



Differences between Bulgarian Family and Non-family Businesses: A Multivariate Logit Approach

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ABSTRACT

There is a lack of understanding about differences between family and non-family businesses operating in the transition economies in Central and Eastern Europe (CEE) because the available research has focused mainly on other contexts. The present research explores differences between family and non-family firms in a sample from a CEE country. The proposed hypotheses are guided by previous theoretical and comparative empirical research on family business. In response to the methodological concerns expressed in the literature about the methodological appropriateness of some comparative studies of family and non-family businesses, this study utilizes multivariate logit regression that controls for the effects of a number of contextual variables. This approach allows for detecting real rather than sample differences between the studied family and non-family businesses. The empirical findings demonstrate the presence of both similarities and differences between the studied family and non-family businesses. The paper provides recommendations for future research.

Keywords: Differences, Family Businesses, Non-family Businesses, Central and Eastern Europe

JEL Classification: M19

1. INTRODUCTION

As in Western developed economies, family businesses play a significant role in the countries in Central and Eastern Europe (CEE) (Fletcher et al., 2009; Duh et al., 2009; Mandl, 2008). Private business ownership was not a legal activity during the period of central planning in CEE and the research on family businesses in former socialist countries in general is very scarce (Duh et al., 2009). The survey on family business in Bulgaria conducted in 2010 by the National Statistical Institute and initiated by the Association of the family business revealed that family businesses represent 42% of all enterprises¹. They employ 28.3% of the workforce in the private sector. The turnover of family businesses is about 20% of total turnover of Bulgarian enterprises, while the amount of investments in fixed assets of family businesses are 16% of all investments in the country. Family businesses provide more than 17% of the total amount of products and services produced by the Bulgarian enterprises.

Although there is no widely accepted family firm definition (Westhead and Cowling, 1998), several studies have detected that family firms differ from otherwise similar organizations because of the critical role that family members play in business processes at many levels (Davis and Harveston, 1998; Chua et al., 1999). Therefore, family businesses are regarded as a specific organisational form (Gersick et al., 1997) and differences between family and non-family businesses have attracted significant research attention (Donckels and Fröhlich, 1991; Daily and Thompson, 1994; Reid et al., 2000; Gudmundson et al., 1999; Westhead and Cowling, 1997; Jorissen et al., 2005; Daily and Dollinger, 1992; Teal et al., 2003; Gallo, 1995; Cromie et al., 1995; Westhead, 1997; Coleman and Carsky, 1999; Smyrnios and Odgers, 2002; Short et al., 2009; Naldi et al., 2007). However, there is a lack of understanding about differences between family and non-family businesses operating in the transition economies in CEE because the available research has focused mainly on other contexts. The research exploring the differences between family and non-family businesses constitutes one of the basic fields of family business research (Gallo et al., 2004) and has a significant contribution to understanding the nature of family

¹ <http://www.fbn-bulgaria.org/bg/news/59/17/nad-42-ot-kompaniite-v-blgariya-sa-familni>. Accessed on 20 January 2012.

firms. The development of a theory of the family firm may benefit from research aimed at discovering and explaining differences in behaviour and performance between family and non-family businesses (Chua et al., 2003).

This paper explores differences in several chief executive officer's (CEO) and organizational characteristics between Bulgarian family and non-family businesses using a multivariate logit regression analysis that controls for the effects of a number of contextual variables as recommended by Jorissen et al. (2005). This approach allows for detecting real rather than sample differences and addressing the methodological concerns expressed in the literature about the methodological appropriateness of some comparative studies of family and non-family businesses (Jorissen et al., 2005; Westhead, 1997; Westhead and Cowling, 1997; 1998). The paper is structured as follows. The next section contains a literature review on the nature and distinctiveness of family businesses and differences between family and non-family businesses. The following section presents the hypotheses of the study. The fourth section describes the research methodology. The fifth section contains the empirical findings. The final section includes a discussion of the empirical findings, practical implications, and recommendations for future research.

2. LITERATURE REVIEW AND HYPOTHESES

2.1. Family Business

There is no common agreement among scholars and practitioners about the meaning of the term family business. This is probably due to the adoption of multiple research approaches and the great diversity of the population of family businesses in terms of firm size, industry, governance, etc. Chrisman et al. (2005) identifies two approaches to defining family business: Involvement approach and essence approach. The involvement approach uses a combination of the components of a family's involvement in the business to define family businesses. Based on the degree of family involvement, Shanker and Astrachan (1996) establish three definitions of family business: A broad, inclusive definition, a middle definition, and a tight or narrow definition. The broadest and most inclusive definition suggests little direct family involvement. The family has some degree of effective control of the strategic direction of the business. The family business is intended to remain in the family. The middle definition suggests some family involvement. The founder or her/his descendent runs the business and the family has legal control of voting stock. The third or narrow definition suggests a significant family involvement. At least two family members have a significant management responsibility in the family business. The family is directly involved in both management and ownership of the business. Multiple generations of the family have been involved in the business.

The essence approach emphasizes those aspects that constitute the essence of a family business (Chrisman et al., 2005). The essence approach is more restrictive and treats family involvement only as a necessary condition in order to define a firm as family business. According to this approach family business status is associated

with specific behaviours and distinctiveness stemming from the family involvement including: Family's influence on the firm strategy; family's intention to keep control over the business; family firm behaviour; and unique, inseparable, synergistic resources and capabilities arising from family involvement and interaction (familiness). Churchill and Hatten (1987) highlighted two distinctive characteristics of family businesses: Involvement of family members in the business and non-market-based transfers of power between family members. In contrast to non-family employees and managers, family members involved in the business are connected emotionally to each other in their family life and therefore have interrelated roles and obligations in the business and in the family. The non-market-based transfer of power between family members derives from the biological reality of human life cycle and family ties. Chrisman et al. (2003) suggest that the following elements are essential in defining the family firm:

- The intention to maintain family control;
- Unique, synergistic resources arising from family involvement;
- A vision held by the family for transgenerational value creation;
- The pursuit of the vision.

In their famous three-circle model Tagiuri and Davis ([1982] 1996) depicted the family business as a system consisting of three overlapping but distinctive sub-systems (ownership, family, and business). They suggest that family businesses have several unique inherent attributes deriving from the overlap between the family and the business. The bivalent attributes of family businesses include simultaneous roles, shared identity, a lifelong common history, emotional involvement, private language, mutual awareness, privacy, and the symbolic meaning of the company. Each attribute has both advantages and disadvantages and the success or failure of the family business depends on how well these bivalent attributes are managed (Tagiuri & Davis, [1982] 1996).

Churchill and Hatten (1987) place the family business succession in the center of their research framework for studying family businesses as it is a critical event for both the family and the business.

Gersick et al. (1997) describe family businesses according to different stages of development of ownership, family, and business sub-systems. They propose a well-structured three-dimensional developmental model of family business by adding development over time to the three-circle model of Tagiuri and Davis ([1982] 1996). The model posits that these sub-systems are developing independently but may exert influence on each other. Family businesses exhibit distinctive characteristics and specific challenges during different stages of development of ownership, family, and business sub-systems is based on Gersick et al. (1997).

Stafford et al. (1999) stress that the sustainable family business requires the interaction of both a successful business and a well functioning family. The sustainability of the family business depends on family functionality, business success, and the ability of the family and the business to respond appropriately to the disruptions in their regular transactions (Stafford et al., 1999).

Lansberg (1983) identifies various contradictions between the values, norms, and principles that operate in the family and the business, which interfere with the effective management in family businesses. The overlap between family and business norms and principles becomes particularly detrimental for family business management as the family business matures and develops more complex organizational forms. The owner-manager is the person, who experiences most strongly the institutional contradictions stemming from the overlapping family and business principles.

2.2. Differences Between Family and Non-family Businesses

2.2.1. Learning orientation in family and non-family businesses

Learning orientation refers to the manifestation of organization's propensity and capacity to learn and adapt. Learning orientation is conceptualized as "the value that a firm places not only on adroitly responding to changes in the environment but on constantly challenging the assumptions that frame the organization's relationship with the environment" (Baker and Sinkula, 1999, p. 412). In this respect, learning orientation is viewed as a set of three organizational values (commitment to learning, open-mindedness, and shared vision) that influence its propensity to create and use knowledge (Sinkula et al. 1997, p. 309). Commitment to learning is the value the organization places on learning and reveals the probability of promoting a learning climate within the organization (Sinkula et al., 1997, p. 309). Open-mindedness is the willingness to question organizational routines, abilities, and assumptions and thus is necessary for unlearning (Sinkula et al., 1997, p. 309). Shared vision is related to the direction of learning in organization and represents a prerequisite for proactive learning (Sinkula et al., 1997, p. 309). Learning orientation may facilitate discontinuous innovation and increase the rate of internal and external organizational change (Baker and Sinkula, 1999). Organizational learning helps to understand and satisfy latent and manifested customers' needs through new products and services (Slater and Narver, 1995, p. 66). Family businesses may lack learning orientation and systems that allow learning to occur (Birdthistle, 2008). Empirical research demonstrates that family and non-family businesses differ in their learning behaviour in the context of internationalization (Tsang, 2002). Compared to non-family businesses, family businesses exhibit worse sharing and institutionalization of experience and impediments to knowledge diffusion (Tsang, 2002). Firms are less likely to systematically analyze training needs and to provide training to employees (Reid and Adams, 2001). Therefore, we suggest that:

H1: Family firms exhibit lower learning orientation than non-family firms.

2.2.2. Entrepreneurial orientation (EO) in family and non-family businesses

EO reveals how new business entry could be accomplished (Lumpkin and Dess, 1996, p. 136). Enterprises that want to be entrepreneurial need to develop EO (Dess and Lumpkin, 2005, p. 147). EO was defined as "the processes, practices, and decision-making activities that lead to new entry" (Lumpkin and Dess, 1996, p. 136). Miller (1983, p. 771) argues that "an entrepreneurial firm is one that engages in product-market innovation, undertakes somewhat risky ventures, and is first to come up with 'proactive'

innovations, beating competitors to the punch." Drawing upon Miller's (1983) seminal article, several researchers have agreed that EO is a combination of the dimensions risk-taking, innovativeness, and proactiveness and reveals the extent to which firms take risks, innovate, and behave pro-actively (Wiklund and Shepherd, 2005; Lumpkin and Dess, 1996). Family businesses may be more conservative and risk averse than non-family businesses and therefore unwilling to undertake entrepreneurial activities (Zahra, 2005). Naldi et al. (2007) demonstrate that family firms take risks to lesser extent than non-family firms. Donckels and Fröhlich (1991) report that European family firms are more risk averse than non-family firms. The literature on family firms and innovation reveals that family firms are less innovative than non-family firms (Gomez-Mejia et al., 2007; Westhead, 1997) because "they prefer to avoid the risk of failure associated with the new and untried" (Gomez-Mejia et al., 2007, p. 133).

H2: Family firms exhibit lower EO than non-family firms.

2.2.3. Internationalization in family and non-family businesses

In order to survive and achieve global competitiveness, family businesses, which traditionally served domestic markets, are forced to go to foreign markets (Kontinen and Ojala, 2010). However, going to international markets may be a challenge for family businesses, because they may need to change their objectives, culture, structure, and strategy (Gallo and Sveen, 1991). Family business internationalization may be hindered by various organizational factors (Gallo and Pont, 1996). Most empirical research demonstrates that family businesses and especially family small and medium enterprises (SMEs) are less likely to get involved in international activities than non-family businesses (Jorissen et al., 2005; Graves and Thomas, 2004; Fernandez and Nieto, 2005, 2006; Cerrato and Piva, 2012). Although family firms may possess unique resources and capabilities stemming from the systematic interaction between the business, the family and its members (Sirmon and Hitt, 2003; Carney, 2005; Habbershon et al., 2003; Habbershon and Williams, 1999), family businesses may also face some disadvantages such as the ability to make appropriate shedding decisions about resources, which may influence negatively their performance (Sirmon and Hitt, 2003). Family businesses neither monitor regularly the international marketplace nor integrate global developments into domestic decisions (Okoroafo, 1999). The knowledge gained from the internationalization process remains concentrated in the family business founder (Tsang, 2001). The lower export propensity and intensity of family SMEs compared with non-family SMEs is explained with the difficulties for acquiring essential resources and capabilities for building competitive advantage in international markets (Fernandez and Nieto, 2005). Family ownership influence negatively scope and rhythm of internationalization (Lin, 2012; Olivares-Mesa and Cabrera-Suárez, 2006). Therefore, we suggest that:

H3: Family SMEs are less likely to have internationalized their business than non-family SMEs.

2.2.4. Foreign ownership in family and non-family businesses

Foreign ownership may be important for the survival and competitiveness of companies operating in CEE. Foreign investors in CEE may transfer products and marketing skills, technology

and management skills and know how to local companies, which may improve their product lines and market penetration (Uhlenbruck and De Castro, 2000) and thus make them more competitive. Foreign ownership in companies operating in CEE may be associated with high learning, high efficiency governance, and high corporate restructuring effectiveness (Filatotchev et al., 2003). Companies with foreign shareholdings may have greater access to technical and financial resources and may dispose with superior managerial capital which may contribute to superior performance (Douma et al., 2006). Family businesses tend to keep the ownership within the family (Mandl, 2008) and therefore may be less likely to have foreign owners among owners than non-family firms. Indeed, family firms have significantly lower percentage of the firm's equity held by foreign investors than non-family businesses (Calabrò et al., 2013). The share of family ownership is negatively related to the proportion of shares owned by foreign investors (Wahyuni and Prabowo, 2012). Drawing upon these considerations, we formulate the following hypothesis: H4: Family SMEs are less likely to have foreign owners than non-family SMEs.

2.2.5. Performance in family and non-family businesses

Family businesses exhibit some disadvantages and shortcomings including institutional overlap between family and business norms and principles, low access to financial resources, confusing organization, nepotism, paternalism, altruism, conflicts, financial strain by unproductive family members, and succession problems (Lansberg, 1983; Kets de Vries, 1993; Gersick et al., 1997; Mandl, 2008), which may lead to lower performance in comparison with non-family firms. Family businesses tend to rely on internal financial resources as sources of capital and are reluctant to use other sources of capital (Romano et al., 2001; Graves and Thomas, 2008; Vadjal and Glas, 2008; Mandl, 2008). Family businesses lack not only critical resources and capabilities including human capital, financial resources, marketing resources (Graves and Thomas, 2006; Fernandez and Nieto, 2005), and international experience (Leonidou et al., 2010) but also the ability to make appropriate shedding decisions about resources, which may influence negatively their performance (Sirmon and Hitt, 2003). Although recent studies of large publicly traded US family and non-family firms reveal that family firms have superior market valuations in comparison with non-family businesses (Miller et al., 2007), a large number of empirical studies from other countries and contexts and based on more inclusive samples demonstrate that non-family businesses tend to outperform family businesses (Morck et al., 1998; Claessens et al., 2002; Barth et al., 2005; Miller et al., 2007). The contradictory empirical evidence about performance differences between family and non-family businesses may be explained with the high sensitivity of findings to the nature of the sample and the adopted family business definition (Miller et al., 2007). Therefore, we suggest that:

H5: Family firms exhibit lower performance than non-family firms.

2.2.6. Characteristics of the CEO in family and non-family businesses

The CEO in family firms may be less likely to have high level of education than the owner-manager in non-family firms because managers in non-family firms are more likely to be promoted based

on kinship rather than on specific knowledge and competences (Westhead, 1997). Empirical research confirms that CEO in family firms tend to have lower level of education than CEO in non-family firms (Reid and Adams, 2001). CEO's tenure is significantly higher in family-firms than in non-family firms (Gersick et al., 1997; McConaughy, 2000; Tsai et al., 2006). Particularly, in founder-managed family businesses founder-CEOs may enjoy long tenures (Zahra, 2005).

H6: The CEO's tenure is significantly higher in family businesses than non-family businesses.

H7: CEOs in family businesses are less likely to have acquired a university degree than CEOs in non-family businesses.

3. RESEARCH METHODOLOGY

3.1. Sample and Data Collection

This study uses a sample of 235 companies operating in Bulgaria. Data was acquired through structured interviews with the CEOs of the companies. Due to high financial costs for obtaining a representative sample of Bulgarian enterprises, this research relies on a convenient sample of Bulgarian companies. Drawing upon the voluntary unified trade register of the Bulgarian chamber of commerce and industry as well as personal contacts, companies were identified and contacted in advance in order to obtain their agreement to participate in the investigation and to respond to all questions included in the questionnaire. The structured questionnaire contains questions about the characteristics of the organization and environmental factors. Since the indexes of some of the variables used were adopted from previous studies, the items included in these indexes were translated from English to Bulgarian and then translated back to English to ensure accuracy. A pilot study was conducted among 5 companies in order to pre-test the initial version of the questionnaire. Due to comments from these respondents, minor changes were introduced in some questions. The share of family businesses in the sample is close to the share of family businesses among Bulgarian enterprises announced by the National Statistical Institute².

Table 1 contains the characteristics of the studied organizations. Most sample firms are located in Sofia (70.6%). About 21.3% of the sample companies are located in a district center, while 7.2% of the sample companies are located in a small town. The rest of the sample companies are located in a village. More than 63.4% of the sample companies operate predominantly in the service sector, while 17% of the companies are involved in a wholesale or retail trade. About 17.9% of the sample companies are manufacturing businesses. As in the population of Bulgarian enterprises in general, the great majority of the enterprises in the sample used in this study are small and mediums sized enterprises. Small and medium-sized enterprises (SMEs) represent 80.9% of the sample firms (26% – micro-enterprises; 33.6% - small enterprises; 21.3% - medium-sized enterprises)³. The rest of the sample is composed by large enterprises, which have more than 249 employees. Approximately 24% of the sample firms operate

2 <http://www.fbn-bulgaria.org/bg/news/59/17/nad-42-ot-kompaniite-v-blgariya-sa-familni>. Accessed on 20 January 2012.

3 We apply the European Commission's employment criterion for an SME.

Table 1: The characteristics of the sample firms

Characteristics	n (%)
Firm age	
<6	57 (24.3)
Between 6 and 10	66 (28.1)
Between 11 and 15	55 (23.4)
Between 16 and 20	39 (16.6)
More than 20	18 (7.7)
Firm size	
SMEs	190 (80.9)
Large enterprises	45 (19.1)
Family business status	
Yes	88 (37.4)
No	147 (62.6)
Internationalization	
Yes	112 (47.7)
No	123 (52.3)
Sector	
Manufacturing	42 (17.9)
Services	149 (63.4)
Trade	40 (17.0)
Other	4 (1.7)
Location	
Sofia	166 (70.6)
Other	69 (29.4)

SEMs: Small and medium enterprises

for <6 years, while 28.1% of the sample firms are registered between 6 and 10 years ago. About 23% of the studied companies exist for more than 10 years, but <15 years. Almost 17% of the sample companies report that their firm age is between 16 and 20 years. Only 7.7% of the sample companies operate for more than 20 years. The sample contains family-owned enterprises (37.4%) and non-family-owned enterprises (62.6%).

3.2. Variables

The dependent variable in this study is the dummy variable FAMILY, which indicates whether a firm is a family business. The most common definition of family business applied in literature on internationalization of family businesses is based on a combination of ownership and management criteria (Kontinen and Ojala, 2010). Therefore, family firms are defined as firms where one family controls the company and is represented in its management team (Naldi et al., 2007). This approach to defining family business will increase the comparability of our results with previous empirical findings about internationalization of family businesses, which was recommended by Kontinen and Ojala (2010). The dummy variable FAMILY indicates whether the company is a family business (value 1) or not (value 0).

CEO-EDU indicates the level of education acquired by the CEO of the company (1 = university degree, 0 = other). TENURE indicates the length of CEO's tenure in this position in number of years.

The variable LO reveals the level of the learning orientation of the company. It is measured through 11-item, 7-point scale developed by Sinkula et al. (1997). The scale is retested by Baker and Sinkula (1999) who provide further evidence for its validity and reliability. The Cronbach's alpha of the learning orientation scale is 0.832, which is significantly higher than the minimum reliability threshold of 0.6 (Hair et al., 1998).

The variable EO is measured with 9-item, 7-point scale proposed by Covin and Slevin (1989), which contains items adapted from Khandwalla (1976/1977) and Miller and Friesen (1982). The items are of the forced choice type, with pairs of opposite statements. This scale reveals the extent to which the firms innovate, take risk and behave proactively. Wiklund (1998) identified several studies using this instrument, which provide evidence of its validity and reliability. In this study the scale reports very high reliability. The Cronbach alpha's value of the EO scale is 0.857, which greatly surpasses the minimum recommended level of 0.6 (Hair et al., 1998).

The dummy variable FOREIGN indicates the presence of foreign owners (value 1) or otherwise (value 0).

Following Ruzzier et al., (2006, p. 477), in this research internationalization is defined as "geographical expansion of economic activities over a national country's border." As there is no commonly accepted measure of internationalization (Sullivan, 1996), researchers use various approaches to operationalize internationalization. Some authors explore one or more specific modes of entry to foreign markets such as exporting and/or foreign direct investment (Lu and Beamish, 2001; 2006; Westhead et al., 2001, 2004; Chiao et al., 2006; Armario et al., 2008). Empirical research on internationalization in family firms also examines exporting (Fernandez and Nieto, 2005; Graves and Thomas, 2006). Empirical studies on internationalization using data from Bulgaria or other Eastern European countries are also focused either on exporting (Lloyd-Reason et al., 2005; Smallbone et al., 1998) or on foreign direct investment (Svetlicic et al., 2007). The modes of internationalization most frequently cited by SMEs are direct exporting without an overseas base and establishing an overseas base through some form of foreign direct investment (Wright et al., 2007). Therefore the present investigation, which is based on a sample dominated by SMEs (80.9% of the sample), examines the involvement of the sample companies in exporting and/or foreign direct investment. The variable INTERNATIONALIZATION is a binary variable. It takes value 1 if the company exports products or services and/or has made foreign direct investments and value 0 if not.

It was acknowledged that self-reported performance measures are valid and reliable measures of firm performance (Venkatraman and Ramanujam, 1987). This study measures organizational performance (PERFORMANCE) in relation to the performance of a firm's competitors using 4 items adopted from previous research (Hult et al., 2004; Wang, 2008; Wiklund, 1999; Wiklund and Shepherd, 2005; Tang et al., 2008; Tang et al., 2007). The CEO were asked to compare the growth of sales, market share, growth of profit before tax, and overall performance of their own firm with those of their main competitors in the past 3 years on a 5-point Likert scale ranging from "much worse than our competitors" to "much better than our competitors." The variable PERFORMANCE is the sum of the four items. The Cronbach's alpha of the scale is 0.867, which exceeds significantly the minimum acceptable level of 0.6 (Hair et al., 1998).

Several control variables are employed in the analysis. In this paper we adopt the European Commission's employment criterion for an

SME. The variable SIZE is a binary variable (1 =>249 employees (large company), 0 = <250 employees (micro, small or medium-sized enterprise). FIRM_AGE is the age of the company in a number of years. TRADE is a binary variable, which takes a value 1 if the company operates mainly in the trade sector and value 0 if it operates predominantly in another sector. MANUFACTURING reveals if the company operates mainly in the manufacturing sector (value 1) or in another sector (value 0). The variable CEO_AGE indicates the age of the CEOs in a number of years. The variable GENER shows whether the CEO is a woman (value 1) or a man (value 0).

3.3. Data Analysis

Taking into account the objectives of this study and the properties of the data, we employ a binary logistic regression in order to identify differences between the studied family and non-family businesses. A binary logistic regression was employed to deal explicitly with the dependent variable FAMILY, which is a binary variable (Greene, 1997). The logistic regression is a more robust method since according to Greene (1997), Hair et al. (1998), and Maddala (1983):

- The dependent variable needs not to be normally distributed;
- Logistic regression does not assume a linear relationship between the dependent and the independent variables;
- The dependent variable needs not to be homoscedastic for each level of the independent variable(s);
- Normally distributed error terms are not assumed;
- Independent variables can be categorical;
- It does not require independent variables to be interval or unbounded.

The application of non-parametric techniques is adequate when the independent variables are predominantly categorical. The use of the maximum likelihood approach is recommended when sample selection bias is possible (Nawata, 1994).

4. EMPIRICAL FINDINGS

The results of a binary logistic regression exploring differences in organizational and CEO's characteristics between family and non-family firms are presented in Table 2. As demonstrated in Table 2, the model is significant at 99% confidence level according to Chi-square statistics. Therefore, the null hypothesis that all coefficients (except the constant) are zero can be rejected. The overall predictive ability of the model to classify correctly family businesses by their internationalization status is 72.8%. The variance of inflation factor (VIF) is used for detecting multicollinearity problems. All the VIFs for the independent variables used in the regression analysis (Table 2) are within the acceptable limits (<1.667).

The variable TENURE has a strong positive effect on the dependent variable ($P < 0.01$). CEOs in family businesses have significantly longer tenures than other CEOs. The variables EO, FOREIGN, and FIRM_AGE are significantly and negatively associated with FAMILY. Family businesses tend to exhibit lower EO than non-family businesses. Non-family businesses are significantly older than family businesses. Family businesses are less likely to have

foreign owners than non-family businesses. Hypotheses H2, H4, and H6 cannot be rejected.

The variables CEO_EDU, LO, INTERNATIONALIZATION, PERFORMANCE, SIZE, TRADE, MANUFACTURING, CEO_AGE, and GENDER do not exert a statistically significant effect on the dependent variable FAMILY (Table 2). CEOs in family and non-family businesses do not differ in relation to age, gender, and the possession of a university degree. The studied family and non-family businesses do not differ in terms of performance, probability of internalization, learning orientation, probability of being a large company, and probability of operating predominantly in manufacturing or trade sector. Hypotheses H1, H3, H5, and H7 can be rejected.

5. DISCUSSION AND CONCLUSIONS

Similarities and differences between family and non-family businesses have attracted a significant scientific interest in other countries (Gallo, 1995, Reid et al., 2000; Smyrnios and Odgers, 2002; Jorissen et al. 2005; Westhead and Cowling, 1997; Daily and Thompson, 1994; Gudmundson et al., 1999; Donckels and Fröhlich, 1991; Coleman and Carsky, 1999; Daily and Dollinger, 1992; Teal et al., 2003). Comparative empirical studies of similarities and differences between family and non-family businesses aimed at finding the source of distinctiveness of family firm studies (Sharma, 2004). After reviewing a large number of refereed articles on family business, Sharma (2004) concludes that comparative research on family and non-family firms gained mixed results. Differences between family and non-family businesses were found in some characteristics such as performance, perception of environment, and corporate entrepreneurship, while in other characteristics including strategic orientation and sources of debt financing these groups of organizations were very similar (Sharma, 2004). The findings about the differences between family and non-family businesses support the conception that "it is the reciprocal impact of family on business that distinguishes the

Table 2: Differences between family and non-family firms

Variables	Coefficients	Standard error	Wald
CEO-EDU	-0.264	0.516	0.261
Tenure	0.112***	0.041	7.283
LO	0.007	0.017	0.154
EO	-0.035*	0.019	3.546
Internationalization	0.361	0.378	0.913
Performance	0.039	0.061	0.403
Foreign	-1.782***	0.482	13.646
Firm_Age	-0.050**	0.021	5.642
Size	-0.672	0.572	1.380
Trade	-0.236	0.444	0.282
Manufacturing	0.469	0.427	1.206
CEO-Age	-0.015	0.018	0.712
Gender	0.092	0.349	0.070
Constant	0.878	1.249	0.494
Chi-square	60.444***		
-2 log likelihood	250.363		
Overall % correct predictions	72.8		

* $P < 0.1$, ** $P < 0.05$, *** $P < 0.01$, CEO: Chief executive officer's, EO: Entrepreneurial orientation

field of family business studies from others” (Sharma, 2004, p. 6). They reinforce strongly the system approach to researching family business, which views the business family as a key sub-system of the family firm (Tagiuri and Davis, 1982; Gersick et al., 1997).

The shift from centrally planned to market economy in the countries in CEE has led to the emergence of a large number of private enterprises including family businesses. The present research explores differences between family and non-family firms in a sample from a CEE country. The proposed hypotheses are guided by previous theoretical and comparative empirical research on family business. In response to the methodological concerns expressed in the literature about the methodological appropriateness of some comparative studies of family and non-family businesses (Jorissen et al., 2005; Westhead, 1997; Westhead and Cowling, 1997; 1998), this study utilizes multivariate logit regression that controls for the effects of a number of contextual variables as recommended by Jorissen et al. (2005). This approach allows for detecting real rather than sample differences between the studied family and non-family businesses (Jorissen et al., 2005).

The present study has detected several statistically significant differences between family and non-family businesses. The studied family businesses tend to be younger than non-family businesses. Younger family businesses may face the liability of newness (Stinchcombe, 1965, Hannan and Freeman, 1984). External liabilities of newness such as lack of experience, technological barriers, lack of legitimacy, etc., “make mobilization and acquisition of resources difficult” (Aldrich and Auster, 1986, p. 178). New firms may also face internal obstacles associated with “the creation and clarification of roles and structures consistent with external constraints, and the ability to attract qualified employees” (Aldrich and Auster, 1986, p. 178). Younger firms often lack experience and therefore tend to rely on informal management systems and training practices (Cardon and Stevens, 2004). In addition, their lack of legitimacy within the industry is associated with difficulties to recruit employees (Cardon and Stevens, 2004).

This study confirms previous findings that family businesses are reluctant to share control with external investors (Mandl, 2008) and tend to keep the ownership within the family. Family businesses are significantly less likely to have foreign individuals or legal entities among owners than non-family businesses. This finding is related to the fundamental difference between family and non-family businesses in ownership structure. The family is the controlling owner in family businesses and it aims to keep ownership control for the next generations. Family businesses may lack willingness to share control with foreign investors (Mandl, 2008), because they may not understand or accept family business principles and values. Family businesses may be less visible and attractive to foreign investors because of their local business focus and small scale.

The CEO in non-family firms have significantly shorter tenure than CEO in family firms included in the present study. These findings reinforce previous findings from other countries that in comparison with non-family business executives, family business

executives tend to remain in their positions significantly longer (Sharma, 2004; Cromie et al., 1995; Gallo, 1995; Reid et al., 2000; Jorissen et al., 2005). However, the positive disposition of the family business executives during their long tenures is not constant and depends on a combination of factors such as individual traits, family structure and values, future goals of the family business, envisioned role of the executive in it, and contextual factors (Sharma, 2004).

Family firms are less likely to exhibit high EO than non-family firms in the sample. The lower EO of family businesses in comparison with non-family businesses may be explained with their preference for conservative strategies and unwillingness to take the risks associated with entrepreneurial activities (Zahra, 2005). The great majority of family businesses has a long-term vision and therefore tend to avoid high risk strategies associated with business growth and external financing (Todorov, 2011). Over time, in family businesses founders stay for a long time on their positions, give little attention to the development of competent successors, favour their own children and relatives and are not able to retain qualified non-family employees (Zahra, 2005). The careful risk behaviour of family businesses was associated with their intention of long-term sustainability of the business (Mandl, 2008). Empirical research demonstrates that family firms are more risk-averse (Naldi et al., 2007; Donckels and Fröhlich, 1991) and less innovative (Gomez-Mejia et al., 2007; Westhead, 1997) than non-family firms.

This study demonstrates that family and non-family businesses exhibit similarities in many aspects. The CEO in the studied family and non-family businesses do not differ with regard to age. This result is in contradiction to empirical research in other countries, which demonstrates that executives in family firms are significantly older than executives in non-family firms (Gallo, 1995, Reid et al., 2000; Smyrnios and Odgers, 2002). The reasons for not detecting differences in the age of executives in family and non-family firms in the sample may be that the great majority of Bulgarian family and non-family businesses have been established in the past 15 years. Perhaps this period of time is not long enough for the preferences of the founders of family businesses to stay longer on their positions to become visible.

The CEO in the studied family and non-family businesses are very similar in terms education level. The great majority of the CEO in both family and non-family businesses have acquired a university degree. In contrast to these findings, empirical research in other countries has demonstrated that family business managers possessed generally lower formal qualification than non-family business managers (Cromie et al., 1995; Reid et al., 2000; Smyrnios and Odgers, 2002; Jorissen et al. 2005), which is attributed little formal training of older generations that have established family businesses (Mandl, 2008). The differences are expected to disappear when the ownership and management is transferred to the next generation of qualified young people (Mandl, 2008).

Despite the paternalistic management style prevalent in family businesses (Mandl, 2008), Bulgarian family businesses are not

less likely to appoint female CEO than non-family businesses. Academic literature on family business management has been preoccupied with the importance of gender for the transfer of power in family businesses (Chrisman et al., 1998) despite the fact that empirical findings demonstrate that gender is significantly less important than other attributes such as competence, personality traits, relationships, and involvement in the business (Yordanova, 2010; Chrisman et al., 1998). In European countries more women of the next generation tend to take control of family enterprise (Mandl, 2008). This tendency is explained with the gender equality changes taking place in the society leading to changes in the paternalistic traditions in European countries (Mandl, 2008).

In the context of globalization and increasing competition organizational learning is important for the survival and growth of all types of businesses. In this study family and non-family enterprises are equally likely to exhibit high learning orientation. Empirical research in other countries suggests that family firms have the potential to become learning organizations (Birdthistle and Fleming, 2005). Even, it was suggested that family firms may be better in organizational learning i.e. obtaining, disseminating, interpreting, and remembering knowledge than non-family firms due to their respect for traditions and histories, their networking capabilities, and the longer tenures of their CEO (Moores, 2009).

Non-family firms are not more likely to have internationalized their business than family firms after controlling for other characteristics of the CEO and the business. This finding is in contradiction with previous empirical research comparing European family and non-family businesses, which demonstrates that family businesses in other countries are less export oriented than non-family businesses (Donckels and Fröhlich, 1991; Jorissen et al., 2005).

Family and non-family enterprises in the sample exhibit similar performance and are equally likely to be a large enterprise. Empirical evidence from other countries is controversial about the existence of significant differences in financial performance and growth between family and non-family businesses (Mandl, 2008). Some empirical studies identified statistically significant differences in performance related to family business status (Gallo, 1995; Coleman and Carsky, 1999) or family control (Sabancı Özer, 2012), while other studies did not register any significant differences (Daily and Dollinger, 1992; Westhead and Cowling, 1997; Teal et al., 2003; Jorissen et al., 2005). According to the three-circle model of family business (Tagiuri and Davis, 1982) some specific attributes of family businesses deriving from the overlap between the family and the business have a bivalent effect on family business success. Although these specific characteristics of family businesses may have a direct or indirect impact on firm performance, other factors such as size, sector, national economic situation, etc. tend to exert a greater influence on firm performance than “familiness” (Mandl, 2008. p. 69).

Family and non-family businesses in the present study do not differ significantly in the choice of trade or manufacturing sector. Both the family and non-family businesses included in the sample are more likely to be concentrated in labour intensive business sectors such as services and trade. According to these results,

family ownership and management is not an important factor for the choice of sector of business activity.

Before discussing the implications of the findings, some limitations of the study should be noted. First, this study uses a convenient sample of family and non-family businesses and therefore the findings should be interpreted with caution. Second, data was collected through a self-reported survey and thus may be subjected to cognitive biases and errors. Third, family and non-family businesses may differ in relation to a number of other individual and organizational factors, which are not included in the present study. And finally, the findings may be influenced by specific features of the Bulgarian cultural and institutional environment and therefore may not be applicable to other transition or mature economies.

In order to enhance the understanding of similarities and differences between family and non-family companies operating in different contexts, future research needs to examine the following aspects. Future research should examine similarities and differences between family and non-family businesses in relation to other individual and organizational factors, which are not included in this study. Future research should also examine to what extent the findings of this study can be generalized to family and non-family firms in other contexts.

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