EXTERNAL FACTORS OF BUSINESS ENVIRONMENT AND FAMILY BUSINESS: THEORETICAL REVIEW

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Abstract

The study examines contemporary theories of the business environment and family entrepreneurship and shows what external effects the business environment has and what impact it can have on family businesses. Theories outlining the main external factors of the business environment and the different aspects of family businesses are highlighted.

The business environment theories of Professors Campbell D. J. & Craig T. provide, in our opinion, the most comprehensive insight into the analysis of the external factors of the business environment, while Professors T. Zellwegers, K. E. Gersick and St. R. Covey highlight the various dimensions of the family business and its operational organisation. Our task in this article is to examine these two areas and how they interact and influence each other.

The viability of family businesses requires stability and security and is determined by the environment in which the business operates. The external factors of the business environment are mostly those that the company cannot influence and that lead to uncertainty and instability. Early identification of undesirable conditions can help family businesses to respond more quickly. The European Commission's definition of a family business is at odds with that of academics. With this study, we invite you to update the discussion on the modern legal definition of a family business, which is the basis for policy planning documents, ensuring legal protection, assumption or inheritance of liabilities, etc.

The results of the study could be significant for researchers dealing with business and economic regularity, as well as for entrepreneurs and professionals whose field of activity is related to business or public administration.

Keywords

Keywords**:** family business, business environment, economy, policy, legislation, technologies

JEL Classification

F International Economics; F5 International Relations, National Security, and International Political Economy; F6 Economic Impacts of Globalization; F64 Environment; **K Law and Economics;** K2 Regulation and Business Law; **O Economic Development, Innovation, Technological Change, and Growth;** O21 Planning Models; Planning Policy

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Basic information

Introduction

In times of rapid change, it is crucial for businesses to objectively assess all potential risks and mitigate their negative impact in the context of the global economy, which Europe must build on its strongest asset, namely the real economy based on millions of family businesses. Without paying due attention to the risks of globalisation and digitalisation in the area of family businesses, it is not possible to formulate a successful common business policy in Europe and ensure a stable business environment.

In most countries of the world, family businesses account for 70–95 % of all enterprises in Europe[1]. Today, about 85 % of all registered companies in India[2] are family businesses. They continue to have a major impact on India's economic growth, contributing to the country's GDP, creating jobs, and helping to build the nation. Some of the largest and most profitable companies in India are family-owned. Some that have been around for more than a hundred years have become global business conglomerates, placing Indian companies on the world map. In Europe, family businesses account for more than 60 % of all companies, in the Middle East[3] 90 %, in Japan[4] 96.9 %, in China 85.4 %, and in Latvia 58 % of all companies. In India, 92 % of family businesses allow family members to work in the business. In the United States and Japan, family businesses are responsible for more than 75 % and 77.4 % of net job growth, respectively. Therefore, it can be considered that family businesses are the foundation of the economy, supported not only by skilled managers and their teams, but also by the economic environment in which businesses operate. The external factors of the economic environment, which are primarily determined by the country's top management, ensure the long-term success and development prospects of the companies.

In public and political debate, family businesses in Europe are largely equated with SMEs (small, medium, and large enterprises), although a small proportion of large companies can be defined as family businesses. The study provides an opportunity to get acquainted with the definitions of the Family business. Contrary to the historical treatment, the European Commission's current definition of a Family business is restrictive and does not reflect the true nature of a family business. With this study, we would like to invite you to start discussions on the legal definition of family business and to encourage the modification of existing definitions in planning documents.

Since 2020, the global business environment has changed dynamically. Transnational conflicts, the widening technological and digital divide, the global decline in investment flows, international turmoil in financial markets and supply chains, and other barriers to international trade are increasing uncertainty in the global economy, creating additional challenges for economic growth, social welfare, food and energy security, and the implementation of sustainable development, and threatening the very existence of family businesses. The increasingly pressing question is how a family business can fulfil its mission and survive in conditions beyond its control. A comprehensive study of the interaction between the business environment and the family business is undoubtedly possible, but it is suggested that the essential aspects be considered in the context of the impact of external factors in the business environment.

[1] https://europeanfamilybusinesses.eu/about-european-family-businesses/;
[2] Jayaram J., Dixit M., Motwani J., 2014.Supply chain management capability of small and medium sized family businesses in India: A multiple case study approach.Elsevier.14-1.
[3] Samara G. Journal of Family Business Strategy. Elsevier. 2021. Family businesses in the Arab Middle East: What do we know and where should we go? 16-1.
[4] Goto T.,2014.Family Business and Its Longevity. Kindai Management Review Vol. 2, 2014 (ISSN: 2186-6961) 19-1.

Methods

The monographic descriptive method is used in the theoretical review, the analysis of scientific literature, research results, and reports in the field of external factors of business environment and family entrepreneurship. A general selection of studies containing the keywords "business environment" and "family entrepreneurship" was made. A total of 27 international studies reflecting the theories of business environment[5][6][7][8][9](14) and family entrepreneurship[10][11][12][13][14][15](13) were selected, of which five theories on the external factors of business environment and three on the various aspects of family business were selected for closer examination.

The following theories of business environment and family entrepreneurship are then considered.

Business environment theory:	**Family business theory**:
▪ *Theory by Campbell D. J., & Craig T*	
▪ *Theory by Prof. John Sloman*	▪ *Theory by Thomas Zellweger*
▪ *Theory by Phil Kelly and Andriew Ashwin*	▪ *Theory by Kelin E. Gersick*
▪ *Theory by A. C. Fernando*	▪ *Theory by Dr. Stephen R. Covey*
▪ *Theory by Wim Hulleman and A. J. Marijs*	

Results

Our review will begin with the ***Business environment theory by Campbell D. J., & Craig T***. The global economy has undergone significant changes in recent times, and these changes have had a profound impact on business. Most countries have become increasingly reliant on the "market" as a means of increasing prosperity. This can be seen in the move away from state planning in former communist countries, the privatisation of state-owned industries around the world, the removal of barriers to international trade, the development of global financial markets, the use of government policies to promote competition, and the removal of government regulations on businesses to attract investment. One consequence is the rise of multinational companies seeking the best market opportunities and cheapest sources of supply. Other major influences on businesses around the world include the development of computers and IT, improvements in transportation and communications and, more recently, a rapid growth in the Internet use. These technological advances have enabled companies to take advantage of the growing market opportunities (see Figure 1).[16]

[5] Bilgin, M. H. 2016. Financial Environment and Business Development Proceedings of the 16th Eurasia Business and Economics Society Conference (Eurasian Studies in Business and Economics Book 4, 1st ed. Kindle Edition, Springer. 633

[6] Cross, F. B., Miller, R. L. 2021. The legal environment of business: text and cases.

[7] Guy, F. 2010. The global environment of business. Oxford, Oxford University Press. 331

[8] Marijs, A. J., Hulleman, W. 2021. Economics and business environment.390.

[9] Pagnattaro, M. A., Cahoy, D. R., Magid, J. M., Reed, O. L., Shedd, P. J. 2021. The legal and regulatory environment of business. 848.

[10] Barker, H. 2017. Family and Business during the Industrial Revolution. 279.

[11] Chen, L., Zhu, J. A., Fang, H. 2021. Family business in China, Volume 1. A Historical Perspective.185

[12] Chen, L., Zhu, J. A., Fang, H. 2021. Family Business in China, Volume 2 Challenges and Opportunities. 179.

[13] Keyt, A. 2015. Myths and Mortals. Family Business Leadership And Succession Planning. 221.

[14] Kuber, G. 2019. The Tatas. How a family built a business and a nation. 282.

[15] Kormann, H., Suberg, B. 2021. Topics of Family Business Governance Insights on Structures, Strategies, and Executives. 154.

[16] Campbell, D. J., & Craig, T. 2005. Organisations and the business environment. Amsterdam, Elsevier Butterworth-Heinemann. http://site.ebrary.com/id/10138485, 721.

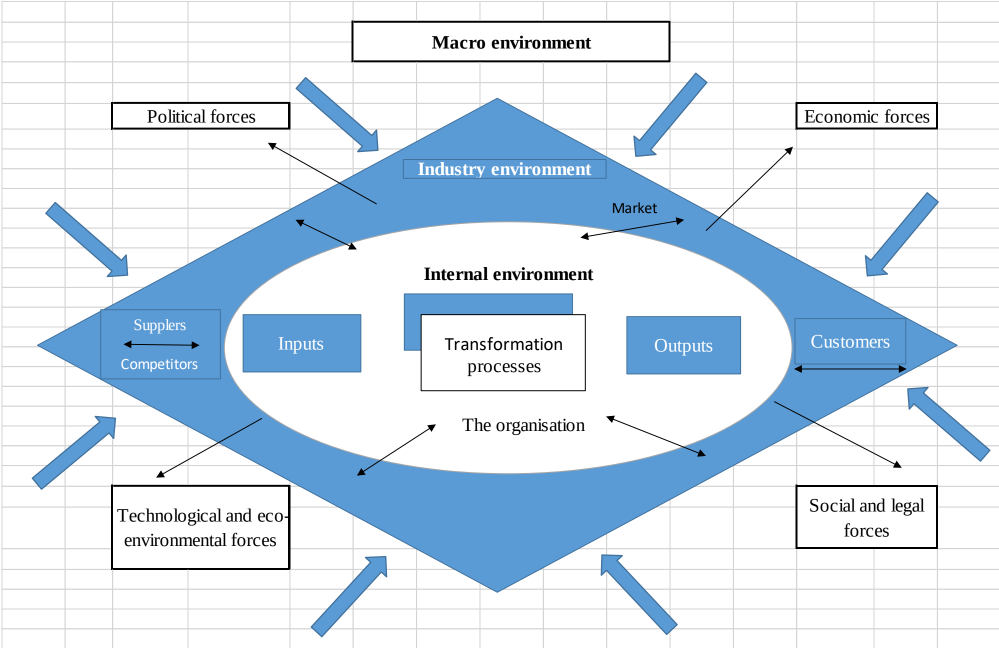

Figure 1. *Context in which organisation works.*[17]

The macro environment. This is the "playing field" for all businesses in global and national economies. The external environment provides a general background for the operations of all organisations. It comprises political, economic, social, technological, legal, and environmental forces. These affect organisations and their industrial environments. The organisation has no influence on these forces and may not be able to influence them. However, much of the lobbying of political parties and governments by organisations aims to influence these macro forces.[18]

Macro Environment: Politics. Local and National Levels. Sometimes, it is difficult to distinguish the political level from the economic level. At the local level, businesses must pay taxes colloquially known as business taxes. The revenue from these taxes is paid to a national pool and then redistributed among local governments in proportion to their adult population. Business taxes fund about one-third of the local government spending. More interesting are taxes at the national level, which include corporate income tax (on profits), VAT, and social security contributions such as statutory sick pay and statutory maternity pay, etc.[19]

European Union (EU) and Global Levels**.** Political influence on business occurs not only at the local and national levels, but also globally. The debate about the European Union is not very different from the debate about the role of the government at the national and local levels. The European Union is based on treaties – the Single European Act, the Maastricht Treaty, the Amsterdam Treaty, the Nice Treaty, – and directives prepared by the Council of Ministers and the European Commission (EC), etc. At the global level, the G7 meetings involving the United States, Japan, Germany, France, the United Kingdom, Italy, and Canada focus on international policy issues.[20]

Lobbying can work at all levels: the EU, parliament, and regional and local governments. Lobbying includes:
Communication with individual politicians, communication with government institutions, formal or informal contacts with public officials, the use of professional lobbyists, participation in democratic

[17] Elearn Limited (Great Britain), and Pergamon Flexible Learning.2005. *Management Extra: Business Environment*. Vol. 1. Routledge. 133–17.
[18] Ibid., 90.
[19] Elearn Limited (Great Britain), and Pergamon Flexible Learning.2005. *Management Extra: Business Environment*. Vol. 1. Routledge.133–91.
[20] Ibid., 92.

forums, and local meetings with politicians to approve local plans, attending corporate and government conferences and seminars, influencing the media, issuing press releases and policy announcements, sending emails, conducting direct action.[21]

Macro Environment: Economics. Macroeconomics deals with major economic trends, such as the national economy, government economic policy, unemployment, trade, and globalisation.[22]

Businesses try to balance spending, investment, and debt, and how these are affected by macroeconomic factors, such as interest rates, currency prices, consumption, and tax policy. Globalisation. The abolition of financial markets, the development of information technology, the reduction of trade barriers through the work of the World Trade Organisation (WTO), and the development of multinational organisations have led to the phenomenon known as globalisation. Events in one place can quickly affect events in another.[23]

Macro Environment: Technology. The impact of technology has been enormous. Technology has taken civilisation into virtual reality, high-speed trains, and super-powered computers. For businesses, technology means labour-saving devices, higher productivity, new ways of working, and smarter, faster, and more efficient systems and processes. Today it is all about information technology (IT) - computers, PDAs, intranets, extranets, the Internet, digital electronics – broadband, digital TV, cell phones (WAP and 3G, 4G, 5G), new synthetic materials – synthetic drugs, celluloid, polymers, new energy sources – wind, solar, wave, fuel cell technology, micro technologies – fibre optics, microchips, biotechnology – cloning, genetically modified foods, and mapping the human genome.

Macro Environment: Legislation. Legislation is an external environmental factor that affects organisations. Obviously it is also related to political factors. In the following, we will look at the impact of legislation on organisations from three different angles that affect three different interest groups: Labour Law (employees), Consumer Law (customers), and Corporate Law (owners).[24] **Labour law** is an excellent example of the intertwining of political and social factors that have an economic impact on the organisation in the form of the costs and benefits of labour law. **Consumer law**: From the customer's perspective, consumer law is very good. Most companies would agree with this, as they want to be known for quality products. **Commercial law**, which regulates business practices or organisations, such as corporate law and competition law. The main stakeholders here are business owners, although competition law also affects consumers.[25]

In turn, ***Professor John Sloman considers that the external Business Environment*** is usually divided into four dimensions: political, economic, social, and technological, or seven dimensions, with the three additional dimensions being environmental, legal, and ethical. The economic dimension of a business environment is divided into microeconomic and macroeconomic environments. The microeconomic environment refers to the market in which a company operates. The macroeconomic environment refers to the national and international economies in which all companies operate. The process of globalisation has resulted in the external environment of many companies having a significant international dimension. Production is divided into primary, secondary, and tertiary production. The contribution of these different production sectors to the production has changed over time. Over the years, the tertiary sector has grown, and the secondary industry has decreased.[26]

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[21] Campbell, D. J., & Craig, T. 2005. Organisations and the business environment. Amsterdam, Elsevier Butterworth-Heinemann. http://site.ebrary.com/id/10138485, 721–148.
[22] Elearn Limited (Great Britain), and Pergamon Flexible Learning.2005. *Management Extra: Business Environment*. Vol. 1. Routledge. 133. 133–96.
[23] Campbell, D. J., & Craig, T. 2005. Organisations and the business environment. Amsterdam, Elsevier Butterworth-Heinemann. http://site.ebrary.com/id/10138485, 721–186.
[24] Elearn Limited (Great Britain), and Pergamon Flexible Learning.2005. *Management Extra: Business Environment*. Vol. 1. Routledge. 133–17.
[25] Campbell, D. J., & Craig, T. 2005. Organisations and the business environment. Amsterdam, Elsevier Butterworth-Heinemann. http://site.ebrary.com/id/10138485, 721–111.
[26] Sloman, J., & Jones, E. 2005, 2008. Economics and the Business Environment. Second edition. FT Prentice Hall, 461–36.

<u>In Theory by Phil Kelly and Andriew Ashwin the Business Environment</u> is something that every individual interacts with in some way. We all affect that environment to some degree, and this, in turn, affects us, regardless of age, gender, ethnicity, or any other factor. Similarly, a company can be affected by the environment (see Figure 2).

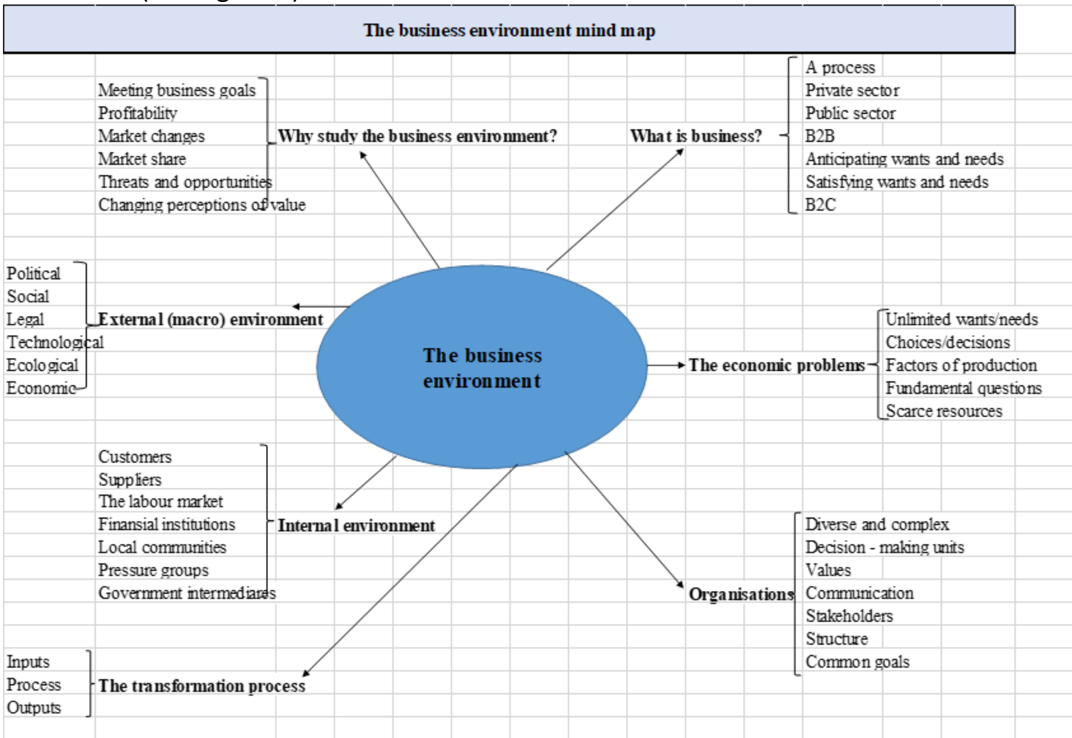

Figure 2. *Business environment mind map. Phil Kelly, Andrew Ashwin.2013.*[27]

The economy is the basis of life for millions of people around the world. It gives us access to things that help us to survive and enjoy our daily lives. We are participants or beneficiaries of the economy. Most adults earn a living by providing their labour and use the income they receive in return to buy the necessities and luxuries of life from countless other businesses. Therefore, it is important that we have some understanding of this environment and the different roles we play in it (workers, consumers, producers, owners, customers, etc.) and how it affects our daily lives. In developed countries, these interactions seem commonplace and are often taken for granted. Internal and external business environments. Businesses must operate in both internal and external environments (see Figure 3).

[27] Kelly, P., & Ashwin, A. 2013. The business environment. Andover, Cengage Learning, 401–22.

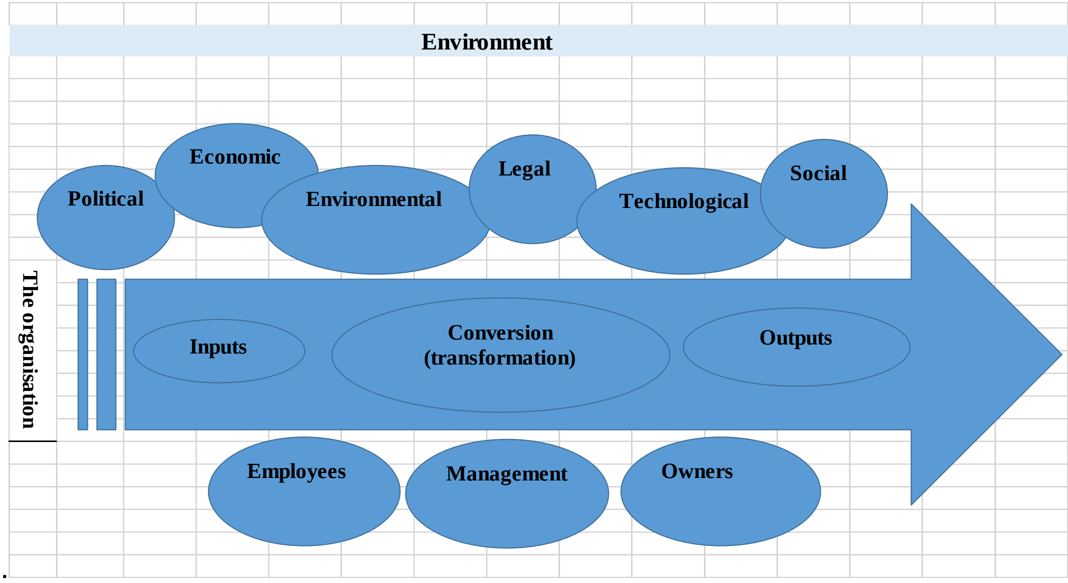

Figure 3*. Transformation process with internal and external factors.*[28]

Figure 3 illustrates the different influences on organisations, both internal and external.

The external environment is complex and its future – uncertain, but managers must seek to understand it in order to identify opportunities and threats and respond appropriately. One of the first challenges is to identify the multitude of factors within the external business environment, and the second is to break them down into manageable pieces. Environmental variables are factors that affect the organisation but are outside the direct or positive control of the organisation. The external environment can be divided into different levels. A macroenvironment is a broader environment of social, legal, economic, political, and technological influences (forces). The macroenvironment contains more general factors that can affect organisations in a similar way, while industry-level factors are of particular importance to a specific group of organisations. The microenvironment is the immediate (industry) environment that includes customers, competitors, suppliers, and distributors. One of the most important factors affecting most companies is the level of competition they face. The actions of competitors and the behaviour of customers or potential customers are likely to have a greater impact. Markets change rapidly with the emergence of new competitors, technologies, legislation, and changing customer needs.

In the Business Environment Theory by Professor A. C. Fernando we can see that a company does not operate in a vacuum, but in a specific environment in which it must cooperate and act. A business is a microeconomic entity that is influenced by its economic and noneconomic, internal and external environment: the prevailing value system of the society in which it operates; the laws enacted by the government, both federal and local; the rules that govern the economy; the economic policies, including monetary, fiscal, and trade policies, established to monitor and control it; and the institutional structure in which it operates. Thus, the business environment, the manner and effectiveness with which the business interacts with the environment largely determine its success or failure.

Today, businesses dominate our lives. Gone are the days when their role in the economic, social, political, and technological contours of our society was insignificant. Today, companies have grown so large that some of their departments, such as wholesale, retail, manufacturing, and supply chains, have become the main sectors around which much of the economic activity takes place. Businesses create and control the wealth of a nation and, indirectly, the lives of its citizens. This ubiquitous role of business gives it enormous influence on society and affects the lives of various groups of society, such as shareholders, employees, and customers, as well as society (see Figure 4).

[28] Kelly, P., & Ashwin, A. 2013. The business environment. Andover, Cengage Learning, 401–30.

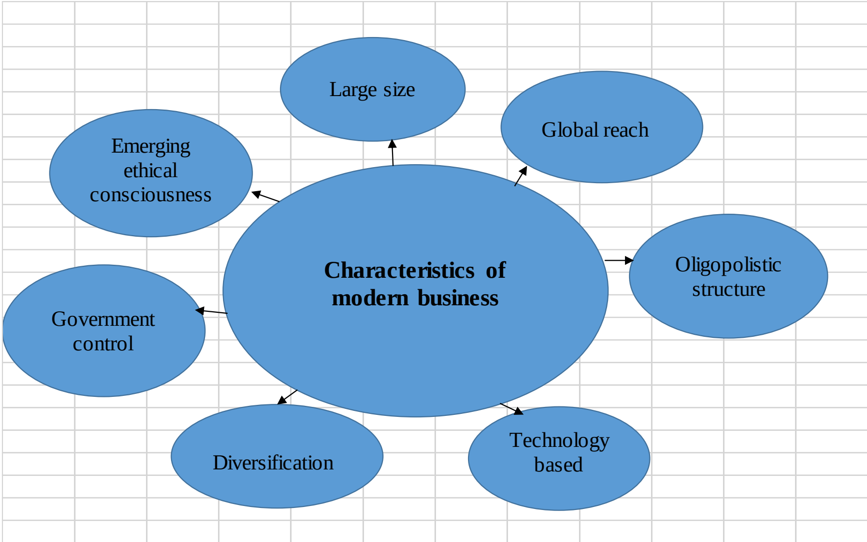

***Figure 4**. Characteristics of a business.*[29]

The business environment refers to the conditions surrounding people and things. The environment can be external to a person or a company. In the corporate context, the environment can refer to any external factors that affect the company's operations. The business environment can be divided into an internal environment and an external environment, which in turn can be divided into a microenvironment and a macroenvironment. In addition, companies are influenced by both the economic and non-economic environment.

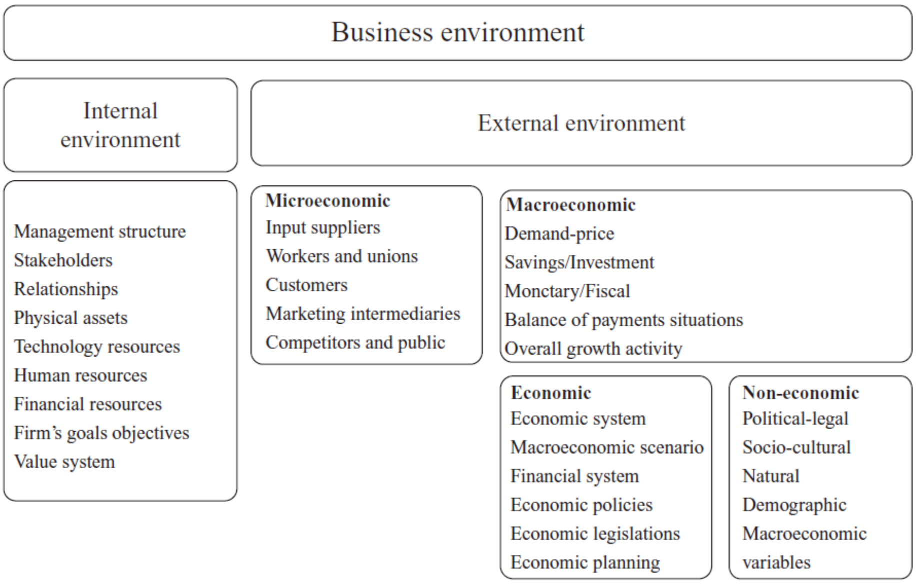

***Figure 5**. Factors affecting a business environment.*[30]

In the corporate context, the term environment can refer to a set of factors (see Figure 5) that are external and independent of the control of individual companies and their management. Corporate activities are influenced by the environment, the prevailing value system in society, laws enacted by the government, laws and regulations governing business, monetary policies of the central bank, and tax policies of the state and government. Therefore, it is the responsibility of business leaders to adapt their businesses to the changing economic environment if they want their businesses to continue to operate successfully.[31]

[29] Fernando, A. C. 2011. Business Environment. Pearson India, 688–59.
[30] Ibid., 60.
[31] Ibid., 62.

In conclusion we can follow to ***Business Environment Theory by Wim Hulleman and A. J. Marijs***. The term “business environment” encompasses all changes in the business environment that can affect the company’s results. These effects may be related to purchasing, sales, market development, competition, human resource management, and similar issues. Factors related to the business environment that may affect the company’s results are generally presented in a standard form based on the extent to which the company performs and the extent to which the environment may affect the company. Factors related to the direct or indirect environment and macroenvironmental factors can be distinguished (see Figure 6).

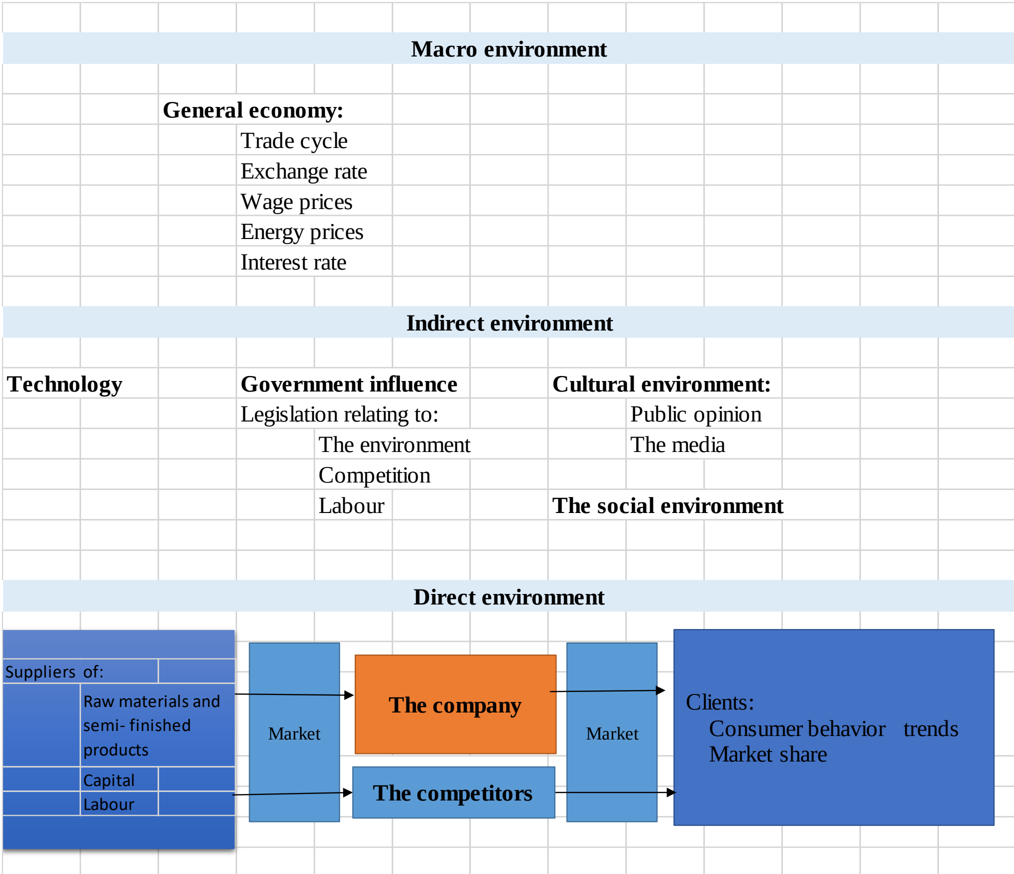

Figure 6*. Business environment.*[32]

The business environment is viewed from political, demographic, cultural, legal, economic, industry, and competitive and market perspectives.

Let's now look at the ***theoretical aspects of family business***. In a famous article, Aldrich and Cliff[33] wrote that “a hundred years ago, “business” meant “family business” and thus the adjective “family” was superfluous”. The companies were family businesses. And to a certain extent, this is still true today.

Three family business theories are presented below, the first being that of ***Thomas Zellweger.*** There is great value in unravelling the dimensions of family influence to uncover the specific opportunities and challenges associated with family control. Definition of family business: A family business is a business that is predominantly controlled by the family and whose goal is to maintain the family’s role and control from generation to generation.

[32] Hulleman, W., Marijs, A. J. 2021. Economics and business environment. 392 - 17.

[33] Aldrich H.E, Cliff J.E. 2003. Journal of Business Venturing 18. The pervasive effects of family on entrepreneurship:toward a family embeddedness perspective. 24- 3.

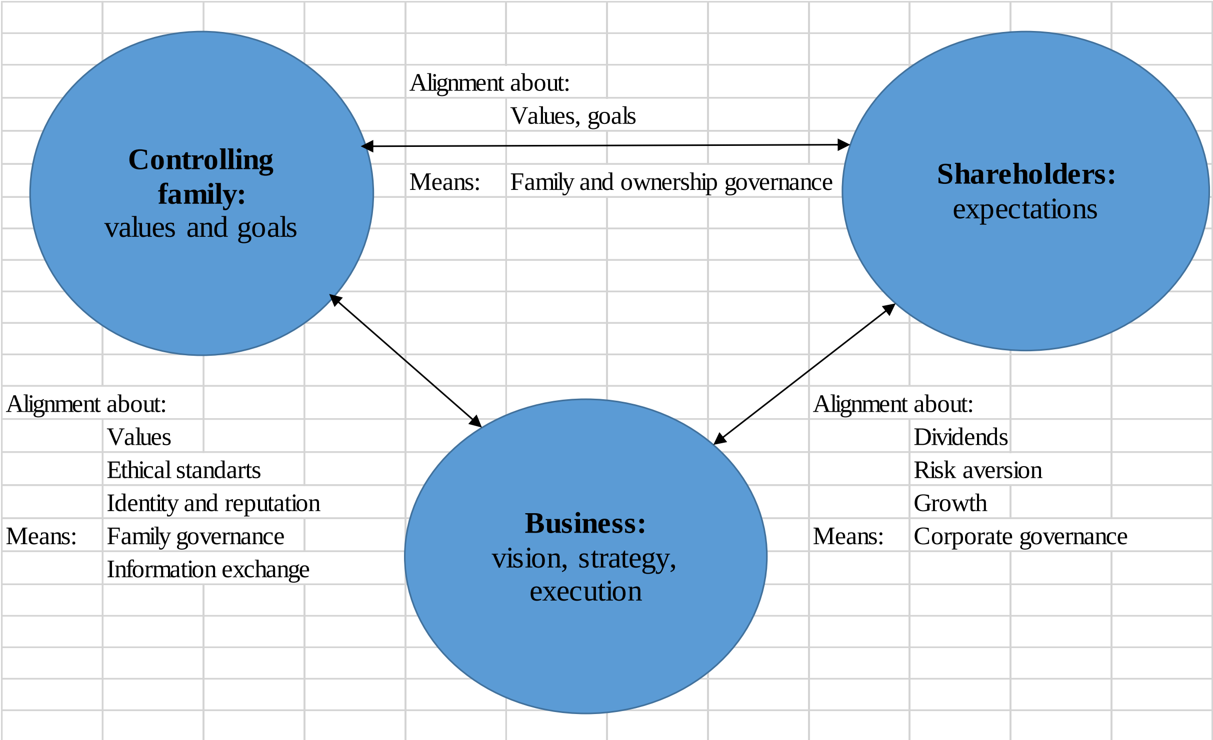

***Figure 7.** Alignment of family, shareholder, and business goals*[34]

This definition of a family firm is consistent with the well-known definition of Chua, Chrisman, and Sharma (1999) and emphasises two key features[35]:

Predominant control in the hands of the family: The channels through which this control is exercised can vary widely depending on the complexity, size, and age of the business and the value system and goals of the family (see Figure 7).

- **Intergenerational perspective**: This aspect is crucial in distinguishing a family-owned company from a family business. It refers to the special importance of succession and long-term value creation, aspects that are either absent or less relevant in nonfamily businesses. In the area of corporate governance, the element of "dominant control" is discussed in more detail. When discussing succession, the "intergenerational perspective" is highlighted and explored. And with respect to the strategic management of family businesses, it is to be examined how both elements together influence the strategic decisions of family businesses.

The second theory *is the **Theory by Professor Kelin E. Gersick. Generation to Generation.*** For most people, the two most important things in their life are family and work. It is easy to understand the attraction of organisations that combine the two. As part of a family, the business affects everyone involved. The role of the CEO is different if the company was founded by your father and if your mother and siblings are at the table for board meetings as much as for dinner. Businesses owned and operated by families are a special form of organisation, and this "specialness" has both positive and negative consequences. Family businesses draw special strength from the shared history, identity, and language of the family. When key leaders are relatives, their traditions, values, and priorities are derived from a common source. Verbal and non-verbal communication can greatly speed up in families. Owner-managers can decide to solve the problem "as we did with Uncle Harry." Spouses and siblings are more likely to understand each other's spoken preferences and hidden strengths and weaknesses. Most importantly, commitment can be requested, even to the point of self-sacrifice, in the name of general family welfare. Family Businesses as Systems.[36]

[34] Thomas Zelweger. 2017. Managing the Family Business. Theory and practice. 613 - 213.
[35] Ibid., 44.
[36] Gersick, K. E. 1997. Generation to Generation: Life Cycles of the Family Business. 603 - 20.

The study of family firms as systems began with a few isolated articles in the 1960s and 1970s. The early classics focused on the typical problems that seemed to hinder family businesses, such as nepotism, the transfer of lucrative positions, titles, and income (both secular and ecclesiastical) to relatives through tenure, generational and sibling rivalry, and unprofessional management. The underlying conceptual model suggests that family businesses consist of two overlapping subsystems: the family and the business. Each of these two “circles” has its norms, rules of membership, value structure, and organisational structure. Problems arise because the same people have to fulfil obligations in both circles, for example, the role of both parents and professional leaders at the same time. In addition, the business itself must operate following sound business practices and principles while meeting the family’s needs for employment, identity, and income. It was clear from the outset that finding appropriate strategies for both subsystems was a major challenge for all family businesses. This concept of two systems is still very relevant. Researchers and scholars use it as a basis for analysing complex organisational behaviour, strategies, competitiveness, and family dynamics. Counsultants and other practitioners find it useful in identifying the sources of individuals’ behaviour and decisions.

The conflicting pressures on individuals from the family and business communities were the first practical concept in this area of research. Tagiuri and Davis developed the two-system model while working at Harvard in the early 1980s. They argued that in order to more accurately represent the full range of family businesses, a clear distinction should be made between the ownership and management subsystems within the business circle. This means that some people are owners, but are not involved in running the business; others are managers, who do not control the shares. Work with businesses of all sizes has supported their argument that many of the key dilemmas facing family businesses, such as the dynamics of complex, cousin-controlled family businesses, have more to do with the difference between owners and managers than between the family and the business. As a three-circle result, a model was formed (see Figure 8). The three-circle model describes the family business system as three independent but overlapping subsystems: business, ownership, and family. Any individual in a family business can be placed in one of the sectors formed by the overlapping circles of the subsystems.

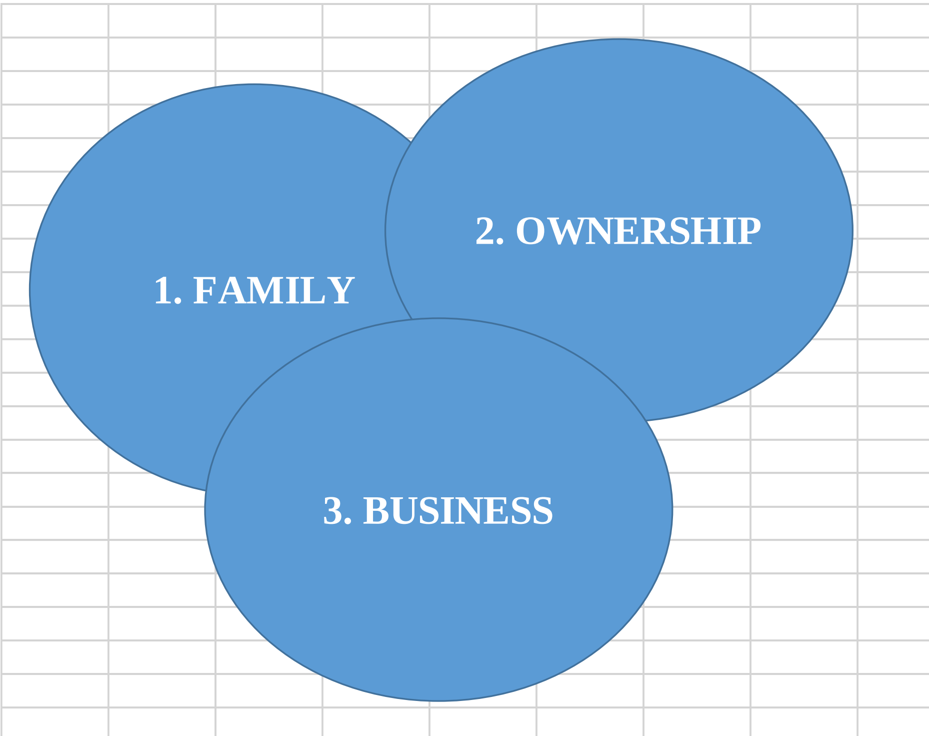

***Figure 8**. Three-Circle Model of Family Business*[37]

[37] Gersick, K. E.,1997. Generation to Generation: Life Cycles of the Family Business. 603 - 23.

By combining the three axes of ownership, family, and business development, the model represents a three-dimensional space (see Figure 9). Every family business has reached a point on the ownership development axis, the family development axis, and the business development axis. The company acquires a special character determined by these three points of development. When a family business moves to a new stage in any of the dimensions, it takes on a new shape and new characteristics.

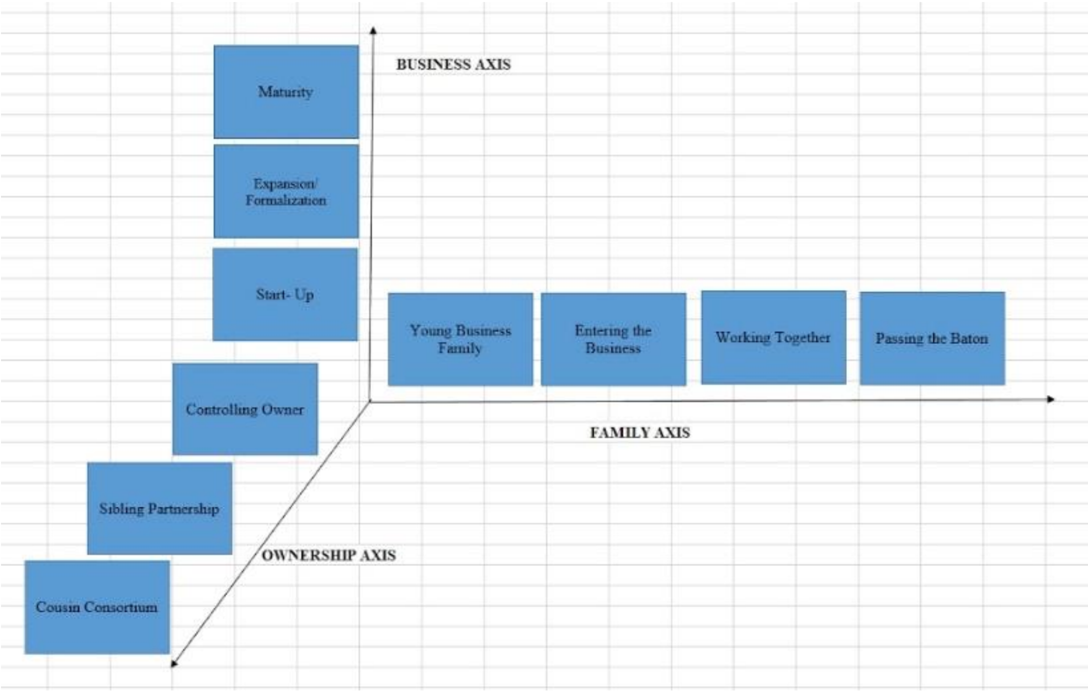

***Figure 9**. The Three-Dimensional Developmental Model*[38]

The Developmental Dimension of Ownership[39] The first dimension describes the development of ownership over time. The description of this dimension draws heavily on the work of John Ward. He recognises that the different forms of family ownership lead to fundamental differences in all aspects of the family business. There is, of course, an almost limitless array of ownership structures in family firms. Some companies are owned by one individual, or by a couple, or by two unrelated partners. At the other end of the complexity scale are companies owned by combinations of family members (sometimes numbering hundreds), public shareholders, trusts, and other companies. For this dimension, as for the other two, the model strives for useful simplicity. No model of such a complex phenomenon can present categories that are completely exhaustive and nonoverlapping. However, it has been found that the core issues of ownership development are well captured in three stages. Controlling Owner Companies, Sibling Partnerships, and Cousin Consortium Companies. These three categories help professionals working with family businesses to make some critical distinctions between different types of companies and help families themselves to understand how their current ownership structure affects all other aspects of business and family operations. The ownership dimension is not just three categories; it also has an underlying direction of development. It suggests that most businesses start with a single owner. Many family businesses then move over time through the Sibling Partnership to the Cousin Consortium. This is not to say that family businesses always follow this sequence.

The Family Developmental Dimension[40] - the second dimension of the model describes the development of the *family* over time. This dimension captures the structural and interpersonal

[38] Gersick, K. E. 1997. Generation to Generation: Life Cycles of the Family Business. 603–41.
[39] Ibid., 42.
[40] Ibid., 44.

development of the family, through issues such as marriage, parenthood, adult sibling relationships, in-laws, communication patterns, and family roles. To conceptualise individual and family development, the pioneering work on normal adult development by Daniel Levinson and his colleagues, as well as many fine theorists studying family life cycles, has been observed. Dividing business families into developmental subgroups helps sort out the enormous variety of business owners. Although there is variability in and overlap between stages, we have seen that families within a stage have much in common.

The Business Development Dimension[41] describes the development of the business over time. Our description of this dimension is built on the work of several business life cycle theorists, including Neil Churchill, Eric Flamholtz, Larry Greiner, and John Kimberly. The maturity of the business enterprise has been overlooked in most writings on family firms. However, there are important variations in growth, product maturity, capitalisation and leverage, development of non-family managers and internationalisation that arises from the stage of the business. Indeed, the stage of development of the firm often has a strong but hidden influence on decisions such as the sale of family shares to outsiders or the succession of family leadership.

The third family business theory is by Dr. Stephen R. Covey. *Nine Elements of Family Business Success.*[42] The nine elements of family business success address the unique challenges of family businesses and provide a proven formula that will enable you and your family to enjoy a greater family relationship while maximising the potential for the success of your family business: creating and sharing personal vision statements, hiring and firing family members, compensating family members, selecting family member successor, grooming the family member successor, aligning the culture of family business with the company vision, addressing multiple role challenges of spouse business partners, recruiting, retaining, and inspiring non-family member employees in a family business, transitioning ownership to family members.

By collecting the basic elements, we can create a picture that shows the interaction of these objects (see Figure 10).

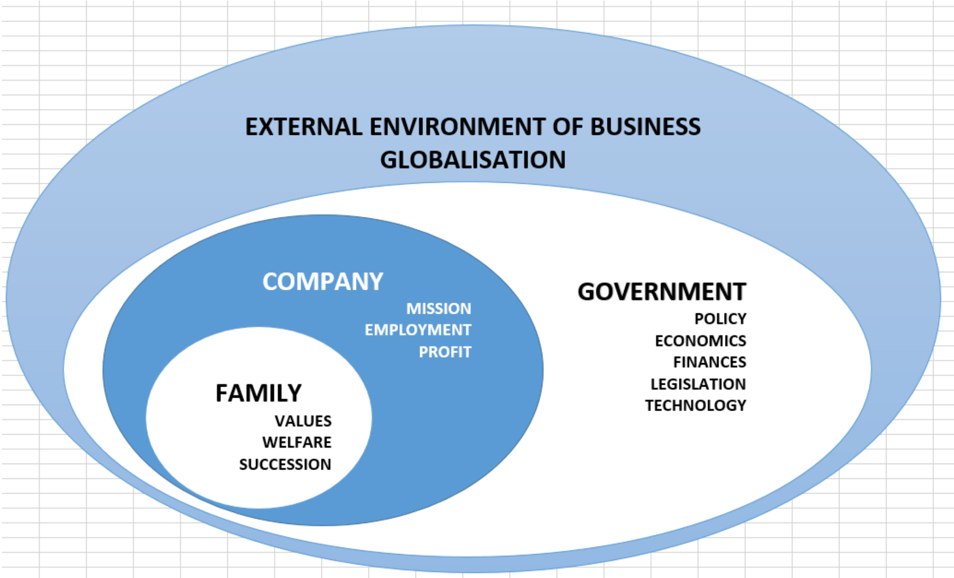

Figure 10*. Family interaction with business and government in external business environment. By Authors.*

By providing a better understanding of the impact of external business environment factors on family businesses, the research conclusions reflected in the publication can help to understand the interrelationships between the development opportunities of family businesses and the reduction of risks arising under the influence of external business factors by making well-thought-out long-term

[41] Ibid., 51.

[42] Fishman, A. E. 2009. 9 Elements of Family Business Success. A proven formula for Improving Leadership & Relationships in family businesses, 303.

political decisions at the government level for national economic development and public welfare provision.

From the business environment theories discussed above, we can conclude that the external business environment factors most often mentioned in the works of researchers are political, economic, social, technological, legal, and global, and by summarising this information, I think we can single out some factors as the most important of them: political, economic, financial, legal, and technological.

On the other hand, the theories considered as the basis of family business theory are about the relationships between family members, who are united by a common goal – entrepreneurship; these are the most important questions about the company's management strategy, monitoring, and control concepts, as well as ownership and inheritance of property rights.

Discussion and Conclusions

Concluding the theoretical overview of the external factors of the business environment and family business issues, we can conclude that in practice the external environment of the business and the family business are very closely related areas that influence each other. In the course of the study, some controversial issues emerged.

There is still insufficient debate about family business in Europe and no statistics on family business are available. Several years ago, in the context of the European Statistical Programme for 2013–2017, the research organisation European Family Business encouraged the collection of data on family enterprises and the use of the definition of family business approved by the expert group in the Eurostat data. Unfortunately, it is not possible to find information on family businesses in the Eurostat databases, so the data mentioned in the study, taken from other research sources, do not guarantee accuracy. The next question is the definition of Family business. Perhaps each of the researchers means something different. The understanding of a Family business in the Middle East may be different from that in Europe. The definition of the current European Commission[43]:

A firm, of any size, is a family business, if:

(1) The majority of decision-making rights are in the possession of the natural person(s) who established the firm, or in the possession of the natural person(s) who has/have acquired the share capital of the firm, or in the possession of their spouses, parents, child or children's direct heirs.
(2) The majority of decision-making rights are indirect or direct.
(3) At least one representative of the family or kin is formally involved in the governance of the firm.
(4) Listed companies meet the definition of family enterprise if the person who established or acquired the firm (share capital) or their families or descendants possess 25 per cent of the decision-making rights mandated by their share capital.

It could not be accepted because the nature of the Family business is simplicity and flexibility in decision-making. How can a company ensure that decisions are enforced if it has a say ¼ of the say? This seemingly insignificant legal loophole places the future of family business at the heart of both legislative and policy planning and economic development. With this study, we call for an update of the discussion on the legal definition of family business today, which is the basis for policy planning documents, legal protection in case of takeovers or inheritance, etc.

Returning to the family role is a concern for the well-being of family members. In order to provide this on the basis of their family values, families create or inherit businesses, even over several generations. The mission statement of the family business defines the future management strategy of the company, the employment of family members and relatives, and the transfer of the company's traditions and assets to future generations.

[43] https://single-market-economy.ec.europa.eu/smes/supporting-entrepreneurship/family-business_en

The rapid development of technology and digitalisation has both created favourable conditions for the global competitiveness of family businesses and increased the threat to their long-term existence. In today's competitive environment, family businesses are aware of the " playground " at all levels when assessing their position between local and global players in their industry.

Worldwide, family entrepreneurship is one of the most important pillars of the regional economy, ensuring the economic stability of society and social welfare, with family and business in close interaction with the state. National functions include planning and implementing national economic policies, building up the business environment and ensuring financial stability.

A sound family business policy and the following guarantees at the regional level are needed to ensure the viability and sound core business of family businesses in the context of external factors in the business environment:

- Politics – developing, implementing and promoting entrepreneurship, economic policy and long-term strategy;
- Finances – changing tax policy by reducing labour costs, reviewing asset and inheritance taxes, making financial availability at different stages of business;
- Legislation – developing all legal frameworks with a view to developing and promoting family business, reviewing international agreements and creating a new definition of family business, increasing the role of the family in it, excluding from the current EC definition the section on stock exchange listing, which excludes future inheritance rights, and increasing the shareholding to at least 51 % of single-family members.
- Technologies – ensuring the availability of privacy policies, technologies and digital tools to improve competitiveness on a global scale.

Limitations and Future research directions

During the course of the study, the first controversies emerged in the area of the definition of a Family business. This led to the recurring question: what is a Family business? And whether the amount of family business in Europe mentioned in official sources corresponds to the 25 % of shares defined in the definition, or whether it refers to any amount of capital as long as it is managed by at least one family. Consequently, the statistics on European family businesses are incomplete and do not provide an objective view of the size of the European family business. As a logical point of view, if by definition it is 25 %, then the actual proportion of family businesses would be even lower than the 60 % currently mentioned.

For future research, scholars should consider the following important questions at the regional level: What would be the best definition of a Family business? Is it possible to keep statistics on Family businesses and how? What would be the common criteria? How can Family businesses ensure that their interests are represented in policy planning and legislation at a local level? How to ensure long-term legal protection for family businesses? etc.

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