclear hierarchy, which might lead to poorer business results and performances.

A family business owner must dedicate a significant part of his working hours to handling the differences and disagreements (if there are any) between family members who work for him. Therefore, in family-owned firms, operational improvements can be achieved through processes not directly linked to the company's business practices. This, most of all, refers to decreasing tensions between family members, especially so in the case of families whose members belong to two or three different generations, as well as dedicating more time to business at the expense of vacations and hiring part-time help during turbulent periods.

A family has more influence on business operations than the other way around (Olson et al. 2003), and that is the main rule a business owner has to follow. A non-family business owner does not have that concern. More often than not, employees of an SME do not send out friendly signals towards new employees, especially those recruited right after earning their university degrees, since they represent a potential threat due to higher education level. Those whose employment came from nepotism will additionally pressure the owner to restrain from

hiring people who recently graduated university (Gao et al. 2011). The owners of SMEs have to combat this problem – if they don't, they certainly can't expect to boost their business capacity. Fair hiring is the solution for family/non-family firms in this case. In order for small and medium-sized companies to succeed on the market, they have to choose between the three possible strategies relating to ethical behavior in business, at the very beginning of their existence (Graafland et al. 2003).

Big firms prefer integrity strategy, while small firms often opt for dialogue strategy. The least used strategy is the compliance strategy. This strategy focuses on controlling and sanctioning every behavior not in accordance with a company's ethical standards. On the other hand, Spence/Lozano (2000) stress that the ethical behavior of employees is mostly influenced by informal mechanisms, such as the influence of friends and family (the influence of employed members of family).

This can lead to a total collapse of a business owner's plans, i.e. it can prevent the accomplishment of goals generated by the owner's strategy. Therefore, his/her strategy must be built as if he/she was managing a non-family business. In other words, the strategy must contain measures aimed at preventing informal mechanisms from surfacing. The survival of a family-owned SME after one owner leaves and another person, most often a family member, takes over the company, largely depends on the personality of the first owner.

If he is a dominant, independent, determined and successful person, in most cases, other family members will not be up to the task since they will be likely to lack teamwork, unselfish cooperation and joint decision-making. This is the result of inadequate professional "upbringing" of a successor, which, to a certain extent, has a negative impact on the company's long term success (Ward 2004). Again, this is not the case in a non-family business, where such processes are handled in a different manner (the best candidate is chosen for the job). A family-owned company can use different tactics to organize inheritance, decision-making and cooperation with employees (Weiping et al. 2010). The findings of van der Merwe (2010) indicate that senior generation owner-managers are significantly more positive when it comes to younger generation's willingness to manage the family business, their credibility and degree of self-empowerment.

If we compare highly developed and underdeveloped communities, it can be concluded that family members' involvement in family-owned business management structure varies: in underdeveloped communities, family members will strive to provide informal support mechanisms and will turn inwards when asking for help and advice; nevertheless, in highly developed communities, with developed labor markets and protection for shareholders, companies get formal support and tend to opt for external counseling (Westhead/Howorth 2006; Weiping et al. 2010; Wenyi 2011).

The existing studies focusing on internal business factors are very detailed and comprehensive. Nevertheless, there is still space for analyzing additional features of Serbian SMEs, especially when it comes to inheriting, employees' innovativeness potential and decision-making processes. Therefore, the authors of the paper decided to include these topics in the research, by introducing specific research goals (See Methodological Background).

The literature overview does not contain studies focusing on the influence the number of employed family members can have on unclear hierarchy or the fact that this can lead to poorer business results. Therefore, the authors of this study decided that this is a sufficient reason for further exploring the issue. It is necessary to examine whether an increased number of family-member employees increases entropy in the firm, i.e. whether it is harder to define hierarchy because a certain number of employees is unaccustomed to strictly defined relations and strict business environment (which is a prerequisite for any organization's functioning).

### 3. Methodological background

#### 3.1 Research goal

The aim of this research is to analyze family-owned businesses in Serbia. As far as the studies relating to family businesses are concerned, since 1961 (i.e. since the first inventory of such studies was established), the most prolific authors came from the US (768 papers). Other authors from around the globe were less interested in the issue. No Serbian study concerning the topic of success and problems in family-owned businesses has ever been published in an international journal (Benavides-Velasco et al. 2011).

The main goal of this research is to analyze owner's perception of stress caused by high levels of responsibility and flexible working hours, as well as to analyze the influence of family member employees on the success of a company.

Besides the main goal, the authors have also defined specific goals through the following analyses:

- Inheritance/succession process in a family SME,
- Potential for innovation,
- Decision making,
- Advantages and disadvantages of family businesses,
- Sources and handling of conflicts.

The specific goals will help the authors justify the main goal and adopt a broader perspective in the analysis of an average Serbian SME. The analysis of family-owned SMEs is based on examining the previously determined and explained

factors (stress, number of family members employed in the firm) using data gathered from a survey. Positive perception of the owners' stress has been analyzed in the main hypothesis. This analysis examines stress using its possible causes, such as flexible working hours and high level of responsibility. More accurately, this paper analyzes the connection between the influences of these two types of stress on the owners of family SMEs. The main hypothesis is as follows:

*H1. The owners of SMEs see the stress generated by high levels of responsibility and flexible working hours as an integral and motivating part of their careers, and not as a reason to give up on starting a business.*

The analysis also examines the influence of the number of family members employed by an SME owner on the success of the firm. That is, whether the fact that a large number of SME owner's family members work at his company can lead to complicated and poorly defined hierarchical relations. The additional hypothesis, to be confirmed (or rejected) through statistical processing and deduction, is as follows:

*H2. The success of a family firm is endangered due to the large number of family members it employs and undefined hierarchy among them.*

When testing this hypothesis, the authors introduced auxiliary hypotheses that would facilitate the confirmation of hypothesis H2. The auxiliary hypotheses are:

- The success of a family firm is endangered due to a large number of family-member employees.
- The success of a family firm is endangered due to undefined hierarchy between family members working in that firm.
- The success of a single employee, or the family firm as a whole, leads to the success of the entire family.

The benefit of this research consists in raising the awareness level of all SMEs in Serbia about the relation between business success and the people working for the SMEs. Another benefit of this study is the fact that it associates psychological pressures of owners with their motivation to start and manage a business or their dismissal of the idea altogether. In addition, this opens up new possibilities for receiving institutional support aimed at overcoming the problem.

### **3.2 Research methods**

7,000 owners from small and medium-sized companies in Serbia were asked to take part in this survey. The first step was to gather e-mail addresses and phone numbers of all potential contacts. A subject from each company was given a code in order to make data monitoring easier. The research focused on family-

owned businesses (micro, small and medium-sized companies, classified according to the number of employees).

The research involved a survey of owners in family-owned businesses. The survey contained 22 questions generated from a theoretical research of the relevant field of study. The subjects were contacted through e-mails and telephones (provided by the Serbian Chamber of Commerce) in July, August and September 2012. All those who failed to fill out the sent form within a week received another copy of the same survey in two weeks' time. The survey contained questions about company size, its incomes, turnover, type of organization, methods for implementing management processes, as well as methods used for solving conflicts and business problems. The questions were multiple-choice, offering the possibility to choose one or more answers, as well as the possibility to rank answers (on a scale from 1 to 5; 1 – the lowest score, 5 – the highest score; i.e. on a scale from 1 to 10; 1 – the lowest score, 10 – the highest score)

All data generated during the survey were processed by using SPSS v.19. All sources, references and data used in this paper have been read and analyzed several times; the data was cross-referenced and tested. The authors based internal validity of the data gathered from the sample on the authenticity of questions. The questions were conceived in such a way that they reflect relations in real-life conditions. It was concluded that the questions from this survey can be useful when forming an impression about the reality of the observed problem. External validity was confirmed since the survey included companies from all regions of Serbia (as can be seen in Table 1).

*Table 1: Regional dispersion of sampled enterprises (Statistical Office of the Republic of Serbia)*

| Region                             | Overall number of enterprises | Overall number of family enterprises | Sample used in this research |
|------------------------------------|-------------------------------|--------------------------------------|------------------------------|
| Metropolitan region                | 38,093                        | 30,475                               | 1,306                        |
| Vojvodina region                   | 23,487                        | 21,180                               | 586                          |
| Sumadija and western Serbia region | 17,152                        | 15,426                               | 220                          |
| South and Eastern Serbia region    | 8,871                         | 8,327                                | 94                           |
| Republic of Serbia                 | 87,603                        | 77,608                               | 2,206                        |

### 3.3 Research findings

2,206 owners of SMEs participated in the survey. The characteristics of the sample are presented in Table 2:

Table 2: Basic characteristics of surveyed enterprises

| Question  | Response                  | 1-9                                | 10-20   | 21-50   | 51-100                | 101-250     |
|---|---------------------------|------------------------------------|---|---|-----------------------|-------------|
| Number of employees   | Percentage of answers [%] | 65.9                               | 17.5  | 13.5  | 0.8                   | 2.4         |
|   |                           |                                    |   |   |                       |             |
| Annual income   | Response                  | less than 500,000 EUR              | btw. 500,000 and 2mn EUR                                  | btw. 2mn and 5mn EUR                          | btw. 5mn and 27mn EUR | no response |
|   | Percentage of answers [%] | 42,1                               | 17,5  | 16,7  | 9,5                   | 14,3        |
|   |                           |                                    |   |   |                       |             |
| Annual turnover   | Response                  | less than 1mn EUR                  | btw. 1mn and 5mn EUR                                      | btw. 5mn and 27mn EUR                         | more than 27mn EUR    | no response |
|   | Percentage of answers [%] | 39.7                               | 21.4  | 15.1  | 13.5                  | 10.3        |
|   |                           |                                    |   |   |                       |             |
| Firm type   | Response                  | ser-<br>vices                      | Manu-<br>facturing  | com-<br>bined                                 |                       |             |
|   | Percentage of answers [%] | 58.7                               | 13.5  | 27.8  |                       |             |
|   |                           |                                    |   |   |                       |             |
| Non-family employees  | Response                  | yes                                | no  |   |                       |             |
|   | Percentage of answers [%] | 57.9                               | 42.1  |   |                       |             |
|   |                           |                                    |   |   |                       |             |
| Family-member employees   | Response                  | 0-5                                | 6-10  | more than 10                                  |                       |             |
|   | Percentage of answers [%] | 75.4                               | 15.9  | 8.7   |                       |             |
|   |                           |                                    |   |   |                       |             |
| Is it better to have family members or non-family members in management positions | Response                  | closest family members exclusively | advantage to family members, but others are eligible, too | doesn't matter, as long as they are competent | Non-family members    |             |
|   | Percentage of answers [%] | 6.35                               | 21.43   | 50  | 22.22                 |             |
|   |                           |                                    |   |   |                       |             |
| Owner and gen. manager are the same person  | Response                  | yes                                | no  |   |                       |             |
|   | Percentage of answers [%] | 78.6                               | 21.4  |   |                       |             |

The gathered data is presented in Table 3 by cross-referencing information on annual incomes and the number of family-member employees in the companies.

*Table 3: Cross-referenced data on annual income with SME owners' family-member employees*

|               |                             |                  | Number of employees who are also family members |             |            | total        |
|---------------|-----------------------------|------------------|---|-------------|------------|--------------|
|               |                             |                  | 0-5   | 6-10        | 10+        |              |
| Annual income | less than 500,000 EUR       | Count % of total | 891<br>40.3%                                    | 0<br>.0%    | 33<br>1.5% | 924<br>41.8% |
|               | between 500,000 and 2mn EUR | Count % of total | 226<br>10.3%                                    | 126<br>5.6% | 33<br>1.5% | 385<br>17.4% |
|               | between 2mn and 5mn EUR     | Count % of total | 171<br>7.8%                                     | 181<br>8.3% | 15<br>.6%  | 367<br>16.7% |
|               | between 5mn and 27mn EUR    | Count % of total | 110<br>4.7%                                     | 0<br>.0%    | 99<br>4.7% | 209<br>9.5%  |
|               | no response                 | Count % of total | 282<br>12.7%                                    | 39<br>1.7%  | 0<br>.0%   | 321<br>14.5% |

The authors of this study pointed to the correlation between the number of employed family members and stress factors affecting the owner (Table 4 and Table 5, respectively). Table 4 presents a cross examination of these two questions (presented in the first column and first row), where containing cells represent the most frequent answer. It can be noticed, that an increase in the number of family-member employees causes a parallel growth of responsibility faced by owners. From the same table, is the fact that most owners see family quarrels as an important stressor (in firms with 10+ family members).

*Table 4: Cross-referenced data on number of family members in the firm with stress factors affecting the owner*

| Stress factor<br>No. of family members in the firm | Not significant<br>(1-4 on the stress scale) | Significant<br>(5-8 on the stress scale) | Very significant<br>(9-10 on the stress scale) |
|--|--|--|--|
| 1-5  | Amount of work                               | High level of responsibility             | Long working hours                             |
| 6-10   | Life space change                            | Short deadlines                          | High level of responsibility                   |
| 10+  | Life space change                            | Quarrel in the family                    | High level of responsibility                   |

*Table 5: Cross-referenced data on number of family members in the firm with motivation factors affecting the owner*

| <b>Non-existence of working time regarded as a</b><br><b>No. of family members in the firm</b> | Minor disadvantage<br>(1-2 on the motivation scale) | Disadvantage<br>(3 on the motivation scale) | Significant disadvantage<br>(4-5 on the motivation scale) |
|--|---|---|---|
| 1-5  | 84 %  | 14 %  | 2 %   |
| 6-10   | 65 %  | 28 %  | 7 %   |
| 10+  | 49 %  | 39 %  | 12 %  |

It can be spotted from table 5, that most owners see the non-existence of working time as a minor disadvantage, on the motivation scale (biggest percentage in all three groups with different number of employees). The fewest percentage of owners regards this disadvantage as a significant one.

Shehu/Akintoye (2010) use the weighting ( $W_i$ ) of the importance from 0.00, 0.25, 0.5, 0.75 and 1 to represent the value of the responses on the Likert scale (from 1 to 5). In this approach, the weighting represents importance determined by results. The maximum criticality index (CI) is 1, while every answer between 1 and 0 is considered important to a certain extent. The relative criticality index is calculated using the formula below:

$$C = \frac{\sum_{i=1}^5 W_i X_i}{\sum_{i=1}^5 X_i}$$

The criticality index proved that the main advantage of working for a family firm is the fact that the entire profit stays in the family (CI =0,670), and that the main disadvantage of working for a family firm is the fact that company problems affect family problems (CI=0,674). The annex contains all questions and answers, as well as standard deviation and average values of answers.

***H1. SME owners regard stress caused by high levels of responsibility and flexible working hours as an integral and motivating part of business, rather than as reasons to give up on starting a business.***

The answers focusing on the disadvantages of working in a family firm, as well as the answers relating to the stress factors an SME owner faces explain the first hypothesis. The two stress factors present in the main hypothesis are: high levels of responsibility and flexible working hours. Depending on the level of importance the subjects attribute to the offered answers (the lowest value being 1, the highest value being 10), it can be determined whether they chose to accept or reject the hypothesis. If the average value of answers is below 5, the hypothesis is accepted, if the average value of answers is above 5, the hypothesis is reject-



ed. To be statistically accurate, the authors of this study have performed one-way ANOVA testing and introduced a fictive variable the purpose of which was to indicate the level of correlation between the two disadvantages and the decision to give up on starting a business. The fictive variable was introduced in order to establish a benchmark for comparing the two groups of answers (each relating to one of the abovementioned stressors), with the aim to confirm the first hypothesis. The test was conducted with a 95% confidence interval. The results of ANOVA test are presented in Table 6. This completely confirms the first hypothesis (presented as H1. in table 6).

*Table 6: Tests for proving the observed hypothesis*

| Hypothesis \ Test                 |                    | H1    | H2.1               | H2.2               | H2.3               |
|-----------------------------------|--------------------|-------|--------------------|--------------------|--------------------|
| Chi-square test                   | Pearson Chi-Square |       | 35390 <sup>a</sup> | 31012 <sup>a</sup> | 19456 <sup>a</sup> |
|                                   | Likelihood Ratio   |       | 37931              | 36459              | 23292              |
| ANOVA (F)                         |                    | 4.467 |                    |                    |                    |
| Pearson Kendall-tau b coefficient |                    |       | -.863              | .842               | .815               |
| Gamma coefficient                 |                    |       | -.712              | .768               | .727               |

Only 1.6% of survey participants claim that high levels of responsibility and flexible working hours are the main disadvantages of working in a family-owned business. On the other hand, 16.6% of them claim that these two disadvantages are important. Therefore, it is safe to conclude that the first hypothesis is completely true, that high levels of responsibility and flexible working hours do not represent important factors for giving up on starting a business. Furthermore, owners perceive these two stressors as “positive” stress. According to SME owners, the most important stressors include: high level of responsibility for achieving results (average value of answer = 6.66 of max 10) and long working hours (average value of answer = 6.64 of max 10). In addition, *long working hours* is the answer with the lowest dispersion level (SD 2.03). Nevertheless, the owners do not see these stressors as reasons enough to give up on starting a family business; they regard them as an integral part of everyday business operations.

High, almost perfect correlation ( $R=0.842$ ), has been discovered between *high responsibility levels* and *number of family-member employees*, as presented in Table 7.

High value of the regression analysis coefficient presented in Table 7 confirms the fact that the biggest percent of owners from firms with 10+ family member employees regard high responsibility level as a stress factor.

***H2. The success of a family firm is endangered due to the large number of family-member employees and undefined hierarchy among them.***

This paper uses a number of factors to explain the second hypothesis. These factors will help the authors derive several new premises from the said hypothesis. The success of family firms can be directly explained using two indicators – annual income and annual turnover. These indicators were used, since they were the only available indicators for the entire sample.

*Table 7: Regression analysis table displaying the least sum of squares between the two observed factors (number of family-member employees, high level of responsibility as a negative stressor)*

| Model Summary |                   |                |                   |                            |                       |          |                  |     |               |
|---------------|-------------------|----------------|-------------------|----------------------------|-----------------------|----------|------------------|-----|---------------|
| Model         | R                 | R Square       | Adjusted R Square | Std. Error of the Estimate | Change Statistics     |          |                  |     |               |
|               |                   |                |                   |                            | R Square Change       | F Change | df1              | df2 | Sig. F Change |
| 1             | .842 <sup>a</sup> | .020           | .012              | .629                       | .020                  | 2.562    | 1                | 124 | .112          |
|               |                   |                |                   |                            |                       |          |                  |     |               |
| Model         |                   | Sum of Squares |                   | df                         | Mean Square           | F        | Sig.             |     |               |
| 1 Regression  |                   | 4.418E7        |                   | 1                          | 4.418E7<br>765238.393 | 57.737   | 000 <sup>a</sup> |     |               |
| Residual      |                   | 1.377E7        |                   | 18                         |                       |          |                  |     |               |
| Total         |                   | 5.796E7        |                   | 19                         |                       |          |                  |     |               |

Better indicators showing business success would be perhaps ROA (return on assets), or ROE (return on equity), but the authors were disabled to use these indicators, because of the large number of unreported workers in small and medium sized businesses in Serbia, as well as a general unwillingness of business owners, to share information about firms' assets, liabilities, and other facts important for profitability calculation process. The facts and figures would be too unrealistic, so the authors decided to use universal indicators for all businesses – annual income and annual turnover. Other indicators of business success, such as firm liquidity, firm solvency, social responsibility, contribution to public health and public well-being, were not a part of the research because owners did not wish to share them with authors or did not know how to express and quantify them.

## ***H2.2 The success of a family firm is endangered due to undefined hierarchy between family members working in that firm***

The second auxiliary hypothesis (presented as H2.2) was also tested using Chi-Square test, Kendall's tau-b and Gamma test in Table 6. The table represents the correlation between the success of a company (measured by annual income and annual turnover) and undefined hierarchy among family-member employees.

The correlation is based on a survey question relating to hierarchical relations in family-owned businesses.

*Table 8: Regression analysis table displaying the least sum of squares between the two observed factors (number of family-member employees, factors motivating the owner)*

| Model Summary |                   |               |                      |                                  |                    |                  |     |        |                   |
|---------------|-------------------|---------------|----------------------|----------------------------------|--------------------|------------------|-----|--------|-------------------|
| Model         | R                 | R Squa-<br>re | Adjusted<br>R Square | Std. Error<br>of the<br>Estimate | Change Statistics  |                  |     |        |                   |
|               |                   |               |                      |                                  | R Square<br>Change | F<br>Chan-<br>ge | df1 | df2    | Sig. F<br>Change  |
| 1             | .930 <sup>a</sup> | .024          | .008                 | .630                             | .024               | 1.532            | 2   | 123    | .220              |
|               |                   |               |                      |                                  |                    |                  |     |        |                   |
| Model         |                   |               | Sum of Squares       |                                  | df                 | Mean Square      |     | F      | Sig.              |
| 1 Regression  |                   |               | 2.118E7              |                                  | 1                  | 4.568E7          |     | 41.566 | .000 <sup>J</sup> |
| Residual      |                   |               | 3.387E7              |                                  | 8                  | 985938.399       |     |        |                   |
| Total         |                   |               | 5.505E7              |                                  | 9                  |                  |     |        |                   |

The equality of all employees in the decision-making process, according to respondents' answers (44%) clearly leads to undefined hierarchy and additional slowdown of business processes. As the number of family-member employees grows, the equality loses intensity (32% in the case of companies with 6-9 family-member employees, 24% in the case of companies with 10+ family-member employees), because it leads to significantly worse business results. That is, the owners believe that they are the ones who should be making all or most of the important decisions in the company, aiming to avoid unsatisfactory business results.

The results of this survey clearly imply that only a relatively small number of the surveyed companies (24.6%) have a strict hierarchy that requires the general manager's approval for every decision. In addition, firms that operate under this guideline are the least successful ones, because their annual income is lower than EUR 500,000 (16.7%). The survey conducted on the sample of Serbian SMEs confirms that the number of family-member employees increases entropy in the company and leads to undesired business results.

### ***H2.3 The success of a single employee or the family firm as a whole leads to the success of the entire family***

The third auxiliary hypothesis was derived directly from the survey because it was aimed at examining the advantages of owning a family business; the third auxiliary hypothesis represents one of the advantages. The third auxiliary hypothesis (presented as H2.3) was analyzed using a Chi-Square test, Kendall's tau-b and Gamma test in Table 6. Criticality index tested the correlation between

the answers of subjects (the goal was to rank the statement *the success of one family-member employee or the success of a company as a whole leads to the success of the entire family* as an advantage of owning a family business) and annual income and turnover (as determined previously in this paper, it is irrelevant which of the two is used). The test successfully confirmed the correlation ( $CI=0,488$ ). It is possible to reach the following conclusion: subjects' answers change positively in accordance with the growth of annual income, i.e. annual turnover. The authors of this paper have not examined how the number of family-member employees can endanger this advantage.

The very fact that the correlation between the success factor and the measured factors (the number of family-member employees and the undefined hierarchy between them) was successfully established confirms the second hypothesis tested on this sample.

#### 4. Discussion of research findings

An owner has to worry about numerous factors (the number of family-member employees, undefined hierarchy, advantages and disadvantages of a family-owned business, etc.) in order to prevent stress from taking over his business and personal life. This research provides a deeper insight into the reality of Serbian SME sector. That is, it can be learned from this study which factors and to what extent contribute to failure in managing a family-owned business.

The paper thoroughly examined factors relating to a firm's characteristics/behavior, external factors, as well as psychological traits of the owner. The paper also identified factors that have not been sufficiently examined in the past. The authors identified a literature gap and attempted to link stress and the number of family-member employees with factors influencing an SME owner.

According to the answers provided by the subjects, the examined stress factors encourage or discourage owners to a certain extent. Be that as it may, every person, including SME owners, is susceptible to stress. As far as positive influences are concerned, the subjects (SME owners) stated that they regard flexible working hours as "positive stress". Negative stress experienced by an owner mostly refers to factors such as long working hours. The authors of this paper have provided an explanation (see Table 4 in chapter "Research findings") as to how the increase in the number of family-member employees causes a parallel growth of responsibility faced by owners. Another issue worthy of discussion, from the same table, is the fact that owners see family quarrels as an important stressor. This stressor is, of course, most prominent in the case of companies with 10+ family-member employees.

The regression analysis focuses on the relation between two negative stressors: *number of family-member employees* and *high level of responsibility*. This latter stressor is regarded as the reason why an owner should give up on starting a

business. Table 8 displays a correlation between the two factors (correlation coefficient 0.84); nevertheless, when this stressor is added to flexible working hours as a negative stressor, the number of family-member employees is not in linear correlation to the two abovementioned stressors. The conclusion is that the owners perceive and regard each of the stressors as negative to a certain extent, but admit that these stressors are a part of their companies' everyday activities.

The survey aimed at determining the level of success using two available indicators: annual income and annual turnover. Annual income was not accepted as a sole indicator of success since there are companies whose expenditures are higher than incomes, which means that their operations could not, by any means, be described as successful. The reason why the authors chose to use these two indicators (previously described in methodology section) is the fact that owners did not want/know how to provide information about other indicators. Therefore, the authors decided to introduce annual turnover as an indicator of a company's cash flow, i.e. as an indicator of its liquidity. These two indicators were examined through their correlation with the number of family-member employees and a firm's hierarchy. The second hypothesis in this paper focuses on the number of family-member employees; therefore, it was monitored via two indicators. Three auxiliary hypotheses were used to confirm the second hypothesis. According to Table 3, the first auxiliary hypothesis "*The success of a family firm is endangered due to a large number of family-member employees*" can be reliably confirmed by performing a simple analysis of the table. Only 4.7% of companies with 0-5 family member employees have recorded annual incomes over EUR 5mn, while 50.6% of such companies recorded incomes below EUR 2mn per annum.

The situation is even more dramatic in the case of firms with 6-10 family-member employees, since this fragment of the sample has 0 companies with incomes over EUR 5mn! In today's economic environment in Serbia, there are not many factors that can contribute to increasing the motivation of SME owners; the survey participants identified two main reasons (factors) for finding strength to combat everyday problems when managing a family-owned firm: the profit stays in the family and their jobs are secure. These reasons also apply to starting one's own business. As far as the motivation is concerned, as a factor of influence aimed at directing (stimulating) an owner in an adequate direction, Table 5 (chapter "Research findings") confirms that the flexible working hours factor (the factor examined in the main hypothesis) loses its importance as the number of family-member employees grows. Namely, this factor is viewed as the main disadvantage of working in a family-owned business by somewhat more than one half of respondents from family firms with 10+ family-member employees (other companies, with less than 10 family-member employees see this factor as a minor problem, i.e. as a part of their normal business operations). Also, a

strong link (correlation) was discovered between owner's motivation and the number of family members he employs (see Table 8).

A very small number of owners (according to the survey) favor family members in management positions, which, at least officially, means that competence wins over nepotism.

It is very interesting that owners tend to disagree when it comes to evaluating employees according to their merit (see Annex), which eliminates the possibility of encouraging additional efforts.

As far as decision-making hierarchy is concerned, 49.2% of companies promote equality – the general manager doesn't have to approve all decisions. Nevertheless, this may be an indicator of the absence of decision-making hierarchy.

Owners of family SMEs do not pay sufficient attention to planning. The lack of development, inheritance and contingency planning in case of owner's illness/death testifies of a general entropy family SMEs face in their everyday operations (see Annex).

When asked to define the most important values and skills for recruiting top managers, the owners stressed the following: communication skills, experience and ability to establish important contacts. Properties such as age, resourcefulness or agility, do not seem important enough to the surveyed entrepreneurs.

Having in mind the limited reach of the study (family-owned businesses in Serbia), in case of positive reviews, the authors would be inclined to expand the research to all SMEs in Serbia; this research would, of course, imply a bigger sample and a wider analysis of factors. The study could offer new opportunities for exploring a very important business sector in Serbia – family-owned firms, since they account for 90% of the total number of SMEs in Serbia (Statistical Office of the Republic of Serbia). The entire research was based on surveying family business owners regarding their HR practices, at times venturing into the field of psycho-sociology by introducing "soft" components as the reasons for the failure/success of a company. Kellermanns et al. (2012) already conducted a research where they pointed to several soft components that affect the performances of a company in a positive or a negative manner. The research presented here confirms their findings. Authors of both papers agree that the role of family-member employees is important; nevertheless, in contrast to Kellermanns et al. (2012), who discussed the generational impact of family members on business performances, this paper focuses on the number of family-member employees. On the other hand, Dyer/Gibb (2006) discuss the "family effect" on the organization of a firm's operations. The authors of this paper have broached the topic when examining the level of entropy and strategic planning in surveyed companies.

Staff development and skills training that focus on entrepreneurial aspects of the business, positively influence the intensity of corporate entrepreneurship in SMEs, according to studies by Schmelter et al. (2010) and Jovanovic et al. (2012). This paper coincides with their studies, and extends the claim by affirming that quality circles are the best way to secure staff development and to positively influence the intensity of CE (corporate entrepreneurship) in SMEs. The percentage in favor of quality circles drops as the number of employed family members increases; one of the reasons for this may be the fact that owners tend to seek objective opinions, fearing that they might neglect other employees. The fact that TQM reports are not very popular doesn't come as a surprise – not many SMEs in Serbia use quality control, let alone the principles of Total Quality Management.

All issues empirically covered by this paper require a logical continuation of research in order to completely and thoroughly analyze the influence of the observed factors on the operations of family SMEs. These factors have been observed during a one-year period and, therefore, are not a proof that the owners of family SMEs are constantly under their influence. Nevertheless, they represent a sound basis for closing the identified literature gap and determining the course of future studies.

## 5. Future research and conclusion

Future research should, by all means, encompass the entire SME sector, not only family-owned businesses. Since this study represents a base for future research endeavors, additions such as forecasting methods and possible strategies for future development represent its logical continuation. If this study was to be expanded to all businesses in Serbia (not only family-owned SMEs), the authors would be able to compare and analyze the differences in business management methods, as well as factors that influence both owners and business results. An analysis of these factors over a longer period of time would point to a certain trend that would enable the authors to forecast future tendencies in Serbian SME sector. The authors would also be able to analyze and observe in which way certain strategies, actions and corrections affect business operations. This would also help the authors establish measures that have to be implemented in order to stabilize the SME sector.

This research has undoubtedly contributed to raising present and future entrepreneurs' awareness regarding real-life problems SME owners face on daily basis. The paper features numerous advantages and disadvantages of working in a family firm, as well as different stress factors that, each to a certain extent, influence the owner of an SME and his decision-making processes.

The paper focuses on these influences since the authors' research suggests that a family SME owner might be the key person in a family business. An owner is regarded as crucial to the business because he is responsible for hierarchical re-

lations, family relations, creation of plans and strategies, as well as for decision making. Problems generated at work sometimes affect the household of the owner and generate new problems there. Sure enough, the owner is the only person able to cushion this effect. One of the most important findings is the fact that SME owners see stress as a positive influence and not as a threat, i.e. there are more advantages for starting a family business than stressors that would discourage such an endeavor.

In addition, the paper confirms the following hypothesis (which does not imply that the same rule applies to family-owned SMEs around the globe): the success of a family firm decreases proportionally to an increase in the number of family-member employees. In conclusion, the owners of SMEs in Serbia approach problems very seriously; they do not rush with hiring new family members. In addition, they are able to absorb all stressors as long as there is a joint interest for the survival of their business. On the other hand, the authors can safely say that planning for the future, i.e. risk management, is not something the owners have been paying enough attention to. Therefore, it is necessary to prompt the state and experts to help Serbian SME sector to stabilize this segment of business operations.

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## Annex

### *Overview of research findings*

| Question   | Answer   | Percentage of answers [%] | Standard deviation | Average value (Mean) |
|--|--|---------------------------|--------------------|----------------------|
| <b>Grade the benefits of working at a family company (Scale of 1 to 5)</b> | Job safety   | 20.2                      | 1.301              | 3.63                 |
|  | Flexible working hours   | 14                        | 1.489              | 3.01                 |
|  | The success of one employee or the success of an entire company leads to success of the family | 10.3                      | 1.152              | 2.98                 |
|  | Mutual support rarely allows for disputes  | 7.1                       | <b>1.151</b>       | 2.63                 |
|  | The entire profit stays in the family  | <b>48.4</b>               | 1.578              | <b>3.68</b>          |



|  |  |             |              |             |
|--|--|-------------|--------------|-------------|
| <b>Grade the disadvantages of working at a family company (Scale of 1 to 5)</b>                      | Flexible working hours   | 23.8        | 1.456        | 2.99        |
|  | The no. of family members limits the number of potential professional managers                         | 7.9         | 1.179        | 2.95        |
|  | Work-related problems cause problems in the family   | <b>27.8</b> | <b>1.014</b> | <b>3.70</b> |
|  | Family problems cause problems at work   | 19          | 1.572        | 2.69        |
|  | Huge responsibility  | <b>28.6</b> | 1.571        | <b>3.23</b> |
|  |  |             |              |             |
| <b>Rank the stressors that can affect business operations (Scale of 1 to 10)</b>                     | Workload   | 0.8         | 2.160        | 5.53        |
|  | Short deadlines  | 3.2         | 2.547        | 5.88        |
|  | Long/flexible working hours  | 4.8         | <b>2.037</b> | <b>6.64</b> |
|  | Adding other people's tasks to one's own workload  | 5.6         | 2.220        | 5.26        |
|  | Marriage   | 5.6         | 2.362        | 3.48        |
|  | Death of a spouse  | <b>46</b>   | 3.041        | <b>7.80</b> |
|  | Divorce/separation from a partner  | 11.1        | 3.146        | 5.61        |
|  | Family disputes  | 7.1         | 2.646        | 4.77        |
|  | Adaptation of living space/Moving  | 6.3         | 3.274        | 3.98        |
|  | High level of responsibility for the success of the company  | <b>13.5</b> | 2.704        | <b>6.65</b> |
|  |  |             |              |             |
| <b>In which way family members prepare for working at the company and when do they start working</b> | They are required to finish formal education first   | 23          |              |             |
|  | They spend several years performing simple tasks and getting acquainted with the business              | <b>38.1</b> |              |             |
|  | There are special procedures that we use to determine who should be employed and why                   | 25.4        |              |             |
|  | There are no special procedures, each family member willing to work will get a position at the company | 13.5        |              |             |

|   |   |             |              |              |
|---|---|-------------|--------------|--------------|
| <b>Are the management processes (planning, organizing, recruiting, leadership and control) distributed according to family members and their skills or according to management positions they have at the company</b> | According to management positions – top management is in charge of planning and control, while middle and lower management is in charge of organization, leadership and control | 14.3        |              |              |
|   | There is no strict division, everyone does everything   | 27          |              |              |
|   | Management processes are distributed according to skills and inclinations of family members   | <b>34.1</b> |              |              |
|   | The General Manager implements almost all management processes, all other managers only deal with leadership  | 24.6        |              |              |
| <b>Is there a clear hierarchy in decision making or all family members take part in this process</b>  | There is a strict hierarchy, all decisions must be approved by the General Manager  | 24.6        |              |              |
|   | Older family members can make decisions independently   | 26.2        |              |              |
|   | Everyone is equal and allowed to make their own decisions   | <b>49.2</b> |              |              |
| <b>Rank the principles used when promoting an employee (Scale of 1 to 5)</b>  | There are no rules, employees are promoted when and if a position opens   | 2.4         | 1.098        | 1.960        |
|   | Employees are valued according to their merits and competences  | 23.8        | 1.424        | 3.063        |
|   | The closer a family member is to the owner, the more likely he/she is to be promoted  | 12.7        | <b>0.981</b> | 2.111        |
|   | Age counts the most   | 6.3         | 1.100        | 2.539        |
|   | Work experience counts the most   | <b>27</b>   | 1.218        | <b>3.500</b> |
| <b>Do you have a plan regarding the company's development and successors for management positions</b>   | Yes, for all management positions   | 19          |              |              |
|   | Yes, for top management positions   | 17.5        |              |              |
|   | No  | <b>63.5</b> |              |              |

|   |                                 |             |              |              |
|---|---------------------------------|-------------|--------------|--------------|
|   |                                 |             |              |              |
| <b>Do you have an action plan in case of owner's illness/death</b>  | Yes                             | 12.7        |              |              |
|   | No                              | <b>87.3</b> |              |              |
|   |                                 |             |              |              |
| <b>Grade the most important characteristics an employee should have in order to be promoted to a key management position (Scale 1 to 5)</b> | Age                             | 12.7        | 1.383        | 2.079        |
|   | Job experience                  | <b>20.6</b> | 1.291        | 3.261        |
|   | Entrepreneurship and enthusiasm | <b>20.6</b> | 1.353        | 2.841        |
|   | Excellent networking skills     | 15.1        | 1.342        | 3.079        |
|   | Communications skills           | 19.8        | <b>1.160</b> | <b>3.341</b> |
|   |                                 |             |              |              |
| <b>The most common source of conflict in your firm</b>  | The selection of successors     | 5.6         |              |              |
|   | Future strategy and plans       | 23          |              |              |
|   | Intergenerational conflict      | 7.1         |              |              |
|   | Mutual competences              | <b>41.3</b> |              |              |
|   | Who should be employed          | 13          |              |              |
|   | Who should be fired             | 10          |              |              |
|   |                                 |             |              |              |
| <b>Do you have established procedures to solve conflicts between family members in your firm</b>  | Yes                             | 30.2        |              |              |
|   | No                              | <b>69.8</b> |              |              |

|  |   |             |              |              |
|--|---|-------------|--------------|--------------|
| <b>Grade the activities you implement in order to solve business-related problems you do not have enough information about, or for which you only have partial information (Scale of 1 to 5)</b> | Counseling with other employees who are not your family members                     | 5.6         | <b>1.181</b> | 2.698        |
|  | Hiring consultants from other organizations   | 8.7         | 1.248        | 1.817        |
|  | Problems are solved within the circle of employees who are also your family members | 11.9        | 1.275        | 2.785        |
|  | Using software solutions  | <b>21.4</b> | 1.561        | <b>2.976</b> |
|  | Using the Internet to expand your knowledge about the topic                         | <b>15.9</b> | <b>1.188</b> | <b>2.944</b> |
| <b>If the answer to the previous question was: "Counseling with other employees who are not your family members", what type of counseling do you use</b>   | Quality circles (brainstorming with employees to find solutions together)           | <b>44.4</b> |              |              |
|  | Innovativeness of employees   | 12.7        |              |              |
|  | Upgrading the company's mission   | 34.9        |              |              |
|  | TQM reports from your business processes  | 7.9         |              |              |

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