

# Family Businesses as a Determinant of Region's Sustainable Development

Aleksandra Zygmunt

Opole University of Technology, Poland

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## Abstract

*The main aim of the article is to highlight the significance of family businesses in regional development balancing. At first, the special attention was put on issues related to the sustainable development of regions. In this respect, it has been indicated key assumptions of sustainable development policy according to the European Union, and Polish actions in this area included in the National Development Strategy 2020, the National Regional Development Strategy 2010–2020 and the Long-term National Development Strategy. Next, it was made considerations concentrated on the determinants of regional development balancing. Particular attention was focused on endogenous determinants, which characterize important role in region's sustainable development. Among them special place constitute the region's competitiveness. The results of the literature research indicate that in this area a key role may play family businesses due to their specific nature and importance in the economy. As a result, family businesses should be regarded as an essential endogenous component of region's sustainable development.*

**Keywords:** region's sustainable development, family businesses

## Introduction

Regional development is a key issue of the European Union policy. The pressure on the EU Member States in the field of raising regions growth is particularly noticeable in the last period. This occurrence is closely connected with the intensification of the global processes and the position of Europe's competitive position against other key global economies. Hence, competitiveness raising (combined with respect for the environment and local communities) emphasizes the importance of sustainable development in region's growth. The processes in question distinguish complexity, which impact on a large number of their determinants. Therefore, the significance of region's sustainable development encourages searching particular determinants, which might constitute crucial role in a region's growth. In this context, it would be advisable to take concerns about the place of family businesses in raising the region's competitiveness. The main aim of this article is to highlight the significance of family businesses in sustainable region development. The basis for discussion were literature studies.

## 1 Region's sustainable development — European Union perspective

In its issue, region's sustainable development means a consolidation of social, economic and environmental targets in long term (Malik 2005, 88), which composes complexes occurrences in multiplex casual-consecutive chains (Adamczyk and Nitkiewicz 2007, 16). The concept in question is nowadays regarded as the priority of the European Union, which contributes to increase the EU's competitiveness. The importance of region's development balancing is especially seen in the actions taken by the European Commission and individual Member State. The key activities in this respect are contained in the Strategy Europe 2020, which indicates the European Union's targets for the coming decade. Among others priorities of mentioned strategy the special emphasis is put

on sustainable, smart and inclusive growth of regions.<sup>1</sup> In detail, the Strategy Europe 2020 is concentrated on five main targets, which represent key areas for region's sustainable development. They are concern especially on:

- R&D (3% GDP of the European Union in R&D),
- employment (75% employment rate for the 20–64 year-olds),
- education (minimum 40% thirty-years-old with third level education and reduction of early school leaving below 10%),
- climate change and energy sustainability (20% energy from renewables and increasing energy efficiency, 20% reduction of greenhouse gas emission), and
- fighting poverty and social exclusion (20 million fewer people in or at risk of poverty and social exclusion).<sup>2</sup>

It should be mentioned that the European Union plans to spend in the years 2014–2020 circa EUR 873 billion on activities related to region's sustainable development.<sup>3</sup>

The assumptions of the Strategy Europa 2020 has been put in Poland (above all) in the three strategic documents for region's sustainable development: the National Development Strategy 2020, the National Regional Development Strategy 2010–2020: regions, cities, rural areas and the Long-term National Development Strategy. Poland 2030. Third Wave of Modernity. First of them, the National Development Strategy 2020, provides a framework for three strategic area concentrated on competitive economy, social and territorial cohesion, efficient and effective state.<sup>4</sup> The significant attention is put especially on: transition from administration to management development, providing funds for development activities, empowerment the conditions for realization individual needs and citizen activity, empowerment macroeconomic stability, an increase the productivity of economy, the economy innovativeness increasing, development of human capital, digital technologies usage increasing, energy security and environment, an increase the transport efficiency, social integration, ensuring access and particular standards of public service, strengthen mechanisms for sustainable development and territorial spatial integration for the development and full utilization of regional potentials.<sup>5</sup> The potential of the planned activities is very high. It is assumed that the emphasis on above targets will allow to increase Polish regions' sustainable development. In consequence, the Polish economy might be more adapted to changes in the global economies.

It should be also highlighted that the essential part of the National Development Strategy 2020 constitute issues relating to particular regions' sustainable development. The great importance of each region in country development cause the necessity of providing additional details, which contained the National Regional Development Strategy 2010–2020: regions, cities, rural areas. The main objectives of mentioned strategy are concentrated on regions competitiveness increasing (with particular attention on innovation level), inequalities eliminating between different areas of the country and efficient development policy management (with an emphasis on increasing the regions role in development policy).<sup>6</sup> It is assumed that increased efforts at the regional level will lead to the intensification of Polish sustainable development. Additionally, it is substantial to underline that the necessity of region's sustainable development is also noticeable in the Long-term National Development Strategy. Poland 2030. Third Wave of Modernity. This strategy highlight that region's sustainable development allow to avoid (or reduce) adverse appearances, which are connected with post-crisis development barriers, development drift and peripheral nature of Poland.<sup>7</sup>

1. See: Communication from the Commission. Europe 2020. A strategy for smart, sustainable and inclusive growth. Brussels, 3.3.2010. COM(2010) 2020 final, page 12.

2. Ibidem, p. 12–13.

3. See: Proposal for a Council Regulation laying down the multiannual financial framework for the years 2014–2020. Brussels, 29.6.2011. COM(2011) 398 final. 2011/177 (APP), page 16.

4. See: Czym jest Strategia Rozwoju Kraju 2020. [@:] <https://www.mir.gov.pl/strony/zadania/polityka-rozwoju-kraju/zarzadzanie-rozwojem-kraju/strategia-rozwoju-kraju/>.

5. See: Uchwała Nr 157 Rady Ministrów z dnia 25 września 2012 r. w sprawie przyjęcia Strategii Rozwoju Kraju 2020. M.P. 2012 poz. 882, pages 32–132.

6. See: Krajowa Strategia Rozwoju Regionalnego 2010–2020: regiony, miasta, obszary wiejskie. Dokument przyjęty przez Radę Ministrów dnia 13 lipca 2010 r., pages 89–148, [@:] [https://www.mir.gov.pl/media/3337/KSRR\\_13\\_07\\_2010.pdf](https://www.mir.gov.pl/media/3337/KSRR_13_07_2010.pdf).

7. See: Uchwała Nr 16 Rady Ministrów z dnia 5 lutego 2013 r. w sprawie przyjęcia Długookresowej Strategii Roz-

## 2 Determinants of sustainable regional development

The complexity of issues relating to region's sustainable development results in a large number of determinants, which distinguish multi-faceted character. Furthermore, the analysis of literature provides to the conclusion about the lack of homogenous classification of determinants in question. It should be also pointed that the majority of them might belongs to a several groups simultaneously. Among many analyzed classification it should be highlighted the division of region's sustainable development factors according to Brol, who indicates the group of determinants connected with exogenous factors, the group of factors which determining the endogenous region capacity to respond to changes in the macro surrounding and the group of endogenous determinants (Brol 2006, 16–19).

The exogenous determinants of region's sustainable development distinguish inability to influence on them from regional level. Therefore, determinants in question might constitute a source of increased risk, which might impact on regional sustainable development. Their origin is external surrounding, which Ziolo divide into national and international level (Ziolo 2011, 265–266). Mentioned group of determinants includes mostly (Brol 2006, 16–19; Kogut-Jaworska 2008, 28; Łuczyszyn 2013, 113–117): economic growth rate, R&D expenditure, sectors development prospects, tax rate, cost of capital, cost of labor, globalization processes, the processes of European integration, competitiveness of surrounding regions, macroeconomic policy, natural resources, global demographic processes, international political situation.

The signification of the factors determining the endogenous region's capacity to respond to changes in the macro surrounding is mainly expressed as region's reaction force on the exogenous changes. Largely, they indicate the region's adaptability to changes in external surrounding. Above determinants contain most of all (Brol 2006, 16–19; Kogut-Jaworska 2008, 28): region financial possibilities, activity of region policy, community activity, intellectual resources of region, institutional infrastructure, openness of local governments for cooperation.

The essence of endogenous determinants emphasizes their important role in region's development balancing. It is assumed that mentioned factors are treated as the main region's "moving spirit" (Brol 2006, 16). To the most significant endogenous region's sustainable development determinants might be included (Brol 2006, 16–19; Kogut-Jaworska 2008, 28; Łuczyszyn 2013, 113–117; Zygmunt and Mach 2011, 67): region's natural resources, spatial order, potential for innovation, technical infrastructure, infrastructure development, social institutions, demographic structure of region's population, communication network, universities and research centers, the level of local competition, capital expenditure level. It is also essential to underline the substance of such endogenous factor as cluster initiatives and region's real estate potential (Mach 2012, 106–107; Thuczak, Szewczyk, and Ruszczak 2011, 120–138).

The ability to influence on the endogenous sustainable region development determinants by proper regional policy give above factors special meaning. The particular attention should be put especially on region's innovation potential, which is very significant nowadays. According to Klasik and Kuźnik (1998, 395–404) innovation are the main component of region development. In this respect special attention should take enterprises' R&D expenditures level, entrepreneurship, knowledge transfer and its absorption. It should be pointed that knowledge absorption should diffuse region's enterprises, public and private research institutions (Zygmunt 2014, 7). Therefore, innovation processes and entrepreneurship, might contributes in their increased adaptability to surrounding changes. Consequently, the intensification of enterprises' innovation level and entrepreneurship might result in increasing region's competitiveness and its adaptability to the changes in the world economy.

## 3 The essence of family businesses in region's sustainable development

Family businesses represent a substantial part of the global economy. The empirical results show that approximately 90% of the global GDP is generated by family-run enterprises.<sup>8</sup> In the USA they

woju Kraju. Polska 2030. Trzecia Fala Nowoczesności. M.P. 2013 poz. 121, page 20.

8. See: Global Data Points. [a:] <http://www.ffi.org/?page=globaldatapoints>.

constitute approximately 80% of businesses (Gomez-Mejia, Larraza-Kintana, and Makri 2003), while in the European Union 60%.<sup>9</sup> According to the Polish Agency for Enterprise Development family businesses represent in Poland 36% of MSME's sector and compose at least 10,4% of Polish GDP (Kowalewska et al. 2009, 23).<sup>10</sup> The enterprises in question distinguish complexity, which result in the lack of their homogenous definition. This occurrence is especially seen in the European Union documents where is noticeable problems with development a commonly agreed definition of family businesses.<sup>11</sup> The same phenomenon is also visible on research filed. On the basis on literature studies it might be observed several different approaches in defining family businesses. In its issue family businesses distinguish management or/and government according to the vision of members on the same family, with the dominant their coalition and potentially sustainable way across generations of the family or families (Chua, Christman, and Sharma 1999, 25). The results of literature analysis indicate that family businesses characterize loyalty, respect, honesty and trust (Haugh and McKee 2003, 141), which influence on their managerial attitude. The enterprises in question distinguish also tendency to combine their growth value with family benefits (Burkart, Panunzi, and Shleifer 2003). Moreover, it should be emphasized that majority family businesses in economic activity embrace own capital without debt capital or raising equity capital from traditional sources (Winborg and Landstrom 2001).

Statements in question point the unique character of family businesses and, with accordance to their important role in the economy, should give them a special rank as a determinant of sustainable development of region. In this regard it seems crucial to consider especially the substance of family businesses in raising the endogenous potential of region. The particular attention should be put on their innovation and entrepreneurial potential, which might be crucial for raising region's competitiveness. In the aftermath, the region sustainable development might be improve. Therefore, it is advisable to take actions, which encourage family businesses to increase their entrepreneurship and innovation potential. In this area it is necessary to underline that apart from unique character, family businesses distinguish also similar entrepreneurship level and reaction on its barrier as common enterprises from MSME's sector (Kowalewska et al. 2009, 28). Moreover, with respect to the research made, family businesses feature similar growth ambitions than other enterprises (Westhead and Cowling 1997, 48). Family-run enterprises distinguish in that area care for future generation (Le Breton-Miller and Miller 2006) and social capital created by families (Habbershon, Williams, and MacMillan 2003). Therefore, it is seems possible to raise their innovation level through similar tools as used for other enterprises. Nevertheless, the analysis of the EU's improving competitiveness instruments indicate that the majority of family business are excluded from support programs.<sup>12</sup> In this matter, it seems necessary to take wide ranging actions (on an international and region scale), which will assist in family businesses development.

## Conclusions

The undertaken research provides several conclusion. First of all, the results of studies indicate the rank of sustainable development in region's adaptation process to the changes in surroundings.

9. Projekt sprawozdania w sprawie przedsiębiorstw rodzinnych w Europie (2014/2210(INI)). Komisja Przemysłu, Badań Naukowych i Energii, Sprawozdawczynie: Angelika Niebler, 18.3.2015, page 3, [@:] [http://www.europarl.europa.eu/meetdocs/2014\\_2019/documents/itre/pr/1042/1042152/1042152pl.pdf](http://www.europarl.europa.eu/meetdocs/2014_2019/documents/itre/pr/1042/1042152/1042152pl.pdf).

10. [In the journal European practice of number notation is followed — for example, 36 333,33 (European style) = 36 333.33 (Canadian style) = 36,333.33 (US and British style). — Ed.]

11. See: Overview of Family-Business-Relevant Issues: Research, Networks, Policy Measures and Existing Studies. Final Report of the Expert Group. November 2009, Ref. Ares(2015)2102740 — 20/05/2015, page 9, [@:] <http://ec.europa.eu/DocsRoom/documents/10388/attachments/1/translations/en/renditions/pdf>; Projekt sprawozdania w sprawie przedsiębiorstw rodzinnych w Europie (2014/2210(INI)). Komisja Przemysłu, Badań Naukowych i Energii, Sprawozdawczynie: Angelika Niebler, 18.3.2015, page 8, [@:] [http://www.europarl.europa.eu/meetdocs/2014\\_2019/documents/itre/pr/1042/1042152/1042152pl.pdf](http://www.europarl.europa.eu/meetdocs/2014_2019/documents/itre/pr/1042/1042152/1042152pl.pdf).

12. Projekt sprawozdania w sprawie przedsiębiorstw rodzinnych w Europie (2014/2210(INI)). Komisja Przemysłu, Badań Naukowych i Energii, Sprawozdawczynie: Angelika Niebler, 18.3.2015, page 4, [@:] [http://www.europarl.europa.eu/meetdocs/2014\\_2019/documents/itre/pr/1042/1042152/1042152pl.pdf](http://www.europarl.europa.eu/meetdocs/2014_2019/documents/itre/pr/1042/1042152/1042152pl.pdf).

The effects of studies indicate that nowadays sustainable region development is dependent on a large number of determinants with different origins. Moreover, it has been stated that the impact strength of particular determinant might be differ between regions. Furthermore, it was emphasized that in this regard essential position occupy the endogenous determinants, which involve (among others) region's competitiveness. The taken analysis provides to the conclusion that family businesses might be treated as crucial for increasing level of region's competitiveness. The nature of enterprises in question indicates the necessity of including them in the creation of region's sustainable development. For this reason, it is necessary to take action to stimulate their innovation potential and entrepreneurship. The complexity of sustainable regional development determinants and family businesses issues require further studies. They will be focus mainly on empiric research connected with family businesses in term of isolation factors that might stimulate innovation their level.

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