The Entrepreneurial Practices In Family Firms
Case Study -Algeria-

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Abstract :
More than 98% small and medium business in Algeria represents private sector which devides to : legal entities, liberal business, artisanal business, and in this percentage 97% are very small business according to the statistic of 1st semester 2016. And the ownership structure of the most companies are familial, so that we focus our research on this kind of firms in Algeria.

In this study, we focus on the affect of the family, managerial practice and goal, strategy of firms in entrepreneurial behaviour in the Algerian family firms. As a results, the Algerian family firms have a greater interest in managing its ownership and involved the shareholders in the discussion of goal and strategies but, according to the legal form of the family firms, and most of them do not have a clear plan in the subject of the succession. Also, they agreed that the natural character of the owner of the family firms and the extent of his awareness and exploitation of the opportunities are significantly affected in the support of the entrepreneurial orientation in Algerian family firms, added to the degree of the interest of the family members (the children) about the work and management in the family firms.

The activation of the application corporate governance principles of the OCDE in Algerian family firms ensures its sustainability and contributes to maintain the entrepreneurial spirit trans-generational.

Keywords : family firms, family members, entrepreneurial behaviour, corporate governance.

Résumé:
Plus de 98% des petites et moyennes entreprises en Algérie représentent le secteur privé qui se divise en: entités juridiques, entreprises libérales, entreprises artisanales, et dans ce pourcentage 97% sont des très petites entreprises selon les statistiques du 1er semestre 2016. La structure de propriété de la plupart de ses entreprises est familiale, ce qui justifie nos recherches sur ce type d'entreprises en Algérie.

Dans cette étude, nous nous concentrerons sur l'impact de la famille, la pratique managériale, les objectifs et stratégie et le comportement entrepreneurial des entreprises familiales algériennes. En conséquence, les entreprises familiales algériennes s'intéressent davantage à la gestion de leur propriété et impliquent les actionnaires dans la discussion des objectifs et des stratégies mais, selon la forme juridique des entreprises familiales, la plupart d'entre elles n'ont pas de plan clair le sujet de la succession.

En outre, ils ont convenu que le caractère naturel du propriétaire des entreprises familiales et l'étendue de sa connaissance et de l'exploitation des opportunités sont significativement affectés dans le soutien de l'orientation entrepreneuriale, ajouté au degré d'intérêt de la société, les membres de la famille (les enfants) sur le travail et la gestion dans les entreprises familiales.

L'activation des principes de gouvernance d'entreprise de l'OCDE dans les entreprises familiales algériennes assure sa pérennité et contribue à maintenir l'esprit d'entreprise transgénérationnel.

Mots-clés: entreprises familiales, membres de la famille, comportement entrepreneurial, gouvernance d'entreprise.
1. Introduction

The most private organizations in Algeria small and medium business, according to the statistics of the Algerien Ministry Of Industry And Mines for the First Semester 2016, 99% of the small & medium companies are private and these companies are shared to 97% very small companies, 2.57% small companies and 0.31% medium companies. In our research we concentrate on the family firms where we see that this kind of firms is taken a largest part in the domain of private organizations in Algeria but with different generation and orientation.

The first thing attires our intention is the interaction between work & family in management, governance, social resposnsability,…etc. This study based on the effect of stakeholders, shareholders, work and family goal, family strategy in the entrepreneurial behaviour.

The Problem Statement :

What is the effect of the interaction between the work and the family in the entrepreneur behaviour of the Algerian family firms? And, what are the strategies taken by the shareholders to keep its spiritual entrepreneurial trans-generational?

2. The Theoretical And Methodological Approach

2.1 Theory Overview :

a. Research on interaction work and family in the family firms :

Managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families (Franz W. Kellermanns, Kimberly A. Eddleston, Tim Barnett, Allison Pearson 2008).

The small and medium private organization in Algeria, characterized by holding capital by one or many people(stakeholders), the owner occupied many functions because he represents the guidelines (Tabet aooul Lachachi Wassila,2014).

b. Research on entrepreneurship in the family firms :

Entrepreneurship researchers, in turn, have found that entrepreneurship helps firms adapt to change, compete, and gain competitive advantage. Accordingly, considerable effort has been devoted to understanding attributes and behaviours of individuals and firms that help them recognize and pursue opportunities to engage in potentially profitable entrepreneurship (Peter Jaskiewicz, James G. Combs, SabineB.Rau, 2014).

c. Research in management and strategies of the family firms :

There are a lot of challenges in management of the family firms because of its specification, and intervention of the family members in everything has a relation with the determination of goals and strategies. Previous studies suggest that the owner family’s involvement in the firm, also described as familiness, is an important distinctive feature explaining the strategic behaviour of family firms (Isabella Hatak, Teemu Kautonen, Matthias Fink, Juha Kansikas,2016), The training plans for family members may or may not be shared with the person for whom the plan was developed. Usually family members who enter the family business have some idea about what their careerpath should look likeand what the time table should be (Richard Beckhard,W,Gibb Dyer,1981).

Here are the strategies applied by the owners : familial strategy, matrimonial strategy, biological strategy, death and heritical strategy, social strategy, cultural and formation strategy, hiring and nepotism strategy, communication and management conflicts strategy (Denis Kenyou-Rouviner; John L.WARD,2004).
3. Methods:

3.1 Research design:

3.2 Sample and data collection:
We are going to focus on some family firms (Algeria), therefore, they will be given a questionnaire to be analysed.

3.3 Case representativeness and description:

Hypothesis 1. Characteristics of family members that effect the entrepreneurial behaviour and the spirit of the family firms.

Hypothesis 2. The lack of succession strategy loads to the weakness of the entrepreneurial spirit trans-generational.

Hypothesis 3. The use of the entrepreneurial spirit is very necessary as a goal to preserve the entrepreneurial family firms.

3.4 General concepts:

a. Family firms concept:

This has lead scholars to conclude that a family firm is best defined as a firm in which the majority of the shares is owned by family members, the threshold usually set at 50% of ownership. Combined with components such as the percentages of family control or family management, this approach which was subsequently labeled as the components-of-family-influence approach, has a clear advantage of measurability (Bart Henssen, Wim Voordeckers, Frank Lambrechts, Matti Koiranen, 2011).

Family firms share certain characteristics that render them unique in terms of patterns of ownership, governance, and succession. (Lucia Naldi, Mattias Nordqvist, Karin Sjöberg, Johan Wiklund, 2007)

Table 1: Stages of Growth in a Family Business

<table>
<thead>
<tr>
<th>Ownership Stage</th>
<th>Dominant Shareholder Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stage 1: The Founder(s)</td>
<td>• Leadership transition&lt;br&gt;• Succession&lt;br&gt;• Estate planning</td>
</tr>
<tr>
<td>Stage 2: The Sibling Partnership</td>
<td>• Maintaining team work and harmony&lt;br&gt;• Sustaining family ownership&lt;br&gt;• Succession</td>
</tr>
<tr>
<td>Stage 3: The Cousin Confederation</td>
<td>• Allocation of corporate capital: dividends, debt, and profit levels&lt;br&gt;• Shareholder liquidity&lt;br&gt;• Family conflict resolution&lt;br&gt;• Family participation and role&lt;br&gt;• Family vision and mission&lt;br&gt;• Family linkage with the business</td>
</tr>
</tbody>
</table>

Source: https://www.ifc.org
Independence between the three entities becomes more evident when identifying people within each circle (fig.2). One quickly realizes that the three circles overlap. For example, at the intersection of the three circles (zone 1) are persons who are both members of the family, employees of the enterprise and title holder. At the family-enterprise intersection (zone 2) there are persons who are both members of the family and employees of the company, but do not have title to them. Moreover, there are seven different zones, in which each of the persons concerned can be placed in close proximity by the family business (Louisse St-Cyr, 2007).

**Fig.2: Model of the three circles**

![Diagram of three overlapping circles: family, firm, property.](image)

**Source**: Louisse St-Cyr, 2007.

b. The Characteristics of the owner:

1.2.1 The owner (Founders): a person who owns something (oxford dictionary). Individual responsible for the firm’s early growth and development (B. Villalonga, R. Amit, 2005).

1.2.2 Family members: a person who belongs to a (particular) family; a (close) relative (oxford dictionary).

Family members can have different responsibilities, rights, and expectations from their business. This situation can sometimes lead to conflicts and issues that might jeopardize the continuity of the family firm (IFC 2011).

1.2.3 The entrepreneurial spirit trans-generational:

The transmission of a family business is a process that usually develops over several years. Understands two dimensions (LOUISE ST-CYR, 2007):

c. The transmission of the direction of the company and that of its property. After the Pierre Hugron Model (1991) the steering transmission comprises four steps:

**The first** is of the incubation, which is displaced by successor. This is the familiarization with the family and the transmission of family values and entrepreneurial.

**The second** is the choice of successor. During this stage, the leader must clarify the criteria for the choice of the successor and apply them. Its decision then communicated to the successor.

**Third stage**, the successor enters the company; He takes a career path, prepares to assume the leadership and climbs the echelons that will eventually lead him to replace the predecessor.

In **the fourth stage** of disengagement, the predecessor slows down and then takes a gradual or complete retirement, both according to his interests and abilities.

d. The transmission of the property also involves four steps:

**The first** is the elaboration of a model for the devolution of property. During this stage, the current owner tries to determine the appropriate transmission model of ownership: for example, will all children receive an equal number of shares even if they are not all associated with the business?

**The second stage** calls for the consultation of experts since the financial and fiscal stakes are important. During **the third stage**, the various solutions are examined in the light of expert advice, and decisions are made and a scaffold is stopped.
Finally, the sanction and the implementation of the decisions lead to the signature of the documents, and the transfer of ownership is triggered. It can take several years or be done very quickly.

**Fig. 3: Trans-generational Entrepreneurship**

Family life stage

Entrepreneurial orientation:
- Autonomy
- Risk taking
- Proactivity

Familiness resources and capabilities:
- Financial capital
- Human capital
- Physical capital
- Social capital
- Knowledge capital
- Cultural capital
- Intangible capital

Performance:
- Entrepreneurial
- Financial
- Social

Trans-generational Potential

**Source**: Timoty G. Habbershom, Mattias Nordqvist, Thomas M. Zellweger, 2010.

**e. The entrepreneurial behaviour**:  

In Schumpeter’s theory of entrepreneurial behaviour, decision competence is not an issue; the entrepreneur type possesses business acumen in the sense of having above average ability to discern (and act on) innovations and possibilities for creating novelty. The conscious, subjective rationality of the entrepreneur obviates the necessity for economic theorists to posit sequences of behaviour driven by automatic rules. To investigate the precise nature of rules guiding behaviour and the decision bases of entrepreneurs that might include various cognitive heuristics, decision biases, over optimism and so forth, is the hallmark of modern behavioural economics in the tradition of Herbert Simon (Anthony M. Endres, Christine R Woods).
### Table 2. Theories of Entrepreneurial Behaviour: Key Dimensions

<table>
<thead>
<tr>
<th>Postulates on Cognitive Ability</th>
<th>Neoclassical</th>
<th>Austrian</th>
<th>Behavioural I</th>
<th>Behavioural II ('Effectual')</th>
<th>Schumpeter’s Conduct Model</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Neoclassical</strong></td>
<td>Strong: uniform across class of entrepreneurs</td>
<td>Strong: for all individuals activating their alertness</td>
<td>Weak: compensated for by heuristics and rules varying among entrepreneurs</td>
<td>Weak: socially situated: Historically and socially contingent heuristics</td>
<td>Socially situated: historically contingent; facilitated by tacit knowledge</td>
</tr>
<tr>
<td><strong>Austrian</strong></td>
<td>Risk neutral or tolerant</td>
<td>Risk favourable</td>
<td>Risk favourable</td>
<td>Irrelevant</td>
<td>Irrelevant</td>
</tr>
<tr>
<td><strong>Behavioural I</strong></td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No – sociology yes</td>
</tr>
<tr>
<td><strong>Behavioural II</strong></td>
<td>Economic profit</td>
<td>Economic profit</td>
<td>Economic profit</td>
<td>Personal goals</td>
<td>Personal goals</td>
</tr>
<tr>
<td><strong>Schumpeter’s Conduct Model</strong></td>
<td>Routine optimisation</td>
<td>Activating alertness to perceive exogenous opportunities; routine optimisation the reaper</td>
<td>Serial rule-following and satisficing</td>
<td>Heterogeneous tacit knowledge applied to dynamic and interactive processes</td>
<td>Tacit knowledge applied in heterogeneous processes</td>
</tr>
<tr>
<td><strong>Decision algorithm?</strong></td>
<td>Contribute to Equilibrium theory of firm formation and firm size distribution</td>
<td>Concentrate on Equilibrating function of alertness in disequilibrium market process</td>
<td>Search for heuristics common to entrepreneurs</td>
<td>Search for heuristics common to expert entrepreneurs and validate through case studies and histories</td>
<td>Develop case profiles, histories and biographies of entrepreneurs in social and historical context</td>
</tr>
</tbody>
</table>

**Source**: Anthony M. Endres, Christine R Woods.

### 4. Analyses results of the family firms entrepreneurial orientation:

In based of the finding results of the first study in 2011 about «the family firms corporate governance in Algeria». In our previous questionnaire there were some questions that have a relation with the goals and strategy of succession, also the relation of the family members owner.

#### 4.1 Reliability Statistics:

We used a questionnaire with 05 axes and find “Alfa Equation Cronbach” 88.3%

<table>
<thead>
<tr>
<th>Cronbach's Alpha</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.883</td>
<td>49</td>
</tr>
</tbody>
</table>

This means the questions are more related and the results are credible.
4.2 Questionnaire analysis:

a. **Axe A: Rights And Duties Shareholders**

Most of the answers to the questions were a good procedure gained by the Algerian family firms and this indicates that the shareholders can obtain their rights, especially those that are able to discuss its strategy and its strategic objectives.

b. **Axe B: management of the firm**

We were able to realize that the aspects of managing the Algerian family firms are more practical, that the family firms has a greater interest in managing its ownership, and pays attention to compensation in parallel with its interest in management.

c. **Axe C: Executive Directorate**

There is a good organization in terms of the distribution of tasks and the identification of jobs, which helps in the movement of work and growth, and explains giving the Algerian family firms a priority for this aspect that has a fairly clear human resources policy.

d. **Axe D: Relations With External Partners**

Access of information to stakeholders in a timely manner with a careful dissemination of legal information. The Algerian family firms in this study is agreed upon, but the degree of interest in environmental, social and moral responsibility varies from institution to another.

e. **Axe E: Trans-generational power**

The Algerian family firms are concerned with the transfer of power, but with different degrees.

4.3 In our view, the Algerian family firms interest of the transfer of power is a duty towards future generations.

4.4 Results:

As results, we found that the Algerian family firms are ensuring the equity and its work to preserve the rights of the other stakeholders. Also, the information is available to shareholders and external partners. Transparency is one of the corner stones of corporate governance, and its availability in family enterprises ensures that we adopt corporate governance. What is lacking is a charter or a law of its own that contains provisions dealing with the subject of governance and clarifying points relating to its responsibility towards the stakeholders.

These results help us to oriente our studies in Algerian family firms and focus on a very important point that affects its entrepreneurial orientation.

Corporate governance, familial governance, the interweaving of both of them, the boundaries of the two types of governance, formerly globalized, must ideally be more and more interconnected by the action of the leader himself or his "specialized" (Francois ALMALEH, 2015).

From the perspective of the entrepreneurial orientation the analysis of the finding results in 2011 illustrates that:

- The owners of the Algerian Family firms involved the shareholders in the business meetings directly or indirectly in different degrees, this is due to the according goal and the plan of the owners.
- Sharing the information with the rest of family members owner of the property gives them more confidence and respect of his orientation and his plans for the company and therefore affects the entrepreneurial behaviour.
- Involve the family members in the management of the Algerian family firms helps the owners in the future to do the first step in the creation of the new generation sharing with the owners the same vision.
- In general, we can say that the activation of corporate governance principles help the Algerian family firms to keep the spirit entrepreneurial trans-generational, also the corporate governance based on Transparency, Credibility, Justice and Responsibility.

We also noticed that the most Algerian family firms take the legal form of "Limited Liability Company", this lead us to focus on our current research on this point. The statistics of the National Center for Commercial Registration by the end of 2012 distribution of private companies as follows: Limited Liability Company 50.3%, Limited Liability Company with the only person 33.9%, Solidarity Company 9.7%, Stock companies 5%. This
is what prompted us in our research to focus on this point and know the influence of the legal form of the Algerian family firms on the system of its governance as well as the direction and its orientation entrepreneurial.

5. Case study:

5.1 Statistics analysis of movement and development of SMBs:

After viewing the statisticals information bulletin between 2011 and 2016 we focus on the movements of private SMBs that are summarized in table 2.

Table 2. Movements constate at the demography of SMBs

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal entities</td>
<td>391.761</td>
<td>420.117</td>
<td>459.414</td>
<td>496.989</td>
<td>577.386</td>
</tr>
<tr>
<td>Liberal business</td>
<td>120.095</td>
<td>130.394</td>
<td>142.169</td>
<td>159.960</td>
<td>202.953</td>
</tr>
<tr>
<td>Artisanal business</td>
<td>146.881</td>
<td>160.764</td>
<td>175.676</td>
<td>194.562</td>
<td>233.298</td>
</tr>
<tr>
<td>Total</td>
<td>658.737</td>
<td>711.275</td>
<td>777.259</td>
<td>851.511</td>
<td>1.013.637</td>
</tr>
</tbody>
</table>

Source: SMBs statistical information bulletin n°21, 22, 23, 26, 27, 28, 29.

Actually, we constate that the creation of private SMBs in Algeria is increasing. Creation of 354,900 SMBs the difference between 2011 and 2015 in percentages of 64.9%.

And if we compare the 1st semester 2015 with 1st semester 2016 we find the increase of 10.85% and the most chosen sectors for investing are: ‘agriculture’, ‘Hydrocarbons, Energy, Mines and related services’ and ‘Industries Manufacturers’ (table 3).

Table 3. Development of private SMBs (legal entities) by sector of activity (S1 2015 / S1 2016)

<table>
<thead>
<tr>
<th>Sectors Of Activity</th>
<th>S1/2015</th>
<th>%</th>
<th>S1/2016</th>
<th>%</th>
<th>Evolution</th>
</tr>
</thead>
<tbody>
<tr>
<td>I Agriculture</td>
<td>5318</td>
<td>1.02</td>
<td>7094</td>
<td>1.23</td>
<td>33.4</td>
</tr>
<tr>
<td>II Hydrocarbons, Energy, Mines and related services</td>
<td>2557</td>
<td>0.49</td>
<td>3201</td>
<td>0.55</td>
<td>25.19</td>
</tr>
<tr>
<td>III BTPH</td>
<td>165108</td>
<td>31.70</td>
<td>169124</td>
<td>29.29</td>
<td>2.43</td>
</tr>
<tr>
<td>IV Industries Manufacturers</td>
<td>81348</td>
<td>15.62</td>
<td>99275</td>
<td>17.19</td>
<td>22.04</td>
</tr>
<tr>
<td>V Services</td>
<td>266544</td>
<td>51.17</td>
<td>298692</td>
<td>51.73</td>
<td>12.06</td>
</tr>
<tr>
<td>Total</td>
<td>520875</td>
<td>100.00</td>
<td>577386</td>
<td>100.00</td>
<td>10.85</td>
</tr>
</tbody>
</table>

Source: SMBs statistical information bulletin n°29

5.2 Questionnaire analysis:

We study the case of two family firms with different legal form, the first is ‘’Limited Liability Company’’ and the second is ‘’Limited Liability Company with one person’’. Located in the industriel zone of Relizane town in Algeria. And the questionnaire contains 04 axes, after the analysis of the answers we found incompatibility in some questions return to the legal form of the family firms. And compatibility in other answers, as described in details as follow:

❖ Axe A: Ownership structure and partners
Lack of active participation of family members in management and even in partnership within the family enterprise. In the case of a limited liability company, the partner is limited to 50%, but in both cases there are no partners from the family.

❖ Axe B: Rights and duties of family members and partners
Discussing the objectives and the strategy of a family enterprise A non-existent procedure that exists in the case of a limited and one-person enterprise is a weak procedure, and even procedures for access to information and financial reports are considered weak.

❖ Axe C: Entrepreneurial orientation
In both cases, it was agreed that the natural character of the owner of the family firms and the extent of his awareness and exploitation of the opportunities are significantly affected in the support of the orientation of the companies according to the answer provided to us. As for the influence of the
prevailing culture and the degree of interest of the family members in the family firms, it is considered by the owner of the limited liability company and the only person affected by the entrepreneurial orientation, but in the second case the answer was neutral. But it was also agreed by the respondents that the personality of the children and their desire to join the Foundation as employees or managers have a good impact on the entrepreneurial orientation of the Algerian family firms.

❖ Axe D : Transfer of ownership in the institution
There is no clear plan to identify and prepare potential successors, which means that the procedure is very weak. However, attention is paid to any dispute or dispute that may be in the institution and work to deal with it and adjudicate it. Priority is given to everything related to determining the responsibilities and financial position of the institution in a good manner.

5.3 The Finding Results :

The family firms must find some criteria to save and develop the entrepreneurial orientation :

➢ The orientation of the characteristics of the family members to develop the entrepreneurial behaviour.
➢ The conservation of the spiritual entrepreneurial trans-generational.
➢ The effect between the family and the work on the entrepreneurial behaviour.

Conclusion :

The most Algerian family firms are small or medium company and like any family firms in the world this kind of companies interact three elements : the firm, the family and the property.
To keep the sustainability of this firms we must focus on the entrepreneurial orientation and save the spirit entrepreneurial in parallel to the spirit family.
Depending on the results of our study in 2011 and 2016, we can say that the family firm corporate governance perspective offer it a good application of the OECD principles in family firms affects entrepreneurial behaviour as we explained when addressing the results of a study of « the family firms corporate governance in Algeria ».
And also there are many factors that affect the entrepreneurial orientation on family firms like :

➢ The a difference in the personality and goals of the owner(entrepreneur) and the future generation affects the entrepreneurial behaviour of the family firms.
➢ The spiritual entrepreneurial should be taken as a vision to the family members like the owner.
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