

ANALYSIS OF INTERNATIONAL PRACTICE ON FAMILY BUSINESS

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Abstract. This article examines the approaches of various scientists on the nature, importance and specific characteristics of family business. The index of countries on family business, family companies, the current situation of family business in Finland is analyzed as an example of the international practice of family business. Relevant conclusions were formed based on the conducted studies.

Key words: family business, family enterprises, family business index for countries, family traditions, life cycle of family business.

Introduction

In the modern economy, one can witness various organizational and legal forms of doing business. The presence of such diversity helps to effectively organize a business by choosing a convenient organizational and legal form of doing business. Today, not only in our country, but also in international practice, attention is increasing to running a family business. From international practice, we can see that some family companies even receive annual income exceeding the gross domestic product of a number of developing countries. A number of measures are being implemented in our country to effectively organize family business and turn it into one of the highly profitable business forms, but there are still problems that need to be solved. In particular, not all legal and regulatory documents adopted on running a family business work effectively in practice, insufficiently created favorable conditions for the activities of family entrepreneurs, and obstacles to the export of products manufactured by family entrepreneurs are among these problems. The existence of such shortcomings and problems and the need to eliminate them indicate the relevance of studying international practice in family business. Therefore, below we will analyze international practice in family business.

Literature review

Research on family businesses has been conducted by various economists around the world. In particular, a group of foreign scholars noted that “family businesses are the dominant business form globally, especially in Asia, but compared to the current theories in Western countries that are used to generalize family businesses, conceptual and empirical studies investigating the factors influencing the strategic behavior of family businesses in Asia are significantly lacking. More than 80% of enterprises worth US\$1 billion in Southeast Asia are family businesses or conglomerates, and family businesses account for up to 85% of national GDP in ten countries in the region” [1].

Other researchers have focused on the specific characteristics of family businesses. In particular, “the early practical experience of entrepreneurs in family businesses may be marked by informal network dependence and interference from family members, which may hinder the entrepreneurial family business from acquiring new knowledge and making R&D investments. Theoretically, there is a priority for green innovation in restructured family companies” [2].

Researchers have also focused on the emergence of family businesses. “Family business is one of the oldest and most basic forms of business organization. The growth and survival of family companies in today's competitive environment depends on a number of factors. In particular, these include the issues of forming, expanding or reconfiguring organizational capabilities in response to a

significantly rapidly changing environment. The presence of a single management for organizing and implementing the directions of action of family members plays an important role in solving business problems and achieving goals” [3].

“Family businesses are defined as businesses in which the overall ownership and control is exercised by the family and where at least two or more family members participate in the management of the business and are of great importance worldwide. They account for more than 70% of all businesses, create 60% of jobs on average, and contribute an average of 67% to global gross domestic product (GDP)” [4].

Other researchers have compared family businesses to state-owned enterprises. “The unique ownership structure of family businesses allows them to organize for the long term, which is often lacking in traditional state-owned companies. They forgo excess profits that are available during periods of financial stability in order to increase their chances of survival during periods of financial distress. The CEO of a family-run company may have similar financial incentives to those of non-family company executives, but the family commitment he or she feels leads to very different strategic choices. Family company executives often focus on what they can do now for future generations, investing 10 or 20 years ahead” [5].

According to P. Pounder, “the general definition of a family company is that the family has sufficient equity to exercise control over strategy and participate in senior management positions. Family traditions and their legacy are of great importance in this business, and younger generations tend to remain faithful to their family's way of doing business. This is very important because the family legacy and traditions are preserved and play an important role in decision-making” [6].

We can also witness the fact that in Uzbekistan, extensive research has been conducted on family business. “A family business is a small business entity established by its participants on a voluntary basis for the production and sale of goods, based on the shared or common property of the participants, as well as the property of each of the participants. The activities of a family business are based on the personal labor of its participants. A family business operates only as a legal entity.” [7]

Researchers led by Sh. Kuvandikov noted that “the family entrepreneurship support system is a complex process that is implemented in several directions and requires unique approaches. In-depth study and analysis of such complex processes now requires the discovery of unconventional methodological concepts, principles of a unique approach to the issue. The principles of a synergistic approach to solving problems, as a new scientific field, are of great importance in the study of these processes, creating the need to widely use its methodological capabilities. The application of synergetic methods in the field of entrepreneurship makes a significant contribution to the development of its methodology and proves the ideas about the synergistic, that is, self-organizing nature of the process of organizing and conducting entrepreneurial activity” [8].

Agreeing with the above researchers, we can say that the development of family businesses and the development of effective organizational mechanisms across our country are of great importance in the development of our country's economy.

Research methodology

This article uses the comparative method to analyze international family business practices by comparing indicators from different countries and companies. Analysis, synthesis, and scientific abstraction are carried out through various analyses.

Analysis and discussion of results

In recent years, research has been conducted around the world not only by researchers, but also by large organizations on the development of family businesses. Especially during the pandemic, the importance of research on the preservation and effective organization of family businesses has increased. In particular, every year in the United States, the Family Enterprise USA (FEUSA)

organization conducts a survey of family companies to study what problems affect family businesses. “In the latest FEUSA survey, conducted from January 6, 2021, to March 31, 2021, 172 U.S. family business leaders representing 11 U.S. states shared their thoughts on the challenges their companies have faced, as well as their families’ progress, in the wake of the coronavirus outbreak. Specifically, 58% of family businesses saw revenue decline in 2020, while 42% saw revenue increase. Business owners cited industry conditions, economic uncertainty, government regulations, finding skilled workers, and the Covid-19 pandemic as the biggest factors affecting revenue, success, and growth. To effectively manage their family businesses during the pandemic, 27% of them retained employees, while 18% of companies protected employees by working remotely. 16% of companies reduced their costs, and 5% changed their product or service lines. 8% of companies "...reduced their staff and 1 percent of companies went out of business" [9].

Table 1**Family Business Country Index [10]**

Country name	2020 results	2020 position	2018 results	Position occupied in 2018
USA	64.19	1	64.15	2
Great Britain	61.33	2	65.93	1
Netherlands	61.00	3	63.90	3
Canada	60.49	4	62.76	4
Denmark	60.42	5	59.36	7
Switzerland	60.25	6	61.55	5
Sweden	58.63	7	60.54	6
Ireland	58.48	8	57.53	9
Austria	57.58	9	56.61	10
Finland	57.13	10	58.40	8
Czech Republic	56.38	11	55.92	11
Poland	51.97	12	53.39	12
Belgium	51.94	13	51.89	13
Hungary	50.83	14	50.39	15
Portugal	50.11	15	48.73	16
Slovakia	49.65	16	48.63	17
Germany	49.36	17	50.97	14
France	46.17	18	45.84	20
Spain	45.25	19	45.92	19
Japan	45.18	20	47.78	18
Italy	37.88	21	37.76	21

Family business according to countries index the company organizational - legal shape and management in functions family members how much at the level participation from coming strict look main pay attention stocks control package one to the family relevant was companies to the activity This index family business six kind in the direction assesses : tax ; labor costs , productivity and human capital ; regulation investment ; financing ; infrastructure and institutes and energy . 2018- from the report starting family business for countries index 21 countries cover took . Every one country for rating many step by step in process is considered . Above designated six direction every one according to relevant indicators This is determined by indicators for score values every one direction for rating working exit for is summed . Then six directions general index value create for is summarized below . family business according to countries index grain as o ‘ tamiz (Table 1) .

Table 1 to the data attention Let's look at 2020 . results according to this in the index USA leadership doing if , in 2018 Great Britain leadership did . 2020 to the end see this in the index top - 10 countries From the USA outside Great Britain , Holland , Canada , Denmark , Switzerland , Sweden , Ireland , Austria , Finland countries logged in . General when receiving world in table 1 in 21 countries listed other to countries than family business to conduct popular and this for comfortable conditions created .

Today on the day international in practice families by controllable many famous companies available . Table 2 below shows the number of people in 2022 . of the world top -25 family companies analysis we will do

In table 2 families by ownership to be done companies between leadership Walmart to the company relevant is . Also, famous companies such as Volkswagen, Berkshire Hathaway, Ford, BMW, Koch Industries, Dell Technologies, LG Electronics are also founded on the basis of family businesses. If we look at the indicators, Walmart in 2024 had a revenue of almost 560 billion US dollars, while INEOS Group Holdings SA, which took 25th place, had a revenue of 61 billion US dollars. Also, in addition to companies from developed countries such as the United States, Germany, and France, companies from rapidly developing countries such as China, India, South Korea, and Luxembourg were included in this list. If we look at the families that own the companies on the list, we can see that these companies are owned and managed by world-famous families such as Walton, Porsche, Buffet, Schwarz, Ford, Tata, Koch, and Dell. If we observe the life span of these companies, we can find companies with a history of 25 years to companies with a history of a century and a half. From this we can see that today, in developed and developing countries around the world, family businesses have become large businesses along with other types of businesses and are showing the special characteristics of family business finance.

Table 2**Analysis of the world's top 25 family-owned companies in 2024 [11]**

No.	Company name	Ownership family name	Ownership family share	Date of establishment	Country	Annual revenue (millions of US dollars)
1.	Walmart Inc.	Walton	47.1	1962	USA	559 151.0
2.	Volkswagen AG	Porsche and Piech	53.3	1937	Germany	284 544.0
3.	Berkshire Hathaway Inc.	Buffet	37.3	1955	USA	276,094.0
4.	Schwarz Group	Schwarz	100.0	1930	Germany	142,499.7
5.	Ford Motor Co.	Ford	40.0	1903	USA	136,341.0
6.	Gunvor Group Ltd.	Thornqvist	88.4	2000	Switzerland	135,000.0
7.	Cargill Inc.	Cargill, MacMillan	90.0	1865	USA	134,426.0
8.	ALDI Group	Albrecht	100.0	1948	Germany	133 113.1
9.	Tata Sons Private Ltd.	Tata	66.0	1868	India	128,000.0
10.	Bayerische Motoren Werke AG (BMW)	Quandt, Klatten	46.7	1916	Germany	126,508.6
11.	Comcast Corp.	Roberts	33.3	1963	USA	116,385.0
12.	Koch Industries Inc.	Koch	100.0	1940	USA	115,000.0
13.	Dell Technologies Inc.	Dell	72.0	1984	USA	86,670.0
14.	SK Group	Chey	32.7	1953	South Korea	82,545.6
15.	Country Garden Holdings Co. Ltd.	Young	62.0	1992	China	82,338.6
16.	ArcelorMittal SA	Mittal	37.6	1976	Luxembourg	76,571.0
17.	LVMH Moët Hennessy	Arnault	47.4	1987	France	73,029.7
18.	Roche Holding AG	Hoffmann, Oeri, Duschmale	45.0	1896	Switzerland	72,234.8
19.	China Evergrande Group	Hui	65.8	1996	China	71,751.6
20.	Pacific Construction Group Co. Ltd.	Side	100.0	1995	China	64,037.7
21.	Reliance Industries Ltd.	Ambani	47.4	1973	India	63,822.2
22.	JBS SA	Baptist	43.2	1953	Brazil	62,942.3
23.	LG Electronics Inc.	Koo	30.8	1947	South Korea	62,730.2
24.	A.P. Muller-Maersk	Muller, Maersk, McKinney Uggla	69.9	1904	Denmark	61,787.0
25.	INEOS Group Holdings SA	Ratcliffe, Reece, Currie	100.0	1998	Luxembourg	61,000.0

Finland experience learning if so , this in the state family business every one in the field meeting Their share varies depending on the size of each sector. A general analysis shows that family businesses dominate in Finland in the accommodation and food services sectors.

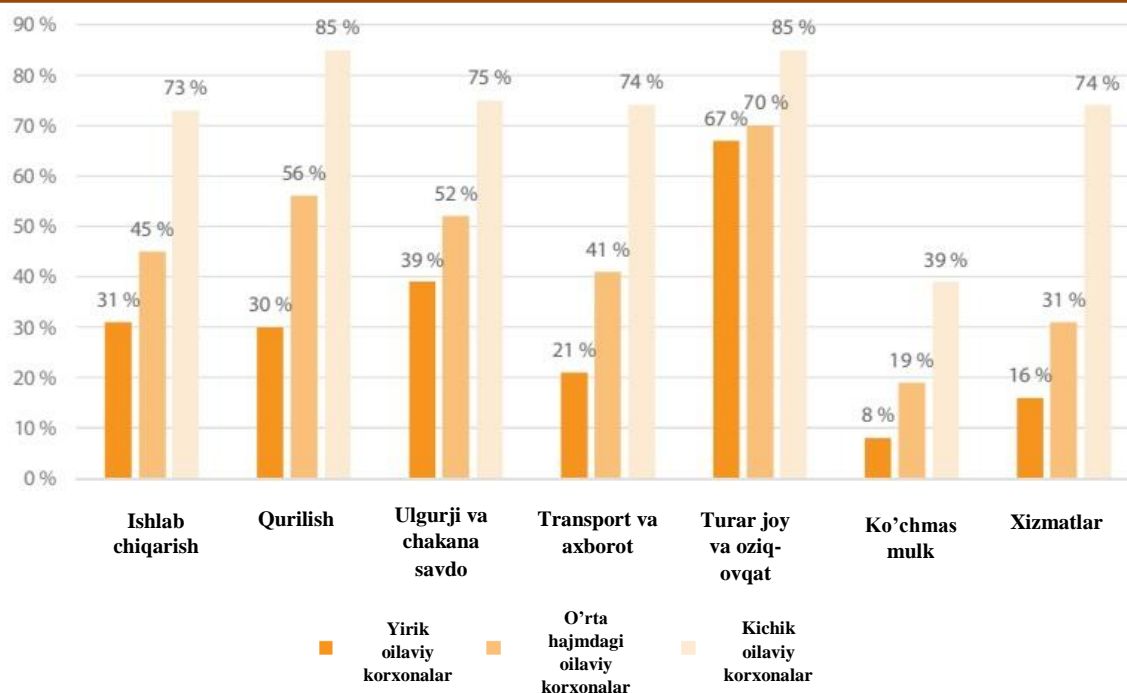


Figure 1. Analysis of the participation of family businesses in different sectors in Finland in 2023 [12]

Figure 1 analyzes the participation of family businesses in various sectors in Finland in 2023. In particular, large family businesses are represented in accommodation and food services (67%) and We can see that the largest share is in wholesale and retail trade (39%). In accommodation and food services, medium-sized family businesses also have the highest share (70%), and in construction they are in second place (56%). In accommodation and food services (85%) and construction (85%), small family businesses prevail.

Conclusion

By analyzing international practice in family business, the following conclusions can be drawn.

1. The growth and survival of family companies in a highly competitive environment depends on several factors. First, effective corporate governance in a family business must be established, and in this process, it is necessary to take into account aspects that are different from those established in other forms of business. Second, there must be a single management structure for organizing the directions of action of family members and their proper implementation. Because this issue plays an important role in solving business problems and achieving goals.

2. that family businesses make up the majority of all companies in the world today, the large proportion of average jobs they create , and their contribution to global GDP, it can be concluded that family businesses are gaining importance worldwide, and therefore it is necessary to introduce effective organizational and practical mechanisms for their implementation in our country.

3. When studying international experience in family business, it is necessary to pay attention to the organization of family business finances, the directions of implementing family values and parallel effective business activities, and aspects that should be taken into account when expanding a family business and increasing its viability.

4. It is important to study the family model of organizing and running a business based on international experience and take into account the specific features of this model. On this basis, it is

necessary to create conditions for family business representatives in our country to expand their business and strengthen the position of family business in the economy.

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