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Review Article

Globalization of the Family Business - Public Policies, Innovation, Firm Growth and Contribution in GDP

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ABSTRACT

The contribution of family businesses to wealth creation, wealth preservation and wealth distribution globally is commendable, and their unique approach of looking at their businesses over generations and as an investment for the future ensures a long- term perspective with respect to decision making and provides stability to the economy. Now, the paradigm shifts on the regulatory, operational and technological fronts are driving family business heads to continuously innovate their products or services and become more perceptive and agile in order to grow. The unquoted companies across Europe, are about 70-80 per cent of enterprises are family businesses.

Most family businesses inherently display characteristics of entrepreneurship, dynamism, resilience, sustainability, innovation, vision and more. Study shows family business makes up half of the listed firms, and three quarters of all firms, accounting for one-fourth of total employment, and one-fifth of GDPs. Up to 90 per cent of worldwide GDP is generated by family businesses. Their importance has increased during the period studied.

The research will focus on study of family business in contribution of GDPs and economic development. The process will show interconnection between globalization and family business. The research will identify the theories of how small businesses expand globally, what are the key players supporting businesses in their expansion, how new research and innovations impact businesses, what are the strategies they need to follow or they are following to sustain in the competitive environment.

Moreover, the study will illustrate how various key actors, including those from the informal sector, government sector and non-government sector are perpetuating the current system of policies into everyday challenge, innovations, strategies and have an impact on gross domestic product (GDP). The biggest barrier among family-firm internationalization scholars is that family management discourages internationalization. This is because selling abroad is said to require more specialized managers and more resources than selling at home, and yet family firms are unwilling to recruit non-family managers with the required international skills and to dilute their control to obtain the necessary finance. (Jean-François Hennart, Antonio Majocchi & Emanuele Forlani). The research will add to the literature by including all listed firms and by investigating a longer period than has heretofore been reported and analyze the proportion of family business and its contribution to employment and gross domestic product (GDP).

The results are intended to contribute towards identifying different forms of authority whether policies encouraged or discouraged the growth of family businesses along the lines of institutionalization, legalization and participation. The research will also identify the sources of access to finance, use of business support, capabilities, and obstacles to business success.

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The overall objective of this study is to explore the actual contribution of family-owned enterprises to the economic development globally and find the more scopes for the further development of family-owned enterprises by reducing the existing limitations. Additionally, the study will provide recommendations for creating a sustainable global competitive environment for family businesses in current and future scenario.

Keywords: entrepreneurship; family business; globalization; public policies; GDP; firm growth

INTRODUCTION

Family firms were seen as small and medium-sized, slow growing, and having "flat" organizational structures and internal succession patterns. It was assumed that family firms avoided stock market finance and thus relied to a large extent on self-financing or on local, often informal, credit sources. Today, these views are partly regarded as obsolete since empirical studies have shown that there are many large, dynamic, innovative, and profitable family firms in markets all over the world.

According to Miller (1983), entrepreneurship is a multidimensional concept that encompassing the firm's actions relating to product-market and technological innovation, risk taking and proactiveness. And a similar connotation, the term entrepreneurship in the context of family firms has been referred to as corporate entrepreneurship (Zahra et al., 2000; Kellermanns and Eddleston, 2006).

According to the Family Firm Institute (FFI), almost every type of economy around the world has some form of family owned and operated businesses. In addition, a majority (50 per cent to 80 per cent) of the world's jobs are created by family businesses. The family money is used to create 85 per cent of start-up companies and they account for 70 per cent-95 per cent of all entities in most countries. (According to The Economic Times).

Family businesses succeed because of the unity that is found among members. The business is strengthened immensely through this unbreakable bond. When individuals grow up alongside the business, a strong and solid link is formed. The enterprise becomes a part of one's soul and core being.

However, family firms represent a significant economic force worldwide (IFERA, 2003), yet no clear consensus exists regarding the definition of family businesses. The entrepreneurship doesn't take place in a vacuum, a whole host of factors determine how easy (or difficult) it is to start up. Over the years, family entrepreneurship has also included in business and management schools, to introduce family business education programmes in their curricula. The research will show the role of various factoring for family business.

PUBLIC POLICIES

Over the past 20 years, numerous government stakeholders around the world have used the data from approaches that benchmark entrepreneurial ecosystems in countries, regions or cities.

Raising finance and policies appropriate to the needs of the business is a common challenge for SMEs in general. There is some evidence from interviewees of a finance gap, in terms of the lack of availability of patient capital. This could include loans with a long repayment term and a stronger guarantee that they will not be called in unexpectedly; or equity investment which does not require high, short-term returns or excessive investor involvement in the business – and with the option for family businesses to buy back the equity at a later date. However, the demand for such a finance scheme from family businesses should not be exaggerated; most would not necessarily be interested in growth capital, regardless of any more attractive conditions attached to it, while such a scheme would also benefit non-family businesses. A more fundamental issue is increasing the number of businesses which have ambitions to grow, which in turn could lead to greater demands for finance, whether from family or non-family businesses.

Moreover, family businesses represent more than 60 per cent of all European companies from very small firms to international companies (EC, 2009).The importance that family firms could have for regional development by improvement in public policies. The intervention strategy in business is related to family business, regional development and regional policy.

Innovation

Over the last few years, practitioners and researchers have realized the importance of innovation,as an essential source of competitive advantage (Dess & Picken, 2000) stating innovation is a crucial element in every company.

The research will show the determinants, dimensions, processes, and types of innovation, in sum, covering the whole spectrum of innovation in a family enterprise context.

ECONOMIC DEVELOPMENT

The family business is the most frequently encountered ownership model in the world and their impact on the global economy is tremendous.

A study estimated that over two-thirds of all worldwide businesses are owned or managed by families' enterprises and account for about half of GDP (Gross Domestic Product) (Shanker & Astrachan, 1996). As business schools are expanding their offering of family business courses and programs, educators are challenged to identify and select useful learning resources that could be used to teach family business topics.

According to the data from the Family Firm Institute, family firms account for two-thirds of all businesses around the world, generate around 70–90 per cent of annual global GDP, and create 50–80 per cent of jobs in the majority ofcountries worldwide.Whereas, in case of India, the family businesses contribute around 79 per cent ofnational GDP annually. India has 108 publicly-listed, family-owned businesses, according to Farhad Forbes of Family Business Network.

Here are a few factors contributing in the economic development nationally and internationally:

Behavioral and Cultural Factors

The ability to recognize technological opportunities, pursue organizational change, and exploit opportunities through strateg ic planning increased corporate entrepreneurship in family firms (Kellermanns and Eddleston, 2006). The high external cultural orientation was positively associated with entrepreneurship in family firms (Zahra et al., 2004). This culture values new knowledge acquired from customers, suppliers and competitors (Morris, 1998).

Social Network Factors

The research will identify the "life cycle" of emerging enterprises in context of current public policies, innovations and globalization for explaining behavior in the entrepreneurial process.

The social issues are related to taxes, promotion and advertising, operations management, and managerial personnel. Moreover, the family help was more likely to be emotional support than help from business contacts, and this was provided often in the form of advice, problem solving, and information.

Demographic Factors

Demographics is about the characteristics of the population in a specific area and includes multiple factors like age, race, income, etc. The variables included as institutional refer to ownership and governance systems and are considered as part of the structural dimension of social capital resources.

Technological Factors

The 4Cs model of command, continuity, community, and connections is useful for examining the effect of family influence on the adoption of discontinuous technologies (**James J. Chrisman,** 2014). Family businesses need technology and building a future-proof business model. The family's relative emphasis on command, continuity, community, and connections requires that the multifaceted and potentially nonlinear nature of family influence be considered when analyzing strategic decisions concerning family firm innovation.

RESEARCH APPROACH AND METHODS

The study systematically examine previous research on these topics of family business in context of public policies, innovation, firm growth and contribution in GDP. The research will use resource-based view (RBV) theory, it is a managerial framework used to determine the strategic resources a firm can exploit to achieve sustainable competitive advantage. It conceptualized ideas, concepts and previous research, from which the model is constructed. To determine the concepts in this proposal, I reviewed academic papers on family business and entrepreneurship in leading academic journals and annual conference proceedings. And the review indicates that the literature includes several related concepts.

The research uses data published by various institutions based on international statistics like- The Journal of Business Venturing, Small Business Economics, Entrepreneurship Theory and Practice, and the Journal of International Business Studies, the World Bank Data, IFERA etc.

CONCLUSIONS

There have been many discussions about the factors associated with entrepreneurship or more properly, entrepreneurship in family business context. Sometimes, recommendations derived from these studies seem to contradict each other, reflecting different family business concepts and organizational contexts on which research was conducted, not to mention different institutional and cultural environments. To delve into these issues is not only a matter of academic interest, but also concerns practitioners, consultants, and those agencies that direct their efforts to promote entrepreneurial initiatives among small-and - medium sized enterprises, mainly family businesses in globalization and hence, contribute to national and global GDPs.

This work allows arriving at important research propositions that will be used for conducting research in entrepreneurship in family businesses. However, it should recognize that the large majority of the studies on which the theoretical propositions were based came from research undertaken in other countries with different socioeconomic conditions and cultural patterns. The research will try to do elaborate these propositions to base them on findings that are more robust and replicated by various studies and admitting that some of these propositions can be modified and adapted once the empirical research.

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