The MER Model of Enterprise Development: Research Cognitions for its Creation

Janko Belak
MER Evrocentre, Institute for Management and Development
Koroska c. 113/b, SI-2000 Maribor, Slovenia
University of Maribor, Faculty of Business and Economics
e-mail: janko.belak@mer-evrocenter.si, janko.belak@uni-mb.si

Mojca Duh
University of Maribor, Faculty of Business and Economics
e-mail: mojca.duh@uni-mb.si

Jernej Belak
MER Evrocentre, Institute for Management and Development, Maribor
Koroska c. 113/b, SI-2000 Maribor, Slovenia
e-mail: jernej.belak@mer-evrocenter.si

Abstract: At the entrepreneurial research level several models of the enterprise development have been created and proposed. These models can be placed into several groups, such as metamorphic models, models of crises, models of markets development, and models of structural and behavioural changes. Also MER co-workers have the intention to develop its own, generally applicable model of the enterprise development based on the research cognitions on development process of an enterprise. In the paper the scientific origins of the MER Model of Enterprise Development are presented. Selected models of enterprise development and growth as well as the chronology of MER’s intentions for developing its own model of the enterprise development are discussed in the paper. Some of the MER’s generally applicable cognitions on the enterprise development and cognitions on developmental particularities of small, medium sized and family enterprises are also presented in the paper.

Keywords: enterprise development, models of enterprise development, MER Model of enterprise development, enterprise life cycle, cycle of enterprise development, development of SMEs, development of family enterprise
1 Overview of Models of the Enterprise Development and Growth

At the entrepreneurial research level several models of the enterprise development have been created and proposed. Many scientists and researchers deal with the topic of enterprise development and try to create the most suitable model. Models are classified by researchers in different groups. For further discussion especially two classifications are important, that is one made by Korralus [1] and the other made by Pümpin and Prange [2].

Korallus [1] emphasizes the enterprise life cycle and classifies models considering the macro (economy) and mezzo (enterprise) levels: (1) models of analogy, (2) crisis models and (3) organizational life cycle models.

- Models of analogy built the origin of enterprise life cycle on the product life cycle. In the Levit’s model [3] following life cycle stages of enterprises are proposed: phase of initiation (Einführung), phase of growth (Wachstum), phase of maturity (Reife) and phase of declining (Niedergang). James [4] differentiated phase of initiation (Einführung), phase of growth (Wachstum), phase of maturity (Reife) and phase of declining/regeneration (Niedergang/Regeneration).

- The crises models identify the enterprise crises, which occur in the enterprise overcoming from one phase in the next one. As the end of the establishment phase crises Korallus [1] states the point when the enterprise achieves the size, which enables it the capability of the independent survival. In the phase of enterprise’s high growth the author emphasizes the enterprise’s growing crises due to the structural problems in certain enterprise’s areas. In author’s opinion the strong impact on the enterprise’s size has also the ‘phase of turn over’. The age crisis takes place when the critical enterprise’s growing wave was not overcame, which results in long enterprise’s stagnation.

- As the organizational life cycle models Kolrallus [1] defines models, which describe or examine the aspects as development leadership style or organizational structure in a frame of time.

Pümpin and Prange [2] classify models of the enterprise developmental into five fundamental groups as shown in Table 1.

Metamorphic models, where the sequence of specific phases is described that has to be overcome by certain enterprise. Due to the enterprise growth the drastic changes in enterprise management are needed.

Crisis models describe the enterprise crisis, which occur at certain age or size of an enterprise – when such age or size is achieved by an enterprise that developed continuously since than, it faces drastic changes. If the crisis models describe
crisis points as transitional points between specific developmental stages, they are in accordance with the metamorphic models.

*Models of market development* describe the enterprise development as the function of the market development that was captured by an enterprise. The actual enterprise’s developmental stage is defined by the achieved life cycle stage of all enterprise’s products. The models of market development describe the enterprise development by external factors, where the factors as e.g. enterprise’s age, stay subordinated to the external factors.

*Models of structural changes* describe the enterprise development mainly through the changes of enterprise’s organizational structure and management systems. They indicate that some of the organizational forms (e.g. functional, divisional, metrics) can be used successfully only during specific developmental stages.

*Models of behavioural changes* define the enterprise’s developmental stage on a basis of behaviour and focus, which can be considered as the characteristic of specific stage. The most important indicators of developmental stages are: the basic management focus, leadership style and innovative behaviour.

<table>
<thead>
<tr>
<th>Metamorphic models</th>
<th>Livegoed = Wandel (1974)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Clifford = Growth (1973)</td>
</tr>
<tr>
<td></td>
<td>Mintzberg = Power (1983)</td>
</tr>
<tr>
<td></td>
<td>Bleicher = Konzept (1991)</td>
</tr>
<tr>
<td>Crisis models</td>
<td>Bellinger = Unternehmungskrisen (1962)</td>
</tr>
<tr>
<td></td>
<td>Lippit/Schmidt = Crises (1967)</td>
</tr>
<tr>
<td></td>
<td>Buchele = Policy (1967)</td>
</tr>
<tr>
<td></td>
<td>Argenti = Collapse (1976)</td>
</tr>
<tr>
<td></td>
<td>Albach = Wachstumsschwellen (1976)</td>
</tr>
<tr>
<td></td>
<td>Bleicher = Spitzentechnologien (1983)</td>
</tr>
<tr>
<td>Models of market development</td>
<td>Levitt = Exploit (1965)</td>
</tr>
<tr>
<td></td>
<td>James = Theory (1973)</td>
</tr>
<tr>
<td>Models of structural changes</td>
<td>Chandler = Strategy (1962)</td>
</tr>
<tr>
<td></td>
<td>Scott = Stages (1971)</td>
</tr>
<tr>
<td></td>
<td>Greiner = Evolution (1972)</td>
</tr>
<tr>
<td></td>
<td>Mintzberg = Structuring (1979)</td>
</tr>
<tr>
<td></td>
<td>Churchill, Lewis = Stages (1983)</td>
</tr>
<tr>
<td>Models of behavioural changes</td>
<td>Swayne, Tucker = Effective (1973)</td>
</tr>
<tr>
<td></td>
<td>Adizes = Passages (1979)</td>
</tr>
<tr>
<td></td>
<td>Miller = Leben (1989)</td>
</tr>
</tbody>
</table>

Table 1
Models of the Enterprise Development [5]
2 \ MER’s Efforts for Developing its own Model of the Enterprise Development

The founders of the program entitled ‘Management and Development – MER’ were aware of the need of the fundamental and focused enterprise development research at the beginning of the emerging program. This proved in the 1993 chosen title of the program ‘Management and Development – MER’, where the importance of ‘development’ was emphasized in two languages (in German ‘E’ – entwicklung and Slovene ‘R’ – razvoj – ‘development’). Since the initiation and realization of ‘Management and Development – MER’ program was presented in detail at previous MEB conferences [6], [7], [8], in this year paper the MER efforts for developing its own model of the enterprise development are presented. These efforts can be summarized in two fields of activities, which are focused towards the achieving of its own model of enterprise development:

(1) The initial research topics ‘The development of entrepreneurship, enterprise policy and management’ and ‘Management of enterprises in transition and economic development on Slovene case studies’ were focused in 1994 on research of theory and praxes of the development of enterprises taking into account the particularities of small and medium sized enterprises. This topic ‘attracted’ 150 researchers from various European (and other) universities and faculties. The research cognitions were published in the four core publications [9], [10], [11], [12] and also else where. These cognitions were also discussed at two scientific conferences: MER ‘96 ‘Theory and Practice of enterprise development: with Particularities of Small and Medium-Sized Enterprises’ and MER ‘97 ‘Enterprises- and Management-Development: with particularities of Small and Medium-Sized Enterprises in Transition Countries’.

(2) Relatively early MER Evrocenter realized the importance of research on particularities of family enterprises development in transitional environment. The cognitions of the initial researches were published in all the above mentioned publications as well as introduced at the scientific conferences MER ‘96 and ‘97. These initial cognitions encouraged more intensive and detailed researches in this area. In year 2001 several researchers from different universities and faculties from Austria, Bulgaria, Czech Republic, Hungary, Germany, Poland, Slovak Republic, Slovenia and Switzerland were involved in the research of developmental particularities of family enterprises. These research cognitions were published in seven core publications [13], [14], [15], [16], [17], [18], [19] and also else where. Cognitions on the developmental particularities of family enterprise were also discussed at two scientific conferences: MER 2002 – EU-Integration and Developmental Particularities of Family Businesses” and MER 2003 ‘The Support to Management and Development of Family Enterprises’.

Considering the chronology described above we can state:
that MER’s research activities after the year 1994 were focused on research of the enterprise development, especially of small and medium sized enterprises,

that the beginning of MER efforts in the area of developmental particularities of family enterprises can be found after the year 1996; more intensive research in this area was present in MER programs after the year 2001.

After eleven years of research work in this field MER does not dispose with its own model of enterprise development. However, through this research work MER has gained and collected many important conceptual foundations for creation of such a model. In this paper the most important, generally applicable cognitions in the field of enterprise development will be presented as well as developmental particularities of small, medium sized and family enterprises.

3 Conceptual Foundations of the Emerging Model

3.1 Generally Applicable Cognitions on the Enterprise Development

The following important generally applicable cognitions on the enterprise development can be shelled out from the MER’s publications:

the initial importance in the MER’s discussions on enterprise development have the cognitions on the development as the qualitative changing of an enterprise and cognitions on the growth as the changing of the enterprise’s physical size; the argumentation of importance of both dimensions can be found in the fact that both dimensions are needed to ensure the enterprise’s success, its effectiveness as well as efficiency in a sense of enterprise being the ‘institution’ of different stakeholders with various interests (see also [20], [21]). In the cited publication we can find the following definition of development and growth of an enterprise as well as effectiveness and enterprise efficiency [20]: To be effective means to do the right things .... To be efficient means to do the things right...the correlation between effectiveness and efficiency is tidily connected to the fundamental dilemma of enterprise’s future: growth or development? Here the enterprise’s growth is understood as the process of quantitative enlargement of a phenomenon (product or service) without any important qualitative changes, where on the other hand the enterprise’s development is understood as the process of qualitative change of phenomenon (product or service) out of which the new characteristics and new quality of the phenomenon origins.
The cited publication deals also with the question of development as the process of improving ‘the quality’ of an enterprise as well as with the question of enterprise quantitative changing (enlarging or shrinking) as factors of the enterprise development [21]: Although the enterprise development is qualitative factor (as ‘being better’), it is often mistaken with quantitative dimensions of changes of an enterprise. This quantitative changes of an enterprise origins from the enterprise’s positive or negative growth; therefore these changes are always connected to quantitative dimensions (characteristics) of an enterprise (for example: number of employees, sales ...). The quantitative changing of an enterprise (enlarging or shrinking) is one of the possible factors of enterprise development. It is used often even though it is not the only possible and unavoidable developmental factor – just quantitative changes do not necessary lead towards the enterprise’s improvement. In this context also the questions of enterprise optimal size can not be neglected. The enterprise’s optimal size remains an important factor of enterprise’s success and its development. Dilemmas on the size structure of enterprises in national economies and dilemmas on developmental particularities of small, medium sized and large enterprises are considered as an important professional challenges nowadays (see also [22], [23], [24]).

- The foundation of the enterprise development as the holistic development of all interested stakeholders gives an important priority to the ‘stakeholder value perspective’, which emphasizes the importance of enterprise credibility and social responsibility. The differences between ‘stakeholder’ and ‘shareholder’ value perspectives are presented in the Table 2.

Every enterprise can be considered as the integration of stakeholders linked together on a basis of their interests; the stakeholders are internal as well as external [26]. It is in the interest of every enterprise to direct, or even lead, all stakeholders, internal as well as external, in a sense of enterprise development. Therefore the creation of strategic partnerships is considered as an important factor of enterprise’s development [27]. It is therefore impossible to imagine that at today’s level of social and economic development the enterprise would not care for the development of their customers, suppliers, competition, investors, government as well as other wider public. Every enterprise should look toward the development of all stakeholders, internal as well as external. It should put all efforts in development of all stakeholders in accordance with its developmental idea (compare with [21]).
Table 2
Shareholder value versus stakeholder values perspective [25]

<table>
<thead>
<tr>
<th></th>
<th>SHAREHOLDER VALUE PERSPECTIVE</th>
<th>STAKEHOLDER VALUE PERSPECTIVE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Emphasis on</strong></td>
<td>Profitability over Responsibility</td>
<td>Responsibility over profitability</td>
</tr>
<tr>
<td><strong>Organizations seen as</strong></td>
<td>Instruments</td>
<td>Joint - ventures</td>
</tr>
<tr>
<td><strong>Organizational purpose</strong></td>
<td>To serve owner(s)</td>
<td>To serve all parties involved</td>
</tr>
<tr>
<td><strong>Measure of success</strong></td>
<td>Share price &amp; dividends (shareholder value)</td>
<td>Satisfaction among stakeholders</td>
</tr>
<tr>
<td><strong>Major difficulty</strong></td>
<td>Getting agent to pursue principal’s interests</td>
<td>Balancing interests of various stakeholders</td>
</tr>
<tr>
<td><strong>Corporate governance through</strong></td>
<td>Independent outside directors with shares</td>
<td>Stakeholder representation</td>
</tr>
<tr>
<td><strong>Stakeholder management</strong></td>
<td>Means</td>
<td>End and means</td>
</tr>
<tr>
<td><strong>Social responsibility</strong></td>
<td>Individual, not organizational matter</td>
<td>Both individual and organizational</td>
</tr>
<tr>
<td><strong>Society best served by</strong></td>
<td>Pursuing self-interest (economic efficiency)</td>
<td>Pursuing joint – interests (economic symbiosis)</td>
</tr>
</tbody>
</table>

The motive for enterprise development originates from the enterprise’s aim of being successful and well positioned. The enterprise development should therefore lead towards the higher level of success and towards higher prosperity of all stakeholders. With such development an enterprise is also implementing the sustainable developmental goals of its stakeholders. Such development of an enterprise does not embrace only the material prosperity but also (in technologically better developed societies more and more) the nonmaterial dimensions in a sense of improving the quality of life of all stakeholders (compare with [28]). At this point we should mention the ethical behaviour as the necessary postulate of the development of every enterprise. ‘If the enterprise’s goal is its long-term survival, it has to be successful. It has to be profit as well as ethically oriented’ [29]. The enterprise’s success is confirmed in its environment – by its external stakeholders; in market economies these are mainly market stakeholders (compare with [21]).

- MER’s research efforts on the enterprise’s development as a cyclic changing are based on the St. Gallen’s research cognitions. The present paper focuses only on the completion of the Bleicher’s model of an enterprise’s development with the elements of needed strategies, structures, and cultures as shown in Table 3 [30].
Thommen added to the Bleicher’s developmental model the components of strategy, structure and culture of an enterprise in a certain developmental stage. We can state that in the enterprise development not only the strategic decisions are made. Going through the developmental stages enterprise witnesses changes in its structure and culture as well.

Table 3 clearly emphasizes the importance of particularities of strategies, structures and cultures in different developmental stages of an enterprise. All three elements (strategy, structure and culture) have to be defined for every developmental stage of enterprise separately. It is very important that all three defined elements change adjustably considering the developmental particularities of certain developmental stage and developmental changes of an enterprise.

- Knowledge on possible forms of enterprises’ external development is needed in the context of the enterprise development. Different forms of contractual and capital connections exist; they are often realized as co-operations and networks, mergers and acquisitions (for more about co-operations and networks see [31], [32]; for more about mergers and acquisition see [33], [34]).

<table>
<thead>
<tr>
<th>Phase</th>
<th>Strategy</th>
<th>Structure</th>
<th>Culture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pioneer</td>
<td>The business idea should be brought to the market</td>
<td>No hard structures; the pioneer (grounder) dominates</td>
<td>Spontaneous, flexible, strong influence by the founder</td>
</tr>
<tr>
<td>Market opening phase</td>
<td>Enterprise professionalizing</td>
<td>Structure in building</td>
<td>Customer oriented, the influence of the founder in the background</td>
</tr>
<tr>
<td>Diversification phase</td>
<td>Development of the new core business ideas</td>
<td>Development of the business reports</td>
<td>The ground for the branch culture</td>
</tr>
<tr>
<td>Acquisition phase</td>
<td>The usage of external growth potentials</td>
<td>Divisional structure, holding</td>
<td>Potential culture conflicts between daughter enterprises</td>
</tr>
<tr>
<td>Cooperation phase</td>
<td>Strategic alliances for achieving the higher flexibility</td>
<td>Strategic alliances led by teams</td>
<td>Cooperation culture crucial for progress and development</td>
</tr>
<tr>
<td>Restructuring phase</td>
<td>Step back in earlier phase to ensure the survival</td>
<td>The usage and testing of the new org. structures (e.g. profit centre)</td>
<td>The crisis awareness, the battles between old and new culture</td>
</tr>
</tbody>
</table>

Table 3
<table>
<thead>
<tr>
<th>Situation</th>
<th>Enterprise’s strategy</th>
<th>Structure</th>
<th>Culture</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Economy of state administration/ public sector: (sale is legally regulated)</td>
<td>no proper strategy, production/ supply by plan, monopolistic attitude, maintenance of organization and privileges</td>
<td>- bureaucratic organization</td>
<td>bureaucratic way of thinking</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- controlling system, cameralistics</td>
<td></td>
</tr>
<tr>
<td>2 Market of seller (demand overage)</td>
<td>production, rationalizing, sales as physical distribution</td>
<td>- functional organization, headquarters-linear system</td>
<td>internal focus to production.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- controlling system: financial book-keeping and full costs accounting</td>
<td>taylorism, technical efficiency of products</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>the value a product is the same as its total costs (full costs thinking)</td>
</tr>
<tr>
<td>3 Transitional markets (demand = offer; periodical offer overage)</td>
<td>use of competition supplanting and/or agreement, aggressive sales, economies of scale</td>
<td>- profit centres organization, controlling system: operative planning, budgets, short-term balance sheet</td>
<td>focus on competitors, aggressive competitive attitude, gold mine thinking, agreements in buyer’s harm</td>
</tr>
<tr>
<td>4 Market of buyer (structural offer overage, turbulent development)</td>
<td>customer oriented marketing, building the strategic position of success, competition based on the key capabilities, economies of scope, “lean” strategies</td>
<td>- lean hierarchy, team organization, enterprise networks, controlling system: strategic planning and target costing</td>
<td>customer oriented thinking and co-worker oriented culture of leadership, motivation and delegation of responsibilities, visionary leadership</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>the product is worth as much as the buyer is ready to pay for it; anything else is considered as wasting</td>
</tr>
</tbody>
</table>

Table 4
Strategy Fit by Different Economic Situations [35]
Another important MER’s developmental cognition is the one which emphasizes the need for adjustment strategy, structure and culture of an enterprise to different developmental circumstances (or situations) that enterprise faces in its process of development. In the cited publication [35] the foundations and model solutions for all three elements are described (for strategy, structure and culture) for four environmentally different situations.

In Table 4 the developmental strategies, structures and cultures are described for enterprises in four environmentally different enterprise’s developmental situations. An example of an enterprise, which functions in circumstances of legally regulated sales, example of enterprise functioning in markets of customer, example of enterprise functioning in transitional (equalized) market and example of enterprise functioning on market of buyer is presented. In original source [35] also the negative developmental consequences are described for the enterprises, which deal with their developmental questions with inappropriate strategies, structures and/or cultures.

Discussing the generally applicable cognitions we should not ignore the legitimacy of sustainable development. Every enterprise should develop in such a way that its development does not harm the others. In the widest sense an enterprise should function credible (today as well as in the future) [36].

3.2 Cognitions on Developmental Particularities of SMEs

In MER’s publications and other documents a lot of developmental solutions for small and medium sized enterprises (SMEs) are accumulated, while the research of SMEs has been taking place since 1992 in a frame of MER programs. In this paper some of the important solutions and cognitions are presented:

- Compared to life cycle of other phenomena (biological as well as to a life cycle of a large enterprise), the life cycle of SME has several particularities. Due to the importance of these particularities, the SMEs often face the overlapping of their life cycle stages and their developmental stages. In many cases certain life cycle stage even uniform with the SME’s development. This can be supported by Mugler’s discussion on life cycle and particularities of SMEs’ development [37]:

  The life cycle stage overcoming is considered as the strategic problem faced by enterprise’s top management, which in the case of a SME is the entrepreneur himself. On the other hand because of this tide connection between an enterprise and an entrepreneur we should not react to the changing requirements using radical human resource changes (at last this can be the change of an entrepreneur). New requirements have to be solved and fulfilled by the entrepreneur himself.
The cited discussion [37] has the fundamental meaning in the field of MER’s research efforts on enterprise development. Several authors founded their research cognitions on these definitions of a life cycle. The two important articles founded on the above mentioned cognitions are the one which delas with the entrepreneur’s characteristics in the context the enterprise’s development [38] and another one which deals with values as synergic potentials of SMEs [39]. Before we continue our discussion on the mentioned characteristics of SMEs it is important to present some findings on the life cycle of SMEs. In the above cited publications we can also find the answer to the key question: ‘Which typical stages of a life cycle can be distinguished in SMEs?’ These are: preparation stage of the enterprise’s start-up, start-up stage, post start-up stage, growth stage, mature stage, stage of reorganization and stage of new enterprise growth or decline and its ending. In the cited source we can find detail description of SME’s characteristics at every particular stage of its life cycle [37].

- The success of a SME largely depends on an entrepreneur which is in most cases also the leading manager. Due to the direct developmental influence on an enterprise, the personal characteristics of entrepreneurs/managers in SMEs are of great importance. The above mentioned researchers of values and personal characteristics of entrepreneurs [39], [38], added important cognitions to the knowledge base for creation of the MER Model.

In cited researches the characteristics of an entrepreneur are classified into five groups: intellectual characteristics, character characteristics, entrepreneurial characteristics, leadership and personal characteristics. The stated questions – (1) which characteristics depend more (therefore are more important) on particular stage of life or developmental cycle and on the other side which characteristics do not depend on the enterprise’s stage? And (2) if the characteristics depend on the stage what is their importance in the particular stage? – lead us towards the importance of learning of entrepreneurs and/or towards the possible human resource changes ‘at the top of an enterprise’ by the process of enterprise overcoming into the new developmental (and life) cycle. Some characteristics can be gained by learning where on the other hand the others not. The classification of entrepreneurs into groups shows that for enterprises, which are in the stage of establishment, the pioneers are most suitable; for enterprises in the stage of growth the ‘allrounders’, in the stage of maturity the organizers and in the stage of ending or new growth the pioneers are most suitable again.; the routiners are considered as useless in these roles. The cited publications give us also the definition of ‘enterprise’s stage needs’, the characteristics of stated types of entrepreneur, and the indication of the developmental consequences in a case of enterprises, which have inappropriate leaders (entrepreneur and/or manager) considering the enterprise’s life or developmental stage.
For SMEs the globalization influences are very important developmental factor. Therefore also MER’s developmental definitions contain more aspects of the above mentioned factor. In the year 1997 the research cognitions on strategic developmental situations of SMEs were published [40]. Incorporation of this research in a frame of the MER Model consists of the cognitions on the needed distinguishing of the market, operational and cognitive space of SMEs as well as globalization influences on the changes of these spaces in particular environments. The entrepreneurs and/or managers manage their SMEs in environmentally different developmental situations. If we initially consider only locally and globally possible operational and market spaces we can distinguish four types of SMEs (local SMEs with local market, local SMEs with global market, global SMEs with local market, and global SMEs with global market). Further, these markets and operational spaces have to be completed also by the dimensions of their cognitive space.

In global competition the SMEs are considered as too weak to survive. On the other hand the SMEs, which are able to succeed in a global competition, are one of the key factors for the development of the countries in transition; but competition cannot be done successfully ‘stand-alone’. Therefore, SMEs have to co-operate either in strategic alliance, in value adding partnership or in strategic networks. All of these co-operations have the same pattern: SMEs must allow a reduction of their independence in order to raise their competitive capacity. This new way of business exists only in a culture of trust [41].

3.3 Cognitions on Developmental Particularities of Family Enterprises

Although MER has been dealing with family enterprises more intensively from the year 2001, some of very important developmental cognitions considering the particularities of family enterprises has been gained. Some of these cognitions are introduced in this paper:

- The family, ownership and management of an enterprise significantly influence the development of a family enterprise. The changes in enterprise ownership and management are mainly influenced by changes in a family. Those family members who have the obligations towards the enterprise as owners or managers play an important role in the development of ‘their’ enterprise. The family’s co-operation in an enterprise goes through four developmental stages (in the first stage the family is recognized as young entrepreneurial family, in the second the children enter the enterprise, the third stage can be recognized as the stage of working together and the fourth stage as the stage of succession). The ownership of family enterprise very often goes from controlling owner to partner ownership of the children (brothers and/or sisters) and later in ownership of family dynasty. The
management of such an enterprise develops from controlling owner/manager towards the management of brothers and/or sisters and consequently towards the management of one family branch. In every single developmental stage (family, ownership and management) several and various developmental solutions are possible [42].

- In their development family enterprises are facing different crisis; some of them are only found in family enterprises [43]:
  - unsolved succession in area of ownership as well as management (unsolved or inappropriately solved succession);
  - dispersion of enterprise and family life cycles;
  - family conflicts;
  - lack of management capabilities of an entrepreneur, which is also a manager; very often he/she is not ready to delegate management responsibilities to the other person;
  - lack of needed plan and control instruments; and
  - unadjusted profit sharing.

- Specific attributes of family-owned enterprises are close bonds between a family and an enterprise. This relationship determines business policy, culture and strategy. The succession process in family-owned enterprises contains a high potential of conflicts (compare it to: [44], [45], [46], [47]).

- The possibilities of co-operational development of family enterprise are different. Often the co-operational development is not welcome since some members of the ‘entrepreneurial family’ overestimate the competitive advantage and the autonomy of ‘their enterprise’. The myths about the enterprise history (tradition) and strong identification of the employees with the enterprise’s tradition and fundamental views leads towards strong organizational culture. This can also be considered as the origin of the enterprise’s characteristics that make the evolution of the enterprises’ cooperation harder (compare it to: [48]).

Conclusion

The aim of the present paper was to emphasize the importance and complexity of the enterprise development as well as to highlight some MER’s significant cognitions emerged form several years of study in this particular field. We achieved this by:

- presenting some of the models of the enterprise development and growth,
- chronologically defined direction of MER’s efforts for developing its own model of the enterprise’s development and
• stating some of the MER’s (in authors’ judgement significant) generally applicable cognitions on the enterprise development and (also in authors’ judgement significant) cognitions on developmental particularities of small, medium sized and family enterprises.

In this paper only the limited number of developmental cognitions could be presented. In extensive ‘MER’s publication collection’ several others generally applicable as well as cognitions, particular for small, medium sized and family enterprises, cooperatives and regions, can be found (see also [49], [50]).

Especially in detail the MER’s publications deal with the cognitions on crises as one of the important enterprise’s developmental factor (see also [51], [52]), which could not be presented in the present paper. In the paper neither the developmental model of a family enterprise was presented, which was developed on a basis of MER’s and various others’ important developmental cognitions. The co-author of the present paper Mojca Duh developed, and in her doctoral dissertation argued, her own model of a family enterprise development [53]. In detail her model is presented in ‘M. Duh: Family Enterprise’, which was published in year 2003 by MER Publishing House [42]. For the wider public the presentation of her model can also be found in the journal Gewerbearchiv [54].

References


Belak Janko et. al. (Hrsg.): Unternehmensentwicklung und Management: unter besonderer Berücksichtigung der Klein- und Mittelbetriebe in den Reformländern. Versus Verlag, Zürich, 1997


