



Aprospect for the Development of Family Entrepreneurship in the Digital Transformation of the Economy

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Abstract: The article is devoted to the substantiation of the prospects for the development of family entrepreneurship in the context of the digital transformation of the economy. It has been established that if family business is presented as a value and a competently built system of relationships in the family economy that is profitable and not just as property having a certain value, then it becomes necessary to preserve this value within the family. It has been proved that without an active state policy, family entrepreneurship will remain only in the format of self-employment and will not be able to fulfill more significant socio-economic roles in the context of the digital transformation of the economy. It has been revealed that the main advantages of family entrepreneurship include the quick enterprise creation, freedom and independence in making decisions, high adaptation to the market, especially at the final product stage, significant motivation for effective work and high team cohesion.

Keywords: family entrepreneurship, property rights, marriage, digital transformation, adaptation, regulation, public policy, economy.

I. INTRODUCTION

In the Russian Federation, the beginning of marital relations is associated with the legal fact of marriage in civil registry offices. From that moment on, personal and property rights and obligations of spouses arise and they become participants in legal relations regulated by various branches of law. Only a registered marriage gives rise to legal consequences and from that moment, the state provides legal protection of the rights of spouses.

From the moment of marriage, the maintenance of a common budget and a common household begins. Spouses

become owners of various property, both simple and complex, enter transactions and buy securities and shares in the authorized capital. This entails the emergence of certain legal ties, the features of which are determined by the action of the legal regime of their property relations.

The law gives spouses the opportunity to establish the legal regime of these relations by concluding a marriage contract and agreements on the division of property. This entails the emergence of complex legal structures within the property relations between spouses, which need clear legal regulation. In this regard, property relations between spouses are regulated not only by family but also by civil law. Nevertheless, recent practice has revealed significant problems in the legal regulation of property relations of spouses in the context of the digital transformation of the economy.

The study of the problems of family entrepreneurship was reflected in the works by I.N. Kuksin [1], A.N. Levushkin [2], P.A. Matveev [3], M. V. Nersisyan [4], E. A. Ramazanova [5], I.A. Tolstova [6] and others. Nevertheless, problematic issues remain regarding the comprehensive analysis of the specifics of Russian regulation of family entrepreneurship.

II. METHODS

The methodological basis of the study included the following general scientific methods: analysis and synthesis for the analysis of existing theoretical and methodological approaches and provisions, as well as scientific research on family entrepreneurship; structural and logical methods for the systematization of factors affecting the introduction of innovations in family entrepreneurship; factor analysis for determining the impact of factors on the level of satisfaction of citizens with existing family law.

The information base of the research consisted of legislative and regulatory acts, materials of state and local authorities, scientific publications by Russian and foreign scientists on the problems of improving family entrepreneurship in the conditions of the digital transformation of the economy [7-12].

In the course of the study, it is planned to develop approaches to improve the management of spouses' property and substantiate strategies for the behavior of spouses in the conditions of the digital transformation of the economy.

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Moreover, the task is to justify approaches to assess the quality of regulation of family entrepreneurship, as well as to identify and formulate the main directions of development of family entrepreneurship.

III. RESULTS

Property relations between spouses are regulated within the framework of a three-link system of legal acts. As a rule, this system includes international legal acts, acts of national legislation and acts of individual regulation, including marriage contracts, family law agreements and court decisions. At the same time, the main place in the system of property relations between spouses is occupied by the family economy.

The practice has shown that the family economy is a specific area of study and research, as economic relations are closely related to socio-psychological relations. The subject of the family economy is the family in the form of social community, formed by ties of kinship, marriage, parenthood, various formal and informal norms. Family entrepreneurship is characterized by the absence or limited use of wage labor, mutual and long-term support, family-wide consumption, monetary and non-monetary assessment of actions, love relationships and relationships of responsibility to children and parents.

Until now, the family economy has not been considered as an alternative resource for the development of entrepreneurship in Russia. The transition to market relations led to an increase in unemployment and family entrepreneurship, therefore, became the most important economic function of an income-generating family. The entry into the family entrepreneurship of former employees of enterprises creates a shortage of labor and specialists in production, which worsens the development of industry in the country.

However, low wages and unsatisfactory working conditions provoke the creation and development of family entrepreneurship. In most cases, family entrepreneurship is built on trade; as a result, most entities are separated from domestic production, which is unacceptable in the current economic situation. Therefore, when opening a family business, it is necessary to understand that there are both advantages and disadvantages to organizing a business.

Family entrepreneurship is considered to be the most widespread type of business, quantitatively prevailing in countries with developed market economies. Family-owned firms are the oldest and most common form of business organization in the world. In many countries, family-owned firms account for more than 70% of all companies operating in the market and play a key role in the country's economic growth and job creation. In Spain, for example, approximately 75% of firms are family-owned, with an average contribution to the gross national product of 65%. The situation is similar in Latin America, where the contribution of family firms to the gross national product is about 60%.

Family-owned firms can be small- and medium-sized enterprises, as well as large concerns operating in most sectors of the economy. Examples of well-known family firms include Salvatore Ferragamo, Benetton and Fiat (Italy),

L'Oreal, Carrefour, LVMH and Michelin (France), Samsung, Hyundai Motor and LG (South Korea), BMW and Siemens (Germany), Kikkoman and Ito-Yokado (Japan) and, finally, Ford Motor Company and Walmart (the US, where the number of family entrepreneurs has increased to 20 million).

As a rule, family entrepreneurship is represented by the business of one person or private property of a family. The owner has material resources and capital equipment necessary for production activities. Moreover, the owner personally controls the activities of an enterprise (Figure 1).

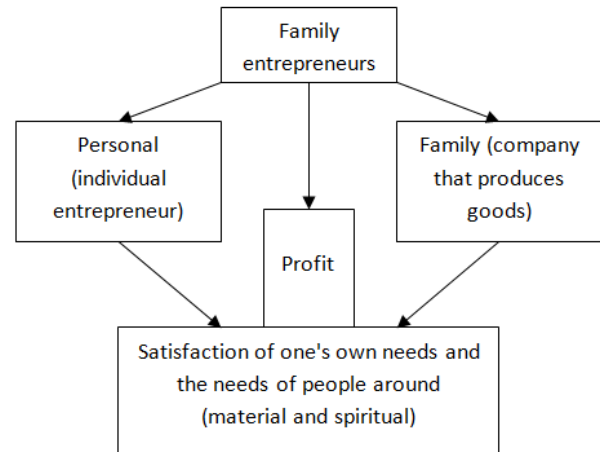


Fig. 1: Features of family entrepreneurship.

We can distinguish the following main advantages of family entrepreneurship, used in foreign economic practice, which can be successfully practiced in Russia: quick creation of an enterprise (legal procedure of registration is simple and registration does not require large financial and material costs); freedom and independence in decision-making; high adaptation to the market, especially at the stage of final product; high motivation for effective work; high team cohesion.

Despite the fact that there are certain advantages to family entrepreneurship, there are several restrictions: the financial resources of the sole proprietor are generally insufficient to grow into a large enterprise and a family business often lacks funds; the owner must be a versatile employee (make all major decisions: purchase, sale, attraction and maintenance of personnel) and pay attention to technical aspects arising in production, advertising and distribution of products); the sole owner is the subject of unlimited liability (independent entrepreneurs risk both the assets of the company and their personal assets).

In reality, approximately one-third to three-quarters of the world's family firms either go bankrupt or are sold by their founders during their tenure. Only 5-15% of family firms pass into the hands of the descendants of the founders in the third generation. At the same time, family entrepreneurship is a format that is usually on the verge of self-employment and micro or small business. In this regard, the support of family business is a direct path to the simultaneous support of people who cannot find the application of their labor within

the framework of labor relations and small business forms that make up the part of small business dominating in terms of the number of entrepreneurs.

The main problem of the current development of family entrepreneurship in Russia is the lack of legal regulation of this form of business as a de facto phenomenon, which creates some difficulties. A family enterprise cannot be registered as such, so it is necessary to use other legal structures and apply general provisions to such business, which often goes against the essence of family relationships in the field of entrepreneurship. At the same time, family entrepreneurship must take into account the following factors (Figure 2).

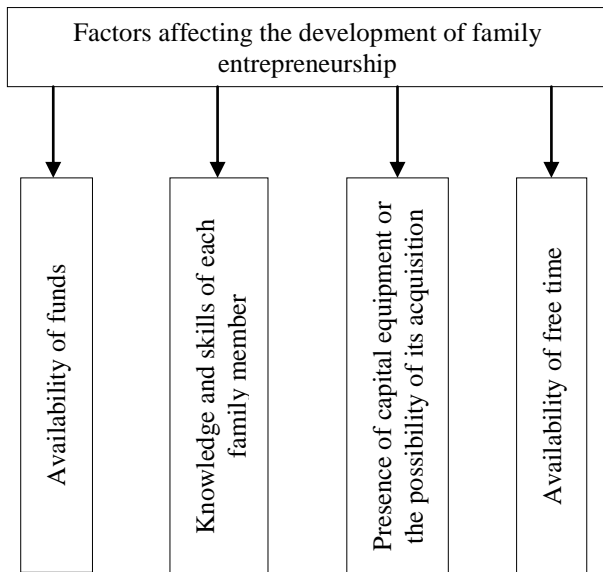


Fig. 2: Factors affecting the development of family entrepreneurial activities.

Thus, family members are forced to either register separately as individual entrepreneurs and conduct business as partners, or use the “employer – employee” scheme, or build relationships within a joint venture of one of the organizational and legal forms provided for legal entities to equity rights in business. Since there is no legal basis for the creation and existence of family business, there are no official statistics concerning this type of entrepreneurship. Thus, it is impossible to give an exact number of entrepreneurs building their business on the application of labor, professional skills and creative abilities of family members.

It is impossible to deny the fact that there are many legal entities in Russia that can be rightfully attributed to family entrepreneurship. However, the high uncertainty and instability of the economic environment, bureaucracy and corruption at all levels of government, high risks, inaccessibility of credit sources and lack of state support for family entrepreneurship not only impede the successful development of business, but also cause the successors of Russian entrepreneurs to be reluctant to continue their parents' businesses and parents have a lack of desire to put this heavy burden on their children.

Family entrepreneurship is forced to adapt to the requirements of the digital economy; otherwise, it risks to become uncompetitive or even be pushed out of the market.

Management of family-owned companies must apply information technology in the development of business strategies, use digital technology in interacting with customers, timely respond to various changes in the information environment and use them to increase competitiveness.

According to our study, 4 out of 5 family entrepreneurship entities recognize the benefits of digital transformation. These advantages include increased turnover, simplified access to information, reduced costs, increased employee productivity and customer service. However, less than 7% of family-owned firms have completed the integration, which means that the potential of digital transformation has not yet been fully realized. In addition, 44% of family-owned firms invest in technologies that instantly transform current processes. Family-owned firms executives believe that the survival of their companies in the coming years depends on their active participation in the digital economy.

The practice has shown that despite the unstable economic situation in Russia, the situation of family entrepreneurship is improving; these entities are actively investing in the creation of new channels for interacting with customers using digital technology. This is due to the fact that more and more consumers use their mobile phones or computers every day to receive instant services, such as ordering a taxi or buying groceries. Among these enterprises, the SAP Hybris e-commerce solution is especially popular, allowing family-owned companies to become multi-channel, create digital platforms and reach customers through new channels.

In the modern world, the digital transformation of the economy is becoming increasingly apparent and has a huge impact on the development of various forms of family business. Family-owned companies respond differently to digital transformation: some actively introduce digital technology, some feel the need to do so, but so far have they only tried to implement it on individual projects, some resist digital transformations and do not accept the role of innovation in developing the business environment – their business develops sluggishly and becomes uncompetitive. Digital technology provides subjects of family entrepreneurship with an opportunity to enter global markets. However, it also requires appropriate political measures that could contribute to creating an environment conducive to the development of digital business.

IV. DISCUSSION

The reliability of the presented approaches is confirmed by the fact that the lack of a legal basis gives rise to the problem of supporting family entrepreneurship in the conditions of the digital transformation of the economy. On the one hand, it is possible to apply mechanisms to support the sphere of entrepreneurship. On the other hand, these measures are not focused on the development of family entrepreneurship and do not take into account its features [13-15].

Solving the issue of legal regulation would clearly define the concept of family entrepreneurship development in Russia.

Those support and incentive measures that could be developed taking into account the legal foundations and characteristics of family entrepreneurship would become specific mechanisms for the development of this form of entrepreneurial activity in Russia. There is no category of family business, as well as corresponding organizational and legal form, in Russian economic practice. However, according to experts, more than 45% of small and medium enterprises operate in the format of family business.

According to the results of studies conducted in 2018, the growth rates of private and family companies in Russia corresponded to the global ones. However, Russian companies are set for more active growth in the future. 72% of Russian family-owned companies have shown growth over the past 12 months; 23% of Russian family-owned companies are focused on intensive and dynamic growth over the next five years.

The main obstacles to the growth of family entrepreneurship in the context of the digital transformation of the economy are state policy and regulation, general economic situation and difficulties in attracting and retaining leading specialists. Family participation in business became more substantial in Russia in 2016-2018. For example, the percentage of companies, in which family members of the proprietor own shares or are employees in non-managerial positions, almost doubled.

V. CONCLUSION

Summing up the results of conducting family entrepreneurship in the context of the digital transformation of the economy, it can be noted that the inheritance of the business is implemented through a succession policy, based on the transfer of business from one generation to another within the same family. If family business is presented as a value and a competently built system of relationships in the family economy that is profitable and not just as property having a certain value, then it becomes necessary to preserve this value within the family.

Without an active state policy, family entrepreneurship will remain only in the format of self-employment and will not be able to fulfill more significant socio-economic roles in the context of the digital transformation of the economy. The main advantages of family entrepreneurship include the quick enterprise creation, freedom and independence in making decisions, high adaptation to the market, especially at the final product stage, significant motivation for effective work and high team cohesion.

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