INNOVATIONS AND MARKETING MANAGEMENT OF FAMILY BUSINESSES: RESULTS OF EMPIRICAL STUDY

Ladislav Mura  
Faculty of Economics and Business, Pan-European University in Bratislava, Slovak Republic  
Email: ladislav.mura@gmail.com

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ABSTRACT
During pandemic and economic crises, business units are under constant pressure and face many challenges to find solutions for. Family businesses form a significant segment of the business sector. Competition and the current crisis force businesses to find solutions for sustainable entrepreneurship. Family businesses are gradually consolidating their position in the business environment, especially by introducing a personal approach to the customer (pro-customer orientation) and innovative activities. The concept of innovative marketing (INMARK) represents businesses' opportunity to establish themselves on the market more successfully than their competitors. This work aimed to verify the possibility of applying the concept of INMARK in the segment of small and medium-sized enterprises of family type as an innovative form of marketing management during the crisis. In addition to theoretical approaches, we rely on empirical data obtained by quantitative research in the business environment. In methodological terms, we applied hypothesis testing. As a part of the applied methodology, we verified the applicability of the INMARK concept in the real business environment. Based on the research results obtained, we can conclude that the pillars of the INMARK concept (product innovation, active application of marketing activities) have a positive response among the representatives of the younger generation of family business management, which can contribute to the successful management of these specific business units.

KEYWORDS: entrepreneurship, small and medium family businesses, concept INMARK, marketing management


INTRODUCTION
The issue of family businesses is addressed by more and more professionals from different circles. In economically developed parts of the world, these types of businesses do not represent a new type of business but have been established themselves for a long time on the market. However, the situation is different in the post-communist countries, also including the Slovak Republic. Following the era of the planned economy, and after the collapse of large, state-owned enterprises, small-sized, private business units were established, which took over the production and other functions of large enterprises. Modern, commercial business units were established, which were able to respond to market requirements. In those cases, where the business property was nationalized by the state, part of the property was privatized and was obtained back by the family or ancestors, which allowed to continue the tradition of the family business. Even in Slovak conditions, family entrepreneurship has thirty years of tradition, and these business entities had to address several significant issues in the past period. One of the key managerial problems, which is an essential issue in terms of the functioning of the business, is the generational change in management. In terms of strategic management of family businesses, in addition, to find an urgent solution for generational exchange, the long-term sustainability of entrepreneurial activity in a turbulent business environment on an imbalanced market has become a priority issue.

The main objective of any market-oriented economy is to maintain, develop, and expand the forms of family entrepreneurship, as, in addition to a personal approach to the customer, high personal involvement and entrepreneurial motivation are also essential. These types of businesses are
characterized by high level of innovation, operating in regions not dominated by medium-sized or large businesses, thus providing financial stability and social background to family members operating the business. It is very likely that family businesses will be one of the promising forms of business activities even after the crisis. The success of family businesses will depend on their ability to respond quickly and flexibly to market changes. These are the facts that create a space for innovative, marketing and strategic management of business units, since applying progressive forms of management and choosing the appropriate managerial tools are necessary to ensure the survival, development and expansion of entrepreneurial activities of these forms of enterprises. The theoretical and empirical part of the presented work is addressing the issue discussed above in the context of Slovak entrepreneurial and managerial practice.

THEORETICAL BACKGROUND

Doing business in a complicated and changing business environment is extremely challenging, not only due to competitive pressure, excess supply over demand and globalization, but also due to the pandemic and crisis situation. In addition to business management, the situation must be addressed by the state itself responsible for economic regulation, since family businesses are driving force of the local and regional economy, thus stabilizing not only the economic, but the social situation in the regions as well. It is not enough for businesses just to adapt to the new circumstances, but especially the management of the business has to deal with the future of the business and find solutions for sustainability of the business activity. The management of family business has to apply the elements of crisis, strategic and classical business management, while selecting the direction of the entrepreneurial activity.

Ladányi (2014) sees the future of entrepreneurship as an important pillar of the economy in involvement of the younger generation, which needs to be systematically oriented towards the entrepreneurial activity, develop positive relationship of this generation with establishing business, involve them in entrepreneurial activities, and prepare them for self-employment. By training, motivation and acquiring practical skills, they will become a new impetus for individual companies. Strakova et al (2017) point out that in a new, global economy, the business sector has to deal with the current trends that not only shape the economy as a whole, but also interfere to entrepreneurial activity of businesses. Companies thus adapt their business strategies to the market conditions. Wach (2020) is supporting these ideas and adds that the choice of business typology and strategy is determined not only by the domestic business environment, but the international environment as well.

According to Machek (2017), among other forms of businesses, family business is a popular and also rapidly developing form of enterprise. He also emphasized that in terms of management it requires a unique approach. The specifics of companies are reflected in the field of entrepreneurial activity (Bobenič, Hintošová et al., 2020).

The current problems of management and entrepreneurship in family businesses were addressed by several domestic and international authors. They addressed the legislative (Pathak, 2013; Sirotka, 2018; Peracek, 2019), economic (Srovnalikova & Pekarskiene, 2015; McKelvie et al., 2017; Machek, 2019; Kozubíková et al., 2020; Prokopenko et al., 2020), managerial (Sciascia & Mazzola, 2008; Borocki et al. 2019; Belas, 2020; Ingram et al., 2020) or financial (Vieira, 2013; Hudakova et al., 2018; Musa et al., 2019; Anyakoha, 2019; Kotaskova et al., 2020) aspects of managing a specific forms of small and medium-sized businesses, the family enterprises.

The dynamically changing market conditions might have negative impact on the business units, while this tendency can also force the management of businesses to think about new opportunities and directions of businesses in the future. These conditions will later determine the decision of management about the
production, business operations or looking for new markets to sell products. Based on the above, the corporate policy and business strategy is formulated. According to practical experience, the companies need to focus more on their marketing activities, as these can be the key to survival, progress and overall development of a family business. Already in the earlier period of economic crisis, marketing proved to be an important catalyst of the revival of entrepreneurial and trade activity.

The existence and operation of small, medium and family businesses in the current market environment is conditioned not only by the quality of services and products offered, but also the abilities of the company to gain customers. In order to gain customers, family businesses apply different methods, strategies and marketing activities (Stažovská, 2004). Prokopenko & Omelyanenko (2018) argue that for development of business activity under the current conditions it is necessary to apply tools offered by marketing in everyday practice, whether in the field of products or marketing services. The marketing activities of companies should be supported by effective and appropriate marketing communication (Seres-Huszárk et al., 2017; Bačík et al., 2018). It is primarily oriented at stimulating demand, focuses on positive aspects of products and services as well as looking for effective ways to communicate with potential costumers. Marketing activities go hand in hand with innovation and application of innovative activities. It is also supported by the revolution of Industry 4.0 (Ślusarczyk et al., 2020). These are then transformed into new or innovated products and services. Steinerowska-Streb & Głód (2020) also emphasize the stimulation of demand on the market, but also applying creativity in innovation process. The authors verified such an approach in the conditions of Polish companies, while came to conclusion that the businesses, which set out on the path of innovation and stimulated the development of the company, managed to maintain but also develop their market position. Even in earlier scientific work it is stated that the use of modern elements in marketing communication with customers to launch innovations is clearly recommended by Supeková Chovanová & Krchova (2019). In times of pandemic, entrepreneurship and management of family businesses is a challenging task. Family businesses are either small or micro enterprises in terms of size (Bumberova & Korab, 2013; Matejun & Míkoláš, 2017). However, we already have the first results of business practice from the pandemic period, which confirms that innovation is undoubtedly one of the possible alternative solutions to market imbalances. Innovation is reflected in the quality of products and services offered, which ensures the competitive advantage on the market (Oláh et al., 2020). These statements are also supported by the results of a further author (Zainal, 2020), who examines the impact of innovation on the example of the Kuwaiti family businesses. Thus, innovation and marketing are the primary tools for business revitalization in different parts of the world, regardless to the form of the economy and the impact of pandemic on local level. Based on practical examples, global concepts can be successfully established even in local conditions. Global determinants also affect the family businesses, although it might seem that they do not affect their activities (Moresova et al., 2020).

Family businesses are determined by a wide range of factors. Compared to non-family small and medium-sized enterprises, family type of businesses face also further challenges. They also significantly address the social function of the company since family entrepreneurship concerns the socio-economic situation of the family (Špirková et al., 2016) and the employment of family members. Thus, these forms of businesses contribute to decrease the unemployment rate in different regions (Pauhofova & Stehlikova, 2018). It should be mentioned that they are popular forms of businesses on regional level, as they are directly linked to the regional economy, and spin not only the economy (Koišová et al., 2018; Ključnikov et al., 2020), but the regional employment as well by contributing to development of the region. Trčka (2015) and De Alwis (2016) jointly emphasize that the family business will be successful if it can differentiate itself from the competitors, and offer the general public and costumers what other businesses cannot provide. In the case of family businesses, where professional managers are mostly absent, the qualification and improvement of skills of the owner is one of the prerequisites for successful operation of this type of business (Vírgerlerová et al., 2017). As these business units are mostly small and micro businesses, they are significantly sensitive to external changes, which can result in fall of the
company. Family businesses employ family members, and therefore the business risk is higher (Dvorsky et al., 2020).

Several attributes will be important for future development of family businesses. Selected aspects for these types of businesses are also presented by Peracek et al. (2020). Their primary interest was to evaluate the positive and negative factors influencing the entrepreneurial activities of family businesses in Slovakia. The most significant determinants of family entrepreneurship are the human resources, enthusiasm and the attitude of family and non-family members to work in a family enterprise. Tamulevičienė & Androniceanu (2020) found human factor as an essential indicator in the case of small and medium-sized enterprises, as it is an important precondition for implementation of business activities of these types of businesses. In addition to coping with the crisis and minimizing the negative impact of COVID-19, family businesses, and especially their management has to address the problem of generational change urgently (Strážovská, 2018; Šedík et al., 2018). The younger generation has different opinion on business management, which results in conflict of interests and opinion in top management. However, according to Marjański (2019), targeted strategy, being open to different opinions and innovation as well as active marketing are of great importance for successful development of companies.

AIMS, METHODOLOGY AND METHODS

This work is reflecting on the current state of the entrepreneurial practice with a special focus on family enterprises. In comparison to non-family businesses, family enterprises have som specific features, which require a special attention of professionals. In contrast to non-family businesses, family form of enterprises are more sensitive to market changes resp. the impact of market conditions on entrepreneurial activities of family businesses is much wider due to the involvement of several family members in the business activity at the same time. This was one of the starting points for implementation of a scientific research projects (VEGA 1/0813/19, GAAA 5-5/2020) with a focus on management, marketing and innovation in small and medium-sized enterprises of family type.

Based on these starting points, the main objectives of this work were formulated, which is trying to verify the possibility of implementation of the INMARK concept in the segment of small and medium-sized enterprises as an innovative form of marketing management in crisis. At the same time, two further sub-objectives were formulated: to find out whether there is a difference in perception of business management between the representatives of two generations, and whether there is a different approach in terms of generations about financing business activities from loan.

In addition to theoretical approach, we process empirical data obtained by quantitative research in the Slovak business environment. We applied stratified selection and addressed 250 respondents. 184 respondents showed willingness to cooperate in the research. Finally, 141 respondents met the condition set by the research objectives. Due to incomplete data provided, the final sample consisted of 127 respondents, where 107 respondents belonged to a generation group aged 45 and below, while 20 respondents represented the group of 45 and above. Based on these facts we evaluate the conducted research as a study. In methodological terms, we based our work not only on standard scientific methods of logical-cognitive approach, but we also applied more demanding quantitative methods. Empirical data obtained from field research were processed not only by descriptive approach, but also with a help of selected quantitative methods: theory of probability and statistical dispersion. Standard deviation is one of these methods. We also calculated the standard statistical error, the mean value, minimum and maximum values as baseline statistics. Three hypotheses were defined, the validity of which we subsequently verified. We tested the hypotheses at significance level of α = 0.05. Subsequently, based on the results, we constructed the graphical presentation of the results in the form of Box-plot.
RESULTS AND DISCUSSION

Based on the theoretical definition of the problem and determining the methodological approach, we focused on summarizing the data obtained in field research. After an initial check and selection of data, we proceeded to evaluation and more detailed analysis of primary data. As this work does not allow the presentation of all findings of empirical study, we will focus on presenting the results considered to be important from our own perspectives.

In theoretical part of this work we focused on the importance of innovation in relation not only to maintain but especially to develop the business on a certain market, where family business is operating. For this reason, we formulated our first hypothesis in relation to product innovation. In this case, we differentiate tangible and intangible products introduced on the market by the company. Since most of the family business are represented by different generations working together (younger, older), we also tested their attitude about innovations. We were interested, whether there is a difference in the perception of launching product innovations in the case of family members younger than 45 and older than the determined age of 45 (Hypothesis H1).

\( H_0 \): Perception of the need to launch product innovations does not differ in the group of respondents over and under 45.

\( H_1 \): There is difference in the perception of need to launch product innovations in the group of respondents over and under 45.

**Figure 1** Quantitative evaluation – product innovations

Based on the values presented in Figure 1 and Figure 2, there is a significant difference in perception of the observed aspects between the group of family members under the age 45 (younger generation) and over the age 45 (older generation). In practical perspective it means that there is difference in perception, and therefore hypothesis H1 is verified.

Strong economic competition between the business units on the market requires that family businesses should also consider and properly apply marketing activities. This is the reason why we examined how the younger and older generation in family businesses approach the need to actively work on marketing. We tested hypothesis H2, whether there is difference in the perception of need to apply marketing activities among the family representatives under and over the age of 45.
H$_0$: Perception of the need to apply marketing activities does not differ in the group of respondents over and under 45.
H$_1$: There is difference in the perception of applying marketing activities in the group of respondents over and under 45.

Figure 3 Quantitative evaluation – marketing activities

![Box-plot](image)

(Source: own calculations)

Based on the values presented in Figure 3 and Figure 4, there is significant difference in perception of observed aspects between the group of those under the age 45 (younger generation) and over the age 45 (older generation). In practical perspective it means that there is difference in perception and therefore hypothesis H2 is verified.

Adapting to the needs and desires of customers as well as launching innovations is a financially demanding activity for each type of business entity. Marketing support in the form of implementation marketing activities has, in addition to positive impact, also an impact in form of cost items. Not all the business units are able and willing to ensure all the processes on their own, in the form of self-financing. Many businesses are forced to apply for a loan to develop their activities. We were interested, what is the situation in the case of family enterprises participating in our research. We tested hypothesis H3, whether
there is difference in perception of applying for a loan to develop business activities in terms of generations under and over the age 45 in family business.

**Figure 4** Box-plot (Hypothesis 2)

(Source: own calculations)

**Figure 5** Quantitative evaluation – loans for business activities

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</table>

(Source: own calculations)

H_0: Perception of the need to finance business activities from loan does not differ in terms of generation over and under 45 in family enterprises.

H_1: There is difference in perception of need to finance business activities from loan in terms of generations under and over 45 in family enterprises.

Based on the results presented in Figure 5 there is significant difference in perception of need to finance business activities from loans between the group of family members under the age 45 (younger generation) and over the age 45 (older generation). In practical terms it means that there is no difference in perception. Hypothesis H3 is rejected, because neither the representatives of the examined generation
groups would like to finance their business activities from the loan. Also, in this example, we can clearly see the difference in the approach family business has to make strategic decisions. By employing more than one family member, the family businesses will consider applying for a loan to finance their activities since it will affect not only the business itself but also the family member involved in the business. Social function in the case of a family enterprise is powerful. This is the reason why representatives of family businesses respond and act carefully.

CONCLUSION

The group of small and medium-sized enterprises obtained an irreplaceable position in the entrepreneurial sector. More and more importance is gained by businesses of family character. In Slovak conditions, these are types of businesses run by a family member resp., the family has an essential role in the management of the business. Like other types of businesses, the current market situation is characterized by several imbalances and crisis, when the management of company has to make significant decisions about the business's sustainability and future direction. The intense competition, acceleration of supply, or increased demand of the customer, and the pandemic situation created completely different conditions for entrepreneurial activities. In addition to other forms of a small and medium-sized businesses, family businesses have to adapt to the current situation as well.

This was the initial motivation to obtain empirical data from the entrepreneurial environment, where the attention was focused on applying some of the marketing management tools in the segment of family enterprises. We formulated the concept INMARK and verified its applicability in practice in the segment of family enterprises. In the present work, we selected some of the interesting aspects of our findings in order to present them. The empirical study was conducted in Slovakia (2020), affected by the pandemic situation COVID-19 as well as the economic crisis as a result of the unpleasant impact of the pandemics. In addition to a number of negative impacts, every crisis situation also creates positive opportunities for the sustainability of business activities. Weak businesses are withdrawn or disappear from the market, while space is created for applying innovative forms of entrepreneurship.

In this work, we present the results of verifying three key hypotheses focusing on the marketing management of the family business. The output of the empirical study is the following: based on the presented values; there is a significant difference in perception of the need to launch product innovations between the group respondents under the age 45 (younger generation) and over the age 45 (older generation). The hypothesis that there is a difference in the perception of the need to apply marketing activities was also confirmed in practice. On the contrary, hypothesis H3 that there is a difference in perception of the need to finance business activities from the loan in terms of generations under and over 45 in family enterprises was rejected. While in the first two cases, the younger generation has a willingness to apply product innovations and marketing activities in the company management, the older generation sharing the task of company management has no strong interest in these activities and finds the current activity of the company to be satisfactory. It confirms differences in managerial approach and sustainable development of the business in a challenging business environment.

The main goal was to verify the concept of INMARK in the segment of small and medium-sized family enterprises as an innovative form of marketing management during the crisis. Based on the above arguments, we consider it to be fulfilled. Since the pillars of the INMARK concept (product innovation, active application of marketing tools) have positive responses among the representatives of the younger generation of management, these can actively contribute to the success of management in the current period of crisis.
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**BRIEF DESCRIPTION OF AUTHOR:**

**Assoc. Prof. PhDr. Ing. Ladislav Mura, PhD.**

Department of International Entrepreneurship, Faculty of Economics and Business, Pan-European University in Bratislava, Temafínska 10, 851 05 Bratislava, Slovakia, Affiliation web page: www.paneurouni.com, email: ladislav.mura@gmail.com. He is head of the Department of International Entrepreneurship. His research is focused on Small and Medium Enterprises, Family Business, International Entrepreneurship, Business Environment, and Human Resource Management. He is a supervisor for master and doctoral students as well as an author of a number of national and international journal articles.