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### Generational Stages in Family Firms: Expanding the Database - Kosovo

Matthew C. Sonfield  
*Hofstra University*

Robert N. Lussier  
*Springfield College*

Robert J. Barbato  
*Rochester Institute of Technology*

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# **Southern Journal**

# *of Entrepreneurship*

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**Southern Academy of Entrepreneurship**

**Volume 4, Issue 1  
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# Southern Journal of Entrepreneurship

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Kirk C. Heriot  
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Brynn V. Dillon  
Copy Editor

Robert J. Lahm  
Creative & Web  
Developer

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For subscriptions or reprints of articles, call (706) 265-0520 or email:  
[kirk.heriot@gmail.com](mailto:kirk.heriot@gmail.com)

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# Southern Journal of Entrepreneurship

April 2011

Volume 4 (1)

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As part of its commitment to applied research and faculty development, the Turner College of Business and Computer Science is pleased to provide financial support for the *Southern Journal of Entrepreneurship*.

# Introduction to Southern Journal of Entrepreneurship, Volume 4, Issue 1

We are pleased to publish Volume 4 (1) of the Southern Journal of Entrepreneurship. Thank you for choosing our new journal. Please share news of our journal with your friends and colleagues.

As with any new endeavor, we would like to thank the many people that were instrumental in helping us prepare and publish our journal. We would like to thank Dr. Linda U. Hadley, Dean of the Turner College of Business and Computer Science at Columbus State University and her administrative team for agreeing to sponsor the journal again in 2011. The costs of starting a new journal are not fully known, so it was quite comforting to know that a portion of the costs would be supported by the university. We also would like to thank Dr. Pat Cantrell, Dean of the College of Business at the University of Central Arkansas, for agreeing to also provide financial support to the journal.

I would also like to personally thank Mrs. Brynn Dillon for agreeing to serve as the Copy Editor for the journal. Brynn's efforts were instrumental to the final copy being created in time for printing. We are very appreciative of her expertise.

In addition, I would like to thank Dr. Robert J. Lahm. Bob developed the website for the journal. In addition, he created the cover art for the journal. We are greatly appreciative of his creative talents.

Lastly, we would like to thank both the authors that submitted manuscripts to the journal and the reviewers that took the time to write the reviews. We felt very fortunate that researchers took a calculated risk to submit their work to a new journal. No peer-reviewed academic journal can be published unless dedicated professionals take the time to critique the work of others. We are truly grateful to the reviewers that participated in the review process.

The journal's editorial staff is very open to your thoughts and suggestions. Our journal is very new so we realize that you may have feedback that will help us improve the journal. We would like to encourage you to let others know about our journal. We look forward to publishing the journal and look forward to your participation.

Kirk C. Heriot  
Editor

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Authors are encouraged to submit articles for Volume 5 not later than August 2011. Papers received after that due date will automatically be considered for future issues of the journal. All manuscripts should be submitted electronically in MS Word to the Editor, Kirk Heriot ([kirk.heriot@gmail.com](mailto:kirk.heriot@gmail.com)).

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## Reviewers

We would like to thank the following individuals for serving as reviewers for Volume 4 of the *Southern Journal of Entrepreneurship*. Our journal could only be published with their valuable, but often times unappreciated efforts to evaluate the manuscripts that are submitted to us.

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# **GENERATIONAL STAGES IN FAMILY FIRMS: EXPANDING THE DATABASE - KOSOVO**

**Matthew C. Sonfield**  
Hofstra University

**Robert N. Lussier**  
Springfield College

**Robert J. Barbato**  
Rochester Institute of Technology

*Expanding the authors' international database of family businesses, this investigation compared first, second and third-generation family businesses in a sample from Kosovo. Both supporting and challenging the existing literature, the findings indicate that, as family businesses move from first to second to third generation, almost all managerial characteristics, activities and practices remain the same. Implications are presented for theory development, for further research, and for those who manage or advise family businesses.*

## **Introduction**

Family firms constitute a highly important component of most countries' economies. In the United States, an estimated 80 percent of the total 15 million businesses are family businesses (Carsrud, 1994; Kets de Vries, 1993). Family businesses contribute more than 50 percent (McCann, Leon-Guerrero & Haley, 1997) to as high as 60 percent (Bellet et al., 1995) of the total Gross National Product, 50 percent of employment (Morris, Williams, Allen & Avila, 1997), and have higher annual sales than non-family businesses (Chaganti & Schneer, 1994). Estimates classify 35 percent of *Fortune 500* firms as family owned (Carsrud, 1994). Data from most other countries provide a similar picture. However, much of the family business literature, regardless of the country being investigated, is non-quantitative and relatively few articles have been published in broad-based business journals (Dyer & Sánchez, 1998; Litz, 1997).

This article reports on an analysis of generational issues in a sample of family businesses in Kosovo, thus expanding earlier analyses by the authors in other countries. It investigates an especially limited segment of the literature, the study of similarities and differences among first, second and third-generation family businesses, as was suggested for further research by Morris et al. (1997). Furthermore, this study adds to the growing quantitative empirical body of family business literature and expands family business research beyond traditional geographical venues to global comparisons, as suggested by Hoy (2003).

## Review of the Literature

The field of Family Business has grown from modest beginnings to a substantial conceptual and theoretical body of knowledge at the start of the twenty-first century. Prior to 1975, a few theorists, such as Christensen (1953), Donnelley (1964) and Levinson (1971), investigated family firms, yet the field was largely neglected (Lansberg, Perrow & Rogolsky, 1988). These early studies were generally conceptual rather than empirical, with a focus on the more fundamental issues, such as what makes a business a "family business" or a "family firm" (the terms are used interchangeably), the dynamics of succession, intra-family conflict, and consulting to such firms (Handler, 1989; Sharma, Chrisman & Chua, 1997). In 1988, with the launching of the journal *Family Business Review*, the first and only scholarly publication devoted specifically to family business, the field reached a level of maturity to foster a significant progression and resulting body of research and findings.

A thorough analysis by Dyer and Sánchez (1998) of all articles published in the first decade of *Family Business Review* provides a clear picture of directions in family business research. In descending order, the most frequent topics of articles published during this period were: Interpersonal family dynamics, Succession, Interpersonal business dynamics, Business performance and growth, Consulting to family firms, Gender and ethnicity issues, Legal and fiscal issues, and Estate issues. In terms of types of articles published, Dyer and Sánchez found that, over the decade analyzed, the proportion specifically describing the art of helping family businesses declined.

Even with this maturation of the field, a variety of definitions of "family business" continue to serve as the basis for the research and articles within this body of literature (Littunen & Hyrsky, 2000; Ward, 1986; Ward & Dolan, 1998). For the purposes of this study, a family business is one in which family members dominate the ownership and management of a firm, and perceive their business as a "family business." Furthermore, this research study recognizes all first-generation family firms as included in the definition. This definition is consistent with that of many prior studies (Chua, Chrisman & Sharma, 1999; Dreux & Brown, 1999; Gersick, Davis, Hampton & Lansberg, 1997; Litz, 1995).

The focus of this article is an aspect of family business which has generally been relegated to a secondary or peripheral study in past studies. Specifically, as family firms move beyond the first generation of family member ownership and involvement in management, do changes occur? If family firms involve a *system* of 1) the family, 2) the individual family members, and 3) the business unit, how do generational changes in the system components impact each other? Are there significant differences between First-Generation Family Firms (1GFFs), Second-Generation Family Firms (2GFFs) and Third-Generation Family Firms (3GFFs)? And if there are significant differences, do they exist in family businesses in most countries? For this research, a 1GFF is defined as a family-owned and managed firm, with more than one family member involved, but only of the first and founding generation of the family. A 2GFF and a 3GFF are defined as firms in which the second or third generations of the family are also involved in the ownership

and the management of the company. In a 2GFF or 3GFF, the original founder(s) and/or other members of earlier generations may be retired from the firm or deceased; thus not all (two or three) generations need be currently participating. Furthermore, in a 2GFF or a 3GFF, the locus of managerial and family primary leadership may be located at any generational level. This working definition is consistent with previous studies that dealt with generational issues in family firms (Beckhard & Dyer, 1983; Davis & Harveston, 1999; Dyer, 1988; Hershon, 1975; Schein, 1983), and with definitional issues (Handler, 1989; Kelly, Athanassiou & Crittenden, 2000). The existing literature suggests a variety of possible differences between first-generation and subsequent-generation family firms, but most studies' examinations of generational issues were only a small or tangential part of a larger focus on other or broader family firm issues.

Since this current research study utilizes a data sample from Kosovo, a brief discussion should be provided regarding the *international* dimensions of family business research. As discussed above, research with this focus is a rather recent phenomenon, with very few published academic articles prior to the late 1980's when the first dedicated academic journal, *Family Business Review*, was established. Most of the early family business research focused on family firms in the United States and the United Kingdom. Only more recently have researchers in other countries conducted family business research in their countries. To give a few examples, recent studies have been conducted in Japan (Saito, 2008), Kenya (Kelly, Lewa & Kamaria, 2008), Malaysia (Wan & Wan, 2009), New Zealand (Nicholson, Shepherd & Woods, 2009), Spain (Perez & Puig, 2009), and Taiwan (Fu-Lai, 2009). Yet virtually all of the international studies have focused on the single country of the author(s). Virtually no studies have *compared* family firm characteristics across national boundaries.

This analysis of *generations* should be compared with another focus within the family business literature – a focus on developmental issues or the *stages* of the evolution of family business growth. For example, Gersick et al. (1997) present a developmental model of four typical stages in the growth of a family business, with significant analysis of the characteristics of the firm in each stage, and the implications regarding effective management in each stage. Others, such as Peiser and Wooten (1983), focus on the *life cycle* changes in family businesses. While this developmental focus is important, these researchers admit to the complexity of this focus and the resulting models. In contrast, it is proposed that a *generational* focus is a less complex way to measure the development of a family business and therefore a valid alternative method, and it is furthermore proposed that theory and future models based on *generations* may be easier to use, especially for family business owner-managers and many of the consultants who assist such firms.

The following hypotheses derive from specific references in the family business literature to generations (1GFFs versus 2GFFs, and occasionally 3GFFs) and proposed similarities and differences between them. Because of the relatively limited prior research specifically focusing on generational issues in family business, it is important to recognize that these hypotheses are based largely on previous *findings* rather than on established *theories*.

## Hypotheses

As discussed earlier, this *generational* focus constitutes ground-floor research. Thus, at this stage of analysis a broad rather than narrow examination is appropriate. Therefore the hypotheses which follow derive from many different prior family business studies, wherever a potential relationship to generational issues was identified.

Dyer (1988) found that 80 percent of 1GFFs had a *paternalistic* management culture and style, but that in succeeding generations more than two-thirds of these firms adapted a *professional* style of management. *Paternalistic* management was characterized by hierarchical relationships, top management control of power and authority, close supervision, and distrust of outsiders. *Professional* management involved the inclusion, and sometimes the predominance, of non-family managers in the firm.

McConaughy and Phillips (1999), studying large publicly-owned founding-family-controlled companies, concluded that descendent-controlled firms were more professionally run than were founder-controlled firms. These writers postulate that first-generation family managers are entrepreneurs with the special technical or business backgrounds necessary for the creation of the business, but the founder's descendents face different challenges - to maintain and enhance the business - and these tasks may be better performed in a more professional manner, often by non-family members. Both Dyer (1988) and McConaughy and Phillips (1999) found an earlier basis in Schein (1983), who also suggested that subsequent generations in family firms tend to utilize more professional forms of management.

It can be argued that the *size* of a family business grows in subsequent generations, and that it is the *size* factor, rather than the *generation* factor that influences the level of *professionalism* in the management of a family firm (and similarly influences many of the other factors dealt with in the following hypotheses). Clearly, as this and other studies show, the size of a family business tends to expand with subsequent generations. It is not the intention of this study to control for size, but rather to focus on *generations* as a possible simple yet important measure by which to categorize family businesses. Thus, the above findings lead to:

*H1:* Subsequent-Generation Family Firms are more likely than First-Generation Family Firms to include non-family members within top management.

(For this and the following hypotheses, this phrasing means that 3GFFs are more likely than 2GFFs, and 2GFFs are more likely than 1GFFs.)

Nelton (1998) investigated gender issues in family firms and concluded that daughters and wives are rising to leadership positions in family firms more frequently than in the past, and that the occurrence of daughters taking over businesses in traditionally male-dominated industries is increasing rapidly. Focusing on societal trends

rather than family firm generational issues, Cole (1997) found the number of women in family businesses increasing. More generally, U.S. Census Bureau data showed women-owned firms growing more rapidly than those owned by men (Office of Advocacy, 2001). While it might be argued that these societal trends would impact family businesses equally at all generational levels, Nelton's focus on daughters and succession more strongly relates to the focus of this study. This leads to:

*H2:* Subsequent-Generation Family Firms are more likely than First-Generation Family Firms to have women family members working in the firm.

The distribution of decision-making authority in the firm is another aspect of family business behavior. As previously discussed, Dyer (1988) found decision-making to be more centralized in first-generation family firms than in subsequent-generation family firms. Aronoff (1998) developed this suggestion further and postulated that subsequent-generation family firms are more likely to engage in team management, with parents, children and siblings in the firm all having equality and participative involvement in important decision-making, even if one family member is still the nominal leader of the business. Aronoff furthermore reported that 42 percent of family businesses are considering co-presidents for the next generation. This leads to:

*H3:* Subsequent-Generation Family Firms are more likely than First-Generation Family Firms to use a "team-management" style of management.

Interpersonal dynamics, including conflict and disagreement among family members, has been a major focus of family firm research (Kellermanns & Eddleston, 2004). Conflict can exist in first-generation family firms, when siblings, spouses or other relatives participate in management and/or ownership, and conflict can also arise between members of different generations in subsequent-generation family firms. Beckhard and Dyer (1983) found that conflict among family members increases with the number of generations involved in the firm. Conversely, Davis and Harveston (1999, 2001) concluded that family member conflict increased only moderately as firms moved into the second-generation stage, but there was a more sizable increase from second to third-generation. This leads to:

*H4:* Subsequent-Generation Family Firms are more likely than First-Generation Family Firms to have conflict and disagreement between family members.

Another major focus of the literature on family firms has been succession. The primary issues here involve the difficulties founders have in "letting go" and passing on the reins of control and authority, the lack of preparation for leadership next-generation family members often receive, and thus the need for, and importance of, succession planning (Davis, 1983; Handler, 1994; Upton & Heck, 1997). Dyer (1998) investigated "culture and continuity" in family firms, and the need for firm founders to understand the

effects of a firm's culture and that culture can either constrain or facilitate successful family succession. Fiegner and Prince (1994) compared successor planning and development in family and non-family firms, and found that family firms favor more personal relationship-oriented forms of successor development, while non-family firms utilize more formal and task-oriented methods. Building upon these and other studies of succession in family firms, Stavrou (1998) developed a conceptual model to explain how next-generation family members are chosen for successor management positions. This model involves four factors which define the context for succession: *family, business, personal and market*.

Some of the earlier family business studies have dealt with various aspects of succession, but none have specifically investigated succession planning and practices in first-generation versus subsequent-generation family firms. Still, given that the importance of succession has been well established and publicized, and that family firms often experience the trials of succession as they move from one generation to the next, it would be expected that subsequent-generation family firms are more likely to recognize the importance of succession than are first-generation family firms and respond accordingly. Thus, this leads to:

*H5:* Subsequent-Generation Family Firms are more likely than First-Generation Family Firms to have formulated specific succession plans.

A number of earlier researchers of family firms have postulated that, as these firms age and/or move into subsequent-generation family management and ownership, they also progress from one style of management to another. Informal, subjective and paternalistic styles of leadership become more formal, objective and "professional" (Aronoff, 1998; Cole & Wolken, 1995; Coleman & Carsky, 1999; Dyer, 1988; Filbeck & Lee, 2000; McConaughy & Phillips, 1999; Miller, McLeod & Oh, 2001; Schein, 1983).

"Professional" management may involve the following: (a) the use of outside consultants, advisors and professional services, (b) more time engaged in *strategic* management activities, and (c) the use of more sophisticated financial management tools. These conclusions lead to three hypotheses:

*H6:* Subsequent-Generation Family Firms are more likely than First-Generation Family Firms to use outside consultants, advisors and professional services.

*H7:* Subsequent-Generation Family Firms spend more time engaging in strategic management activities than First-Generation Family Firms.

*H8:* Subsequent-Generation Family Firms are more likely than First-Generation Family Firms to use sophisticated methods of financial management.



Still another issue of interest in the investigation of family business is ~~“generational shadow”~~ (Davis & Harveston, 1999). In a multi-generation family firm a generational shadow, shed by the founder, may be cast over the organization and the critical processes within it. In such a situation, ~~“succession”~~ is considered incomplete, may constrain successors, and may have dysfunctional effects on the performance of the firm. Yet this ~~“shadow”~~ may also have positive impact, by providing a clear set of values, direction and standards for subsequent firm managers. Kelly et al. (2000) similarly proposed that a family firm founder’s ~~“legacy centrality”~~ will influence the strategic behavior of succeeding generations’ family member managers, with both positive and negative impact. Davis and Harveston (1999) also investigated generational shadow, but reached mixed conclusions regarding its impacts. If ~~“generational shadow”~~ and ~~“legacy centrality”~~ are valid components of the family business system, then management in both first-generation family firms (with the founder in control) and in subsequent-generation family firms (with the founder having strong presence even if not actually there) should be influenced by the objectives and methods of the founder:

*H9:* Top management styles and decisions in Subsequent-Generation Family Firms are neither more nor less likely than in First-Generation Family Firms to be influenced by the original business objectives and methods of the founder.

Although most family firms are privately owned, some are not. As family firms grow and/or as they move into subsequent generational involvement, opportunities and needs for ~~“going public”~~ may arise. The family may not be able, or may not choose, to provide sufficient management or financial resources for growth, and outsider ownership can resolve this situation. And even publicly owned companies can continue as ~~“family businesses,”~~ if management or financial control is maintained by the family. In the United States, McConaughy (1994) found that 20 percent of the *Business Week 1000* firms are family-controlled, while Weber and Lavelle (2003) report that one-third of *S & P 500* companies have founding families involved in management. However, opportunities to sell a family firm’s equity to the public obviously vary from country to country, depending upon the strength of the economy, the distribution of wealth, and equity market characteristics. Certainly the status of these factors in Kosovo are less-developed than in more developed countries. Thus:

*H10:* Subsequent-Generation Family Firms are more likely than First-Generation Family Firms to have considered ~~“going public.”~~

Decisions with regard to capital structure decision are important for family businesses (Romano, Tanewski & Smyrnios, 2001). Following from the preceding discussion, subsequent-generation family firms may use equity financing rather than debt financing, as they grow through the sale of company stock. Cole and Wolken (1995) and Coleman and Carsky (1999) found that older and larger family firms use more equity financing and less debt financing than younger and smaller family firms.

Yet other researchers have found that family businesses, and especially first-generation ones, are reluctant to use debt financing (Bork, Jaffe, Jane, Dashew & Heisler, 1996; Gersick et al., 1997). Thus, with the literature pointing in both directions:

*H11:* Subsequent-Generation Family Firms are neither more nor less likely than First-Generation Family Firms to use equity financing rather than debt financing.

## Methodology

### *Country Selection*

The opportunity to collect data in Kosovo provided continued expansion of the authors' data base of family businesses. Earlier analyses of family businesses have been conducted in Croatia, Egypt, France, India, Kuwait, and the United States.

The Republic of Kosovo, with a population of about 2 million, is located in the center of the Balkan Peninsula. Kosovo is a new country which is in the early stages of creating a market driven economy with minimal intervention from the government. Kosovo imports mostly come from Macedonia and Serbia, as well as from other European countries.

Kosovo's GDP in 2008 was 3.8 billion Euros, just above 1,800 Euros per capita, the lowest in the Balkans. Kosovo's economy relies heavily in remittances from abroad, which represent up to 15% of the GDP, as well as foreign direct investments. Kosovo is one of the poorest countries in Europe with 70% of the population younger than 35. The data on the unemployment rate and poverty are not that reliable. International Financial Institutions such as World Bank and IMF have different perceptions on the employment rate. It is believed that unemployment in Kosovo ranges from 25 to 40%, the highest in the Balkans.

There are 90,929 registered businesses in Kosovo, 89,447 (98.3%) of which are micro enterprises with 1-10 employees. Another 1,218 enterprises are registered as small enterprises with 10-49 employees. The above figures are good illustrations on how much the Kosovo economy relies on micro and small businesses which mostly are family businesses where the families are involved in the operations of these enterprises.

See Table 1 for a summary comparison of Kosovo to the other six countries.

### *Sample*

The sample of Kosovo businesses were collected using personal interviews. One of the coauthors went to Kosovo to teach a course, and asked students if they knew any family business owners. Student who knew family businesses interviewed the owners at their place of business. The process resulted in data from 80 family businesses, and 85 percent of the students turned in a completed questionnaire. Thus, the sample size was 80 with a response rate of 85 percent.

In the sample, 40 respondents or 50 percent of the firms are in the first generation, 31/39 percent are in the second generation, and 9/11 percent are in the third or higher generation. The mean number of years the sample firms have been in business is 11.81, with a standard deviation of 8.35. More firms offer a service than a product (62/77% vs. 18/23%). Form of ownership varied with more sole proprietorship, to partnership, to corporations (65/81%, 13/16%, 2/3%). Based on the EU classification of size, the number of employees varied from micro (0-9 = 45/56%), to small (10-49 = 27/34%), to medium (50-249 = 8/10%), with no large (250+) firms.

This is an excellent sample size and response rate (80/85%) for family business, as it has been reported that 62 percent of prior family business studies included no sample at all, or a sample with less than 100 family businesses, and 66 percent of these were convenience samples (Bird, Welsch, Astrachan & Pistrui, 2002). In three highly-rated small business and entrepreneurship-oriented journals (*Entrepreneurship Theory and Practice*, *Journal of Business Venturing*, and *Journal of Small Business Management*) around one-third of the articles had a response rate of less than 25 percent (Dennis, 2003).

#### *Measures*

*Dependent variables.* The dependent variables to test Hypotheses 1-11 were as follows. (H1) Does the firm have non-family managers?—the percentage of family to non-family managers. (H2) The percentage of male and female family members involved in the operation of the firm. Hypotheses 3-10 were Likert interval scales of: “Describes our firm” 7 6 5 4 3 2 1 “Does not describe our firm.” (H3) full family involvement in decisions, (H4) level of family conflict, (H5) formulation of succession plans, (H6) use of outside advisors, (H7) long-range thinking and decision-making, (H8) use of sophisticated financial management tools, (H9) influence of founder, and (H10) considering going public. (H11) The use of debt or equity financing was a nominal measure of one or the other. Descriptive statistical data included number of years the firm was in business, the number of employees, industry (product or service), and form of ownership.

*Independent variable:* The independent variable for the first 11 hypotheses was the number of generations involved in the operations of the family business. The nominal measure was one, two or three or more generations.

#### *Analysis of Variance*

Hypotheses 1-10 compared the dependent variable among the three generations using one-way ANOVA. Hypothesis 11, having nominal measured variables, compared debt to equity by generations using chi-square.

## Results

See Table 2 for a summary of descriptive statistics. Also, see Table 3 for a comparison of the means for the dependent variables. See Table 3 for the results of hypotheses testing. The numerical statistical test result data are presented in this table.

There was only one of the 11 ANOVA tests that had a significant difference. The generation use of sophisticated financial methods was 1<sup>st</sup> mean 4.85, 2<sup>nd</sup> mean 6.0, and 3<sup>rd</sup> mean 5.44. The post hoc multiple comparisons test of differences between generations found that there is a significant difference in the use of financing between the first and the second generations, but the difference between the second and third generations, and the first and third generations, is not significant. Thus, we can conclude that as the family business moves from the first to second generation, it makes greater use of sophisticated financial methods but not as it moves from second to third generation.

## Discussion

Clearly, much of the earlier literature findings regarding possible generational differences among family firms are not supported by this study. In most respects, 1GFFs, 2GFFs and 3GFFs in Kosovo share the same characteristics and behavior patterns. These findings are generally consistent with the authors' more recent findings in other countries. Thus, these current results do not support the earlier findings and conclusions of Aronoff (1998), Beckhard and Dyer (1983), Cole and Wolken (1995), Coleman and Carsky (1999), Davis and Harveston (1999, 2001), Dyer (1988), Filbeck and Lee (2000), McConaughy and Phillips (1999), Miller, et al. (2001), and Schein (1983), all of whom found and/or postulated generational differences among family businesses (as discussed in detail in the *Hypotheses* section).

Certainly the very small size of Kosovo, its young market economy, and the recent establishment of many of its family businesses, have had an impact upon these data results. Smaller than any of the six countries previously analyzed (in population, GNP, and in sample businesses size), generational influences can be expected to be more minimal. This study provides a profile of the nature of family businesses in a small country with a relatively short history of capitalism.

## Implications

There are several important contributions of this study and its findings. Beyond the authors' studies, prior family business research has rarely focused specifically on comparisons of first, second, and third-generation firms. The few other investigations of this issue have generally been conceptual or otherwise qualitative, or a tangential empirical analysis within a larger family business study (Beckhard & Dyer, 1983; Davis & Harveston, 1999; Dyer, 1988; Hershon, 1975; Schein, 1983). Thus, this study extends ground-floor empirical investigation of this specific issue, and adds to the limited existing and primarily qualitative body of literature.

A better understanding of these generational similarities and differences might direct and enable entrepreneurship, small business, and family firm researchers to better focus their future investigations and theory development into these three generational categories as separate entities, might strengthen the effectiveness of advisors, consultants, and others who assist family firms by allowing them to differentiate, as needed, between their first, second and third-generation family business clients, and also might assist family business owner-managers in their understanding and self-analyses of their businesses.

This study also supports the authors' earlier findings that family firm generational factors differ to a certain degree from one country to another, and that family businesses in more developed countries may have some generational differences not found in less-developed countries (Sonfield et. al., 2005).

Furthermore, the findings of this study with regard to generational analyses provide data that are different from the conclusions reached by most of the limited previous conceptual and empirical research. This raises questions about these earlier conclusions and indicates a need for further empirical research.

And lastly, another valuable contribution of this study is that it extends the authors' prior investigations of this subject into a new country – Kosovo. As more countries are added to the authors' family business data base, the value of their research grows.

### **Conclusions**

In summary, this investigation compared first, second and third-generation family businesses in a sample from Kosovo. Both supporting the authors' various prior country studies and yet challenging the earlier more conceptual literature, the findings of this study indicate that, as family businesses move from first to second to third generation, most managerial characteristics, activities and practices remain the same. Implications have been presented for theory development, for further research, and for those who manage or advise family businesses.

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**Table 1**  
**Country Data**

Country	Population (millions)	Gross Domestic Product US\$	Per Capita GDP US\$	GEM TEA Rate
<b>Kosovo</b>	<b>1.8</b>	<b>5,000,000,000</b>	<b>2,300</b>	<b>NA</b>
Croatia	4.5	69,980,000,000	16,100	3.6
Egypt	83.1	158,300,000,000	5,400	NA
France	64.1	2,978,000,000,000	32,700	3.2
India	1,166.1	1,237,000,000,000	2,800	17.9
Kuwait	2.7	159,700,000,000	57,400	NA
USA	307.2	14,330,000,000,000	47,000	10.5

**Table 2**  
**Descriptive Statistics**

Variable	Total (N = 80)
Generation ( n / % )	
1 <sup>st</sup>	40 / 50%
2 <sup>nd</sup>	31 / 39%
3 <sup>rd</sup>	9 / 11%
Years in business (mean / s.d.)	11.81 / 8.35
Industry ( n / % )	
Product	18 / 23%
Service	62 / 77%
Ownership ( n / % )	
Corporation,	2 / 3%
Partnership,	13 / 16%
Sole proprietorship	65 / 81%
Number of employees (mean / s.d.)	19.49 / 36.29

Distribution of Sample by Size (European Union Categories)

Size	Number of Employees	Sample (N =80)
Large	≥ 250 (250 +)	n = 0 / 0%
Medium	< 250 (50-249)	n = 8 / 10%
Small	< 50 (10-49)	n = 27 / 34%
Micro	< 10 (0-9)	n = 45 / 56%

**Table 3**  
**One Way ANOVA Hypotheses Tests (N = 80)**

<b>Variables</b>	<i>Mean/s.d.</i> <i>(frequency)</i>	<i>F</i>	<i>P-Value</i>
Generation—IV used to test 11 Hypotheses DVs (1 <sup>st</sup> , 2 <sup>nd</sup> , 3 <sup>rd</sup> )	(40/31/9)		
H1. Percentage of Non-family managers (% non-family managers)	18.00/27.10	.341	.712
H2. Percentage of women involved business (% of women)	27.2/25.63	1.234	.297
H3. Use of team-management decision style (7-1)	5.31/1.91	.456	.635
H4. Occurrence of conflict and disagreements (7-1)	2.16/1.64	.481	.620
H5. Formulation of specific succession plans (7-1)	3.69/2.43	.409	.666
H6. Use outside advisor/professional services (7-1)	3.59/2.35	1.002	.372
H7. Time spent in strategic planning (7-1)	4.66/1.99	.954	.390
H8. Use sophisticated financial mgt methods (7-1)	5.36/1.97	3.170	<b>.048</b>
H98: Influence of original founder (7-1)	5.55/1.77	.196	.823
H10. Consider going public (7-1)	3.03/2.42	10276	.285
H11. Debt or equity financing (Chi-Square test)	(31 / 49)	.474	.789

**(7-1) "Describes our firm" 7 6 5 4 3 2 1 "Does not describe our firm."**