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RESILIENCE IN ROMANIAN SMALL FAMILY BUSINESSES

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Abstract:
One of the key characteristics of small family businesses who could enhance profitability frequently mentioned in last years by the academic literature refers to resilience. Increased competition, shift to knowledge based economy, changes in customer behavior and managerial practices are factors that influence significantly SMEs performances. This article analyze the connections between resilience- change management strategy- performances for Romanian small family businesses. The research found that family firms are more likely to emphasize performance using change management strategy than other small and medium companies and also that relationship between change strategy and both turnover and profitability is stronger for these companies.

Key words: Resilience, family-owned firms, change strategy, SMEs performance

Introduction

Only few studies have examined family firms in use of change strategies to develop resilience. Family firms are credited as the engine of entrepreneurship all over European Union (Rogoff et al. 2003, Castillo and Wakefield 2006). Despite this important role, not much is known about how they build resilience capabilities. Family firms adopt a long-term focus, are cooperative with stakeholders and tend to hire long-term employees (Miller et al. 2009). However, family firms don't have managerial knowledge, lack skilled employees and capital and face family conflicts in managing the business (Schulze et al. 2003, Miller 2006, Ceptureanu SI, 2015). Thus, change are likely to impact family firms differently from other types of organizations. Resilience is generally thought of as „the ability of a firm to persist in the face of substantial changes in the business and economic environment and/or the ability to withstand disruptions and catastrophic events" (Sheffi and Rice 2005). Resilience has also been conceptualised at the organisational level as „the power of organisational units to resume, bounce back or positively adjust to untoward events, disruptions and external shocks" (Powley 2009). In this article, "resilient capabilities imply the ability of firms to align their change strategies to the market resulting in superior performance" (Ceptureanu, E.G, 2015).

This is important because "developing resilience should be conceived as a strategic initiative aimed at reducing the vulnerabilities brought about by the changes in the competitive environment" (Sheffi and Rice 2005, Ceptureanu SI, 2015). Little attention has been payed to analyse the impact of change strategy on small family company performance. Anderson and Reeb (2003) and Villalonga and Amit (2006) researches demonstrated that family-controlled firms outperform other types of SMEs. The relationship between change strategy and firm performance is likely to be different for the two types of firms. Organisations are better able to develop resilience capabilities when they have business models that fit the needs of the competitive environment (Ceptureanu E et al., 2014). Therefore, one way of responding effectively to crises for businesses is the alignment of change strategy with performance. We argue that change strategy and its relationship with performance represent ways to achieve resilience. This is because change strategy influences the structural and infrastructural decisions that build flexibility in resource acquisition and deployment that in turn reduce vulnerabilities against severe economic changes (Sheffi and Rice 2005).

Theoretical background

In defining a family firm, researchers have focused on characteristics such as family vision; family control and involvement in ownership and management (Anderson and Reeb 2003, Chrisman et al. 2004). Accordingly to the international literature, we define family firm accordingly as a "small business that is owned by a specific family which is involved in the firm's management processes"(Chua, 1999). Entrepreneurs in this companies have "the freedom and motivation to pursue bold strategic initiatives that are devised with long-term capabilities development, performance and reputation of the business in mind" (Miller and Le Breton-Miller 2003, Ceptureanu SI et al, 2015). Recent studies have produced contradictory evidence with respect to the performance effects of family ownership. Some investigations didn't find any relationship between family ownership and company performance (Castillo and Wakefield 2006, Westhead and Howorth 2006) but others have shown that family-owned companies outperform classic ones (Anderson and Reeb 2003, Villalonga and Amit 2006). For economic sustainability, SMEs are increasingly playing a key role being the engines of employment, according to Ceptureanu S et al. (2010), in Romania SMEs represent over 95% on total enterprises, contribute to 66, 2% of employment and 57, 9% on turnover. Unfortunately, only 2 out of 10 SMEs have introduced or significantly improved new products, process or organizational/marketing methods (Ceptureanu S.I., 2014). Such facts have led to the conception of sustainable SMEs that should be 'robust in face of anticipated and unanticipated economic, environmental and social challenges' (Moore and Manring, 2009). Hence, the development of sustainable SMEs that are able to change and adapt to a turbulent environment is a concern for SME managers and practitioners alike. Change strategy in small business is considered to be enacted in a highly personalised manner and is strongly influenced by the actions, abilities and personality of the key people in the company (Beaver and Prince, 2004). Hence, a central, directive decision making, top-down, stiff type of management style is prevalent (Dean, 1986). This kind of behaviour is encouraged due to the fact that SME entrepreneurs often own the company or have personal investment in the business (Duchesneau and Gartner, 1990). Customer pressure in supply chains for low-cost-based competition and the need for rapid, innovative responses, as well as new product development, are important drivers for change in SMEs (Sheffi 2005, 2006, Hudson-Smith and Smith, 2007). Also, increased competition based on overall product and service quality and increasing demand for just-in-time delivery, flexibility and responsiveness are among other key drivers for change in SMEs (Sheffi and Rice, 2005). In summary, we can identify the following characteristics having an impact on SME behaviour in change management: (1) Lack of strategic planning. (2) Hasty approach to solve day-to-day problems. (3) Greater focus on operational and technical issues. (4) Stiff organizational culture. (5) Tacit knowledge and informal decision making. (6) Poor management skills as the SME grow. (7) Entrepreneurial orientation and opportunity seeking.

Method and results

The sample consisted of small and medium companies drawn from a list of companies available with support from National Trade Register Office. We contacted the entrepreneurs, explained the purpose of the study, gave the questionnaires and obtained promissory dates when we would receive the completed questionnaires. The entire data collection process took 2 months. A total of 79 completed surveys were obtained representing a response rate of 45.14%. We checked for nonresponse bias by testing the size and ownership structure and found no statistical differences between early and late respondents (Lambert and Harrington 1990). Change strategy was assessed using 5 items derived from Inner-Work organization model (www.innerworkcompany.com). We assessed performance using two items: company's turnover and profitability. We chose to use self-reported performance measures (Youndt et al., 1996). Firms in Romania are not often called upon to provide financial data to researchers and as such, gaining access to objective data from company sources was extremely difficult. For each measure, the respondent was asked to indicate the extent to which the actual performance of his/her firm compared to the firm's competitors over the last years. The reliability and validity of the measures were assessed through the determination of the Cronbach alpha coefficients, content validity and the use of factor analyses. The reliability coefficients are shown in the diagonal in Table 1 (Swink et al. 2005). There are several significant relationships between the change strategy and performance variables.

Table 1. Research statistics

No.	Variable	Mean	SD	1	2	3	4	5	6
1	Assess for Change	5.51	0.91	**0.68**	-	-	-	-	-
2	Prepare for change	6.27	0.59	0.32**	**0.55**	-	-	-	-
3	Plan for change	6.21	0.92	0.26**	0.41**	**0.69**	-	-	-
4	Implement the change	5.52	0.83	0.32**	0.45**	0.42**	**0.61**	-	-
5	Sustaining the change	6.18	0.89	0.22**	0.53**	0.45**	0.44**	**0.72**	-
6	Turnover	5.21	1.02	0.28**	0.32**	0.47**	0.48**	0.42**	**0.66**
7	Profitability	0.32	0.44	-0.01	-0.06	-0.09	-0.02	0.01	0.00

Table 2. Impact of change strategy on performance

	Change strategy		Performance	
Variables	Family small businesses	Classic small businesses	Family small businesses	Classic small businesses
Firm size	0.069	0.099	0.070	0.099
Ownership structure	-0.011	-0.242*	-0.011	-0.237*
Assess for Change	**0.309***	0.041	0.249	0.029
Prepare for change	0.10	**0.248**	**0.372***	0.038
Plan for change	**0.329***	**0.362****	-0.191	0.108
Implement the change	0.144	-0.021	0.209	0.067
Sustaining the change	0.121	0.018	0.299	0.052
R2	0.565	0.321	0.371	0.007
Change in R2	0.551	0.292	0.312	0.04
Model F	9.918***	4.089**	4.488***	0.419
N	79			

Conclusion

This paper has proposed to investigate the link between change strategy performance and resilience on small and medium companies. The results confirm that family SMEs obtain better results than other types of firms due to greater influence on business owners on creation and implementation of change management. The change strategy is a mechanism through which a firm makes strategic competitive choices to generate growth. Thus, strong relationships are expected to exist between change strategy choices and resilience. Under this logic, the firm makes structural decisions that provide the capabilities that the firm needs to develop resiliency and achieve competitive goals. Firms are better able to build resilience when they have change models that fit the needs of the existing competitive environment. Because family firms have different resources and capabilities comparative with other types of SMEs it might build resiliency differently in response to the business environmental conditions. Our study found that family firms are more likely than classic firms to emphasise performance. This is perhaps a consequence of the ability of family company to better respond to their stakeholders needs. Moreover, because family firms have less span of control, they will be more agile and likely to gain cooperation from their employees to recognise the ability to change quickly and adapt to objectives changes as important aspects of a change strategy in their drive to achieve resilience. Our findings show that the relationship between change strategy and both turnover and profitability is stronger for family firms than classic ones. We consider additional studies are needed in this area; specifically those using data from other UE countries to understand how firms in those countries can use change strategy to build resilient capabilities.

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