



FOREIGN EXPERIENCE IN THE FORMATION AND DEVELOPMENT OF A FAMILY BUSINESS AND THE POSSIBILITY OF THEIR IMPLEMENTATION

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Abstract: The article describes foreign experience in the formation and development of family businesses in the example of Germany, Holland, Italy, Finland, USA, France and India, as well as its grouped existing types of family business management in different countries of the world, and provides scientific recommendations on the effective organization and management of the activities of the family business.

Keywords: business, entrepreneurship, companies, economies, local economy, statics, market, socio-economic.

Introduction. The development of family business in Uzbekistan requires the study and use of foreign experience in this area.

Family business has been an important form of entrepreneurship for a long time. Professor William O'Hara, director of the Institute of Family Business at Bryant College in Smithfield, Rhode Island, USA, writes in his book *Age of Success*: "Family business existed before multinational corporations were formed. The family business emerged before the Industrial Revolution. Family business existed until the Greek and Roman empires ..." Family Business lists several hundred family companies with a history of more than 200 years¹.

However, family business is also a relatively common form of entrepreneurship. According to the data, family business in the world covers an average of 70% of all companies, with the figure up to 80% in the US and 94% in Finland.² Researchers have found that 68% of small businesses in the West are family businesses³.

Today, the role of family business in the world economy is growing. In general, the role and contribution of family business in the economy of many foreign countries is very significant. Among them are the Rothschilds - Family of Bankers (France), Opel - Automotive (Germany), Charles Tisso - Tissot watches, as well as Oral-B, Siemens, Adidas, Samsung Electronics and others.⁴.



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It is important to consider the role and importance of the family form of entrepreneurship in the economies of developed countries around the world. For example, family business is one of the most important components of American business. U.S. \$ 24 million 62% of all employees work in family companies, and their share in GDP is 64%⁵.

In Germany, more than 90% of businesses are concentrated in the hands of family companies. Most of them are family companies run by several generations. Such firms have regular customers formed over many years. Research in recent years has shown that small firms are able to shape their markets through narrow specialization and make their judgments in it. The closure of leading family companies could lead to a stagnation of the entire market.

There are about 3.4 million small and medium-sized companies in Germany, which provide 20 million jobs. The basis of the German economy are family companies. This represents 85% of all industrial enterprises in the country, which in turn provides 3 million jobs.

Germany differs from many European countries by its small cities. If it is difficult for the government to provide them with enough jobs, small family companies can do the job successfully. Family business plays an important role in the "local economy". In addition, statistical studies show that family business in Germany is organized on the basis of the "human factor". Traditions are highly valued in this country, and firms that have been in the market for more than a hundred years are treated with greater respect than large brands from abroad.⁶

In the Netherlands, the SME sector accounts for 98.5% of all private enterprises, of which 90% are small enterprises. More than half of those employed in the private sector work in small and medium enterprises. The Netherlands is a leader among EU countries in terms of relatively high employment in the service sector.

In the Netherlands, the family business is based on agriculture. For example, on Willem Dikstr's farm, on average, two and a half people work - a husband, a wife, and a part-time worker. The 120 cows on the farm produce an average of 1 million liters of milk per year. The milk is handed over to Willem's brother Joachim Dikstr's cheese factory. There are also 2 people in the factory, i.e. his brother works with his assistant. They produce 100 tons of cheese a year.

In Italy, more than 90% of companies are owned by one family. In Italy, enterprises with up to 50 employees account for up to 90% of total production.



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90% of the total business in Finland consists of family micro-firms with less than 10 employees.

India is called the country of family business. 95% of all registered firms here are family⁷. According to some analysts, 80% of all small and medium-sized enterprises in certain sectors of the Russian economy (e.g., agriculture, food industry, textile industry, IT technology and trade) are family-owned enterprises⁸.

Given the wide development of family business in Uzbekistan as one of the important directions, it is expedient to take into account the practical experience gained over many years in the world in this area. Especially important in a family business are strict approaches to determining the composition of employees, ie the recruitment process. Great attention is paid to this issue in the organization of family business in developed countries. Although business partners or those who want to work in it are mostly relatives, their selection is approached with great care and responsibility. It should be noted that in some foreign family companies, relatives are required to work in other companies for 10-15 years before entering the family business.⁹

Usually at the heart of a family business lies a personal-trust relationship called a fiduciary. "Fiduciary agreements (lot. **fidueia**-confidence) - transactions with a description of the trust. For example, the transfer of property to trust management is associated with the existence of a personal-trust relationship between the parties.¹⁰ From a legal point of view, fiduciary agreements are more reliable and advanced than contractual obligations. In this type of relationship, there is no need to sign, promise, or gather information about a partner. The interaction of the parties is based on trust, but is based on a blood relationship rather than a risk, such as an obligation between the founder and the trustee.¹¹ In the development of family business in Uzbekistan, mutual trust between family members should become an important source of solving many business problems.

It is important to study the sustainability of the family business. Studies show that some scientists and experts have formed the opinion that family companies will cease their activities very quickly. This is not a very correct idea, as the aforementioned William O'Hara asked, "Which structure in business is the strongest and most durable?" The answer is "family business."¹²

However, in some cases, the statistics represent instability in family business activities. In particular, according to the experience of developed countries, although the history of some family companies covers several hundred years, by the third generation they will remain only 5%. The



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biggest risk for such companies comes from the second generation of their owners. This is because in many cases, the business acumen and motivation of those who inherit the business will be lower than that of the founders, but they will try to convince them that they can run the business. By the third generation, conflicts arise between individual members of the family and the widespread lineage of clans. There are many examples of this: Cargill in the United States,¹³.

It turns out that in a family business, many companies and families often fall apart because of inheritance. Therefore, the need to develop and legalize certain rules of inheritance is relevant in world practice.

For example, the brewery "Bavaria" has its own procedures for the transfer of management to the next generation. According to them, if the manager turns 62, then he is forced to retire and leave the company. After that, he will no longer be able to participate in the company's activities. Because even when their children reach the age of 40-50, there is a risk that the management of the company will remain in the hands of people aged 70 and older. It is considered a bit later to enter the position at the age of 40-50.

Similar rules apply to the world-famous American retail chain Wal-Mart, Bertelsmann International Publishing and Printing Concern, and Bombardier Canadian Train and Aircraft Manufacturing Company, which has become a market leader.¹⁴.

Grant Gordon, co-founder and CEO of the Institute for Family Business UK and author of Family Wars, estimates that one of the main challenges in passing the business on to the next generation is intergenerational conflict. is a discrepancy. This is a constant problem that family business owners often face. The essence of intergenerational conflict is usually manifested through the impatience and resentment of young people who clash with the conservatism of adults. Gordon believes that despite all the negative consequences of conflict, in some cases they can lead to positive news, new thinking.¹⁵.

Michael Osullivan, head of research at Credit Suisse Private Banking in the UK, explains: "Our research confirms the importance of family business in supporting the UK economy. Although the sector is to some extent left out of the UK government's attention, the importance of family companies in other countries' economies suggests that they can create favorable opportunities for regional development as well as enterprise development. The global financial crisis has highlighted the importance of a long-term economic development strategy, including the priority development of the regional economy and family business."¹⁶.



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It is obvious that in Uzbekistan, too, through the development of family business, it is possible to effectively address the problems of socio-economic development of different regions of the country.

The family business operating in most countries of the world can be conditionally divided into two groups in terms of capital structure and location, management of the organization, the scale of the enterprise (Figure 1).

The first group is a family business in the narrow sense, that is, an enterprise consisting of family members and close relatives. Typically, the number of employees in such a small enterprise is up to 10 people. However, it is also possible to distinguish separate subgroups in the form of a family business (i.e., only close relatives - husband, wife, children). Such firms make up many family companies in countries such as Canada, USA, Russia. These are primarily individual entrepreneurs in various forms.

In such companies, there is no clear division of responsibilities, no subordination structure, no hierarchical hierarchy. Leadership belongs only to the head of the family, and the rest do their job as they see fit. Small shops, consulting companies, and small family printing houses usually operate on this principle. There will be no written instructions on the position. Functionally substituting applies.

Another small group is a family business involving several relatives. It is a family company that usually has a clear organizational and managerial structure, family relationships have become business relationships, some relatives have become managers, others have become subordinates.

The second group of family businesses are firms whose owners are inherited from generation to generation, consisting of whole family seeds.

This group includes large and very large companies in the form of international corporations, which typically include many subsidiaries. In this case, the family controls the company only at the expense of the family package of shares. In order to be eligible to be called a family firm in each country, the family must hold a different percentage of the shares in its hands.

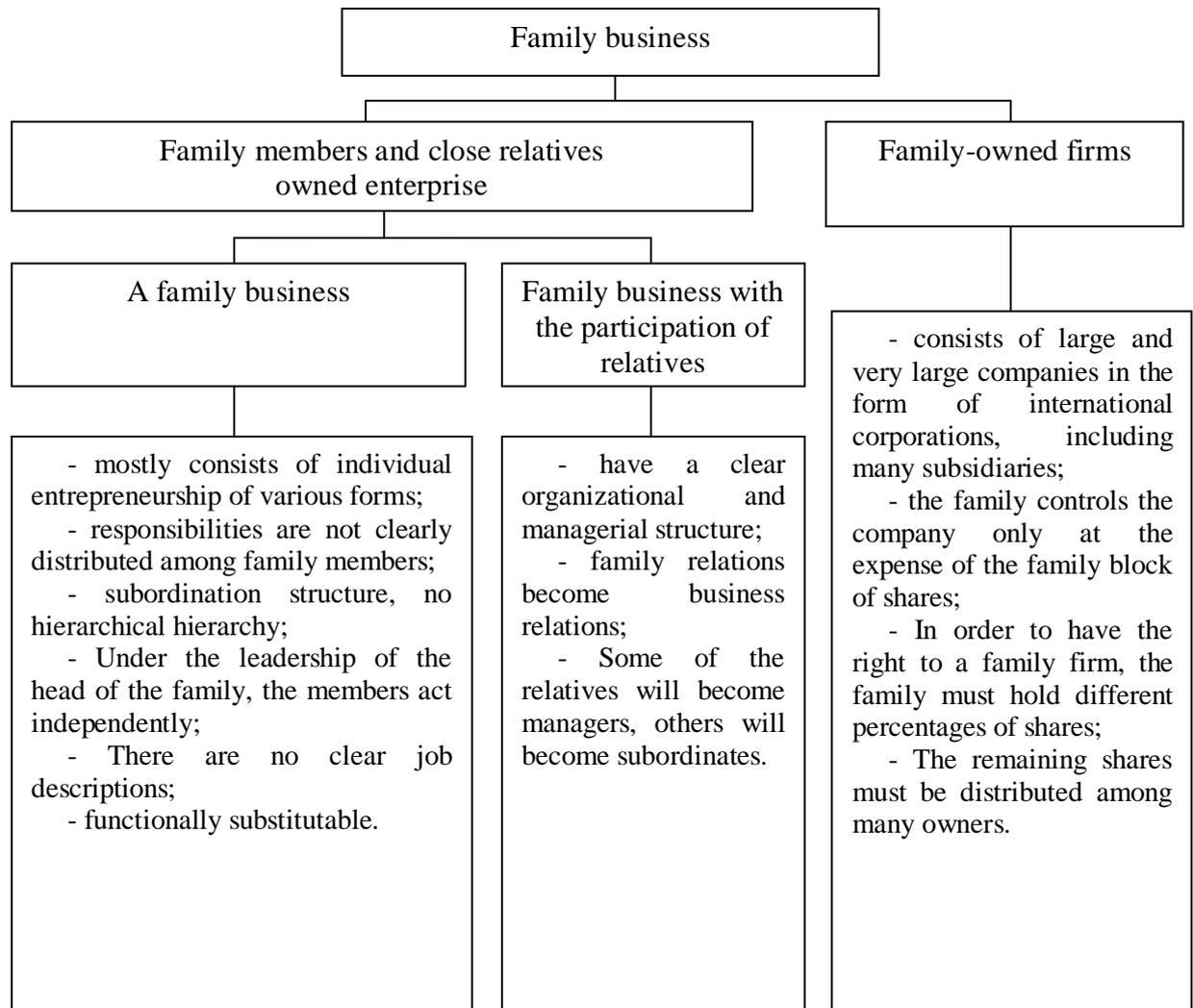


Figure 1. Grouping and characteristics of family business.

For example, in Finland it is enough to keep more than 50% of the shares, in the USA and Germany around 25% in the hands of one family. In this case, these shares should constitute the largest share of the company's shareholding, and the remaining shares should be distributed among the many owners of smaller shareholdings.

In many countries around the world, family firms are the leading form of business organization. Family companies have a high level of crisis resilience due to the following many factors: low loss point, not chasing an instant profit, but an understanding of development prospects, a clear understanding of the capabilities of each participant in the company's activities.



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It is known that family businesses are the basis of almost all economies in the world. However, many studies show that family firms perform better than non-family firms.

In some countries, such enterprises are 158% more efficient than ordinary companies. These data were obtained during a 10-year study conducted in the United States.

Two characteristics are unique to the global family business today. The first is to maintain a large number of small and medium-sized enterprises established by family members. In the United States, for example, the number of such small family firms reaches 15 million. These types of family companies are created primarily to save money on employee salaries. Because in European and American countries, the value of hired labor is sometimes considered beyond the reach of newly established firms.

The second feature is the presence of large family corporations and holdings that are world-renowned and have a history of several centuries, passed down from ancestors to descendants 3-6 times by inheritance.

In this regard, the UK stands out, with almost 16% of all family firms experiencing more than four generations of change. Sweden has the largest share of family business, more than 60% of the working age population. Italy 1.5 million. known for a large percentage of family companies with a turnover of more than a euro.

World experience shows that the family business is successful in both trade and industrial production, and in many cases it achieves high results in the world and is included in the ranking of the world's most profitable enterprises.

Based on the above, it can be concluded that some of the problems identified in the development of family business are specific to the situation in Uzbekistan, which in turn is important to take into account foreign experience in addressing them. is important.



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