Human Resources Management in Family Businesses – Case of North Macedonia

Selajdin Abduli¹, Avni Arifi²
¹,² Faculty of Business and Economics, South East European University, Tetovo, North Macedonia

Abstract
This paper analyses one of the most important aspects of any organization, and that is how to manage human resources in a specific type of business, i.e., family businesses in North Macedonia. The reason for focusing on this topic is twofold. First, family businesses make up the majority of businesses in North Macedonia, and secondly, the HRM in these businesses is very specific and complex. The research was done through the questionnaire (distributed electronically and physically) by surveying family businesses in North Macedonia, in total 150 questionnaires were distributed and 141 were received. The questionnaire included 15 questions which included some general information about the family business profile, to continue with the part that deals with aspects of human resource management. The results obtained from the research provide an overview of how important human resources are considered for family businesses in North Macedonia and how managing them adequately affects the performance of businesses and employees.

Keywords— Human Resource Management, family businesses.

I. INTRODUCTION

In any business organization, not excluding family businesses, human resources, ie people, are among the most important element in their proper functioning. Managing the right people efficiently and effectively enables businesses to achieve greater performance, grow even more, and be competitive. The functions, practices, and procedures of human resource management in today's day are very important and their role is constantly increasing if we consider an economy that relies more and more on knowledge. Nowadays, even though we have rapid technological development, human resources are key for all types of businesses.

In businesses and organizations in the Republic of North Macedonia, whether large, medium, or small business all of them have the same approach to people in their organizations. More often, they don't have a proper HRM developed properly. They generally focus only on a few aspects such as recruitment, and selection.
Family businesses have a had differed social status compared to other types. For a long time, they have not been attractive for specialized personnel in the field of HRM (Dyer, 2003). Most of them even today, are managed traditionally such a management model makes family businesses less competitive in the market. This tradition of managing a business in such a way creates a variety ty of problems regarding the incompatibility of HRM functions. The family management model creates difficulties in the application of modern HRM functions, practices, and procedures as described by De Kok and Uhlmaner (2001). Such a situation cannot but lead to a lower level of effectiveness and lower performance of family businesses.

Human resource management within a business organization presents a challenge for managers, directors, business owners, and for family businesses. As it is widely known, family businesses differ from other types of businesses because first and foremost, most employees are from the owner's father’s family, at least this is the case in North Macedonia. This fact makes it even more difficult to manage human resources within this type of business organization as the human resources that should be managed are close relatives to the owner and that increases the level of complexity of HRM. Many family businesses don’t use HRM practices or in lesser content than other companies according to Reid and Adams (2001), because they have limited organizational capacities.

This paper analyzes the importance and impact that proper management of human resources has on the daily functioning of family businesses in North Macedonia. As one of the developing countries of the Western Balkans region, with a large number of family businesses, the analysis of how human resources are managed within them is an interesting and relevant topic to study.

II. LITERATURE REVIEW

Review resource management represents the process of securing, training, evaluating, and compensating employees, as well as caring for their employment relationships, health and safety, and aspects of justice (Dessler, 2013). On the other hand, Graham (1978), is of the opinion that the purpose of human resource management is to assure the employees of businesses and organizations in such a way that the employer has the greatest benefit from the skills of employees and the employee benefits both materially and psychologically from the work that is doing in business or organization.

Storey (1995) has a slightly different approach to defining human resources. According to him, human resource management represents a different approach to employee management, where it tends to achieve competitive advantage through the deployment of a skilled and dedicated workforce, which is achieved through various techniques. But Bratton dhe Gold (2007), emphasize that human resource management is a strategic approach to labor relations management, which emphasizes that the use of people's skills is essential in achieving competitive advantage, which is achieved through the integration of various employment policies, programs, and practices. Watson (2010) defines HRM while emphasizing the use by managers of the efforts, knowledge, and skills of people who contribute in a way that enables the organization’s continuity in the future.

One of the most difficult aspects to manage in everyday life is managing the people in general and those in business organizations in particular, due to the fact that people, in addition to being social beings, are also very complex beings. There is no standardized way of managing people as each person is different and has different thoughts, feelings behave, and understanding differently. In addition to these aspects, there are other aspects such as those beliefs, ethnicity, various moral values, and others that influence. All these elements affect the aspects of human resource management (Senyucel, 2009).

HRM is an integral part of any organization. As such it must be prepared to face the effects of the changes that might come. This means understanding the implications of i) globalization; ii) labor force diversity; iii) changing skill requirements; iv) corporate downsizing; v) continuous improvement of programs; vi) re-engineering workflows to improve productivity; vii) conditional labor force; viii) mass customization; ix) decentralized jobs; x) involvement of employees; xi) technology, xii) health; xiii) work-family balance; xiv) confidentiality. All these aspects have become very important in the modern world where among other things (Andrew, 2016).

According to Michael Armstrong, human resource planning determines the necessary human resources of the organization to achieve its strategic goals. This is based on the belief that people are the most important strategic resource of an organization. The main concern in this part is the adaptation of resources to the needs of the organization in the long run. Planning addresses human resources in both aspects, both quantitative in terms of how many people the organization needs and qualitative ones, what people the organization needs. Planning also
takes into account such aspects that relate to how people are employed and developed, in order to improve organizational effectiveness. Here we can distinguish between "heavy" and "soft" planning of human resources. The first aspect is about qualitative analysis so that the right number of the right people is available when the need arises. The second aspect is about ensuring the availability of people with the right kind of attitudes and motivation, who are committed to achieving the goals of the organization (Armstrong M., 2006).

Family businesses are widely seen as the backbone of the economy - they contribute to GDP, create jobs, operate locally, and are connected to their communities. However, despite the many positive aspects of family businesses, there is a dark side. Family conflicts, incompetent members of the next generation and are just some of the most common criticisms about family businesses (Schwass, 2013).

Authors Smyrnios et. al (1997), in their definition of family businesses, emphasize that a business must meet at least one of the following conditions to be considered a family business:
1) More than 50% of ownership is controlled by one family
2) More than 50% of ownership is controlled by more than one family
3) A single-family control the business
4) Most senior management are from the same family.

Family-owned businesses have a majority of votes or members that belong to a family and are consequently under the control of the family, including the founder, who wants to bequeath the business to his descendants (International Finance Corporation, 2007). This line of definition is also the definition of authors Gulzar and Wang (2010), who point out that family businesses are those businesses where most votes are in the hands of the family. But Peter Leach (2011) does not fully agree with such rigid definitions. According to him, if you look only at the composition of the management or the percentage of ownership, it can give a wrong picture. According to him, the family business is simply that type of business that is influenced by family or family relationships.

Poza and Daugherty (2013) consider that a business is a family business if it meets the following characteristics:
1) Ownership control (15% or more) is under two or more family members
2) Strategic influence from family members in the management of the business, either by being active in management, contributing to the creation of culture, serving as an advisor or board member, or being an active shareholder.
3) Concern for family relations; dream or the possibility of continuity across generations.

The family business is a complex dual system, consisting of business and family. These systems overlap and both are dynamic organisms that evolve and change and are unique. Both family and business have unique histories, challenges, strengths and weaknesses, opportunities, and threats to which they are exposed. Family members who are involved in the business are part of the business assignment system and part of the family system. Therefore, conflicts can occur in these because each system has its own rules, roles, and requirements. Families may have their own style of communication and conflict resolution that may be good for the family, but that does not mean it will be good for resolving business disputes. Entry into the family system is in form of birth, adoption, and marriage, where membership is presumed to be permanent; while entering the business system is based on experiences and opportunities (Ramadani & Hoy, 2015).

As can be seen from the definitions, there is a common denominator, and that is that in family businesses in addition to being owned by one or more family members, they are also involved in decision-making processes and HRM processes.

As noted in the previous section, where different definitions of family businesses were given, it is evident that there is no single definition of these types of business, but there is a general opinion that family business should include the three main elements: family, business, and property (Austrian Institute for SME Research, 2008).

In today's business world, business organizations need to find ways to increase their competitive advantage through the effective use of their resources. Maximizing their effectiveness requires strategic planning of their financial, technological, and human resources. Although the first two are important, many authors including Ulrich and Lake (1990) point out that the most important resource for a business organization is and should be human resources. They also suggest that specific attention should be paid to managing this resource. Human resource management also plays an important role in the organizational context because of the challenges that may face during the recruitment process of skilled people who possess the same culture and values as the family business (Heneman and Tansky, 2000). The family business in most cases has a unique culture because of the
strong values that the founder's family has and the behaviors that improve performance are likely to be rooted in the firm. (Denison, Lief, & Ward, 2004).

Human resource management in many family businesses is a complex process because family members often participate in both family and business interactions at home and at work. The lack of boundaries between family and business leads to unclear demarcations of authority and responsibilities that complicate the interactions of family members in the family business (Kidwella, Eddleston, & Kellermanns, 2017). HRM is important for any type of business, although in family businesses the unique interaction of family unit, family members and business, causes family businesses to experience some complex and interrelated issues. Although business is generally considered to be run rationally, family and family relationships are emotionally intertwined and imply that involving family members in business can increase the complexity of issues related to human resources. (Clinton, 2016).

Astrachan & Kolenko (1994) suggested that family businesses may suffer from an organizational disability as a result of insufficiency and/or complexity in human resource planning. They point out that inadequate personnel management can be one of the main reasons for the failure rate of family businesses. In their study, they found some human resource management practices that are closely related to improved or organizational performance in family businesses.

The authors Ransburg, Sage-Hayward, & Schuman (2016), emphasize the reasons for the importance of HRM as follows:
1) Family businesses often treat employees - whether family or non-family - as families, thus putting more attention and pressure on the need to handle human resource issues with great care and respect.
2) Family dynamics complicate the emotional environment of the family business - for good and sometimes for worse. Involving family workers in many family businesses requires a careful approach to human resource issues at every stage of the HR life cycle, from recruitment to layoff. This means that it is difficult to deal with the employment/layoff and development of non-family workers, so addressing such issues strategically and sensitizing family workers is important.
3) Family relationships and family reputation are at stake, which poses a great risk to family and business. When human resource issues are mishandled in business, they have an impact on the family system - which can have devastating effects. We have seen families where evictions and lawsuits are the results of poorly managed human resource challenges in family businesses.
4) The livelihoods and fortunes of families in these types of businesses are often linked to the business they run, so they need to maximize the value of the business, including regulating human resources in every dimension, thus their source of income remains intact.

According to Siregar & Kartika (2020), winning the war between talent supply and demand is one of the most difficult challenges in enterprise management. That is why, in order to retain talented employees and achieve business objectives, every company should develop a good management system including as well a good HRM system. Based on the author’s findings, employee development is the most influential talent management factor.

III. RESEARCH METHODOLOGY

In order to analyze the aspects of HRM in family businesses in North Macedonia, a survey was conducted. The distribution of the questionnaire was done online due to the situation with COVID-19. Provisionally, the questionnaire was distributed to a total of 150 family businesses operating in North Macedonia during the period May 2021 – September 2021. We received 141 feedbacks. The questionnaire consisted of XX questions, where the first part was more general and shows the profile of the family business while the second part includes questions related to the issue analyzed here. The questionnaire we used was closed or structured due to the nature of businesses in North Macedonia and their reluctance to share more information.

First, give them descriptive statistics of all the variables, i.e., the questions included in the questionnaire, as statistical information, where we can see there isn’t much standard deviation of the questions.
Table 1. Descriptive Statistics

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Range</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Stand. Dev.</th>
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<td>1.00</td>
<td>3.00</td>
<td>1.3721</td>
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<td>Time of operating in the market</td>
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<td>1.00</td>
<td>4.00</td>
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<td>.98099</td>
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<tr>
<td>Industry</td>
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<td>1.00</td>
<td>4.00</td>
<td>1.8140</td>
<td>.93238</td>
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<td>1.00</td>
<td>3.00</td>
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<td>.62524</td>
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<tr>
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<td>1.00</td>
<td>4.00</td>
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<td>1.00</td>
<td>2.00</td>
<td>1.2857</td>
<td>.45723</td>
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<tr>
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<td>1.00</td>
<td>4.00</td>
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<td>Types of trainings used</td>
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<td>4.00</td>
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<td>1.00</td>
<td>4.00</td>
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<td>The existence of a system of reward and punishment</td>
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<td>The existence of a handbook for staff that includes the workplace, promotion and the like</td>
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<td>3.00</td>
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<td>1.00</td>
<td>3.00</td>
<td>1.2857</td>
<td>.45723</td>
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IV. RESULT / FINDING

According to the official data, most businesses in NM are SME’s, which is proved by our data as well. From the research out of 141, 92 businesses or 65.25% were micro businesses that have 1-9 employees, 46 or 32.63% were small businesses and only 3 or 2.12% were medium-sized businesses.

In terms of the sector where the businesses operate, 10 (7%) are operating in the construction sector, 20 (14.18%) are operating in the service sector, 46 (62.63%) operate in trade, and 65 (46.10%) in the production sector. From the research most of the companies surveyed are operating more than 15 in the sector, that is 66 out of 141 or 46.8%, 36 businesses (25.53%) are in operating in the sector between 7-15 years, 30 (21.27%) are newer in the sector, that is are operating between 3-6 years old, and lastly, 9 (6.4%) of the businesses are in the market only 0-2 years.

Table 2. Profile of Businesses

<table>
<thead>
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<th>Size</th>
<th>Micro</th>
<th>Small</th>
<th>Medium</th>
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<td>No</td>
<td>%</td>
</tr>
<tr>
<td>No</td>
<td>92</td>
<td>65.25%</td>
<td>46</td>
<td>32.63%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sector</th>
<th>Construction</th>
<th>Services</th>
<th>Trade</th>
<th>Production</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No</td>
<td>%</td>
<td>No</td>
<td>%</td>
<td>No</td>
</tr>
<tr>
<td>No</td>
<td>10</td>
<td>7.09%</td>
<td>20</td>
<td>14.18%</td>
<td>46</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Years of Operation</th>
<th>0-2 Years</th>
<th>3-6 Years</th>
<th>7-15 Years</th>
<th>Above 15 Years</th>
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<tr>
<td></td>
<td>No</td>
<td>%</td>
<td>No</td>
<td>%</td>
</tr>
<tr>
<td>No</td>
<td>9</td>
<td>6.4%</td>
<td>30</td>
<td>21.27%</td>
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</table>
A. Having HR Person/Department in the Company

The following question that businesses asked was if they have a specific person or sector that deals with human resources. And the results are as follows:
1) Only 20 or 14.19% of surveyed family businesses have a specific person or sector that deals with human resources
2) In 85 or 60.29% of the surveyed businesses this task is performed by the business manager
3) In 36 or 25.55% of the surveyed businesses this task is performed by the business owner

![Figure 1 - Having a specific person/department for HR](image)

The fifth question of the questionnaire was about how much these businesses use HRM practices (policies) or functions, in their daily work with employees (such as recruitment, selection, training, motivation, reward, etc.). The results are as follows:
1) 121 or 85.81% of surveyed businesses stated that such practices (policies) or functions exist and apply to their businesses
2) 20 or 14.19% of surveyed businesses stated that such practices (policies) or functions exist in their businesses but are partially implemented

![Figure 3. Existence of HRM Practices (Policies) and Functions in the Business](image)
The sixth question of the questionnaire was about what recruitment methods were used or are used by businesses when recruiting new employees. The results from the survey were as follows:

1) 95 or 67.4% of surveyed businesses stated that they recruit new employees through recommendations from their family members, friends or employees.
2) 13 or 9.2% of surveyed businesses stated that they recruit new employees through advertisements in electronic media.
3) 33 or 23.4% of surveyed businesses stated that they recruit new employees through the agency or employment agencies.

![Figure 3 - Recruitment methods](image1)

The seventh question of the questionnaire was about what form or methods businesses use to gather information about potential job candidates. The results were as follows:

1) 39 or 27.67% of surveyed businesses do this through the application or CV of the candidate
2) 41 or 29.08% of surveyed businesses do this through an informal interview
3) 30 or 21.27% of surveyed businesses do this through a formal interview
4) 31 or 21.98% of surveyed businesses do this by verifying recommendations.

![Figure 4. Methods of Gathering Information about the Candidates](image2)
The eighth question of the questionnaire was whether the businesses organize training for new employees and general training overall. The results obtained were as follows:

1) 77 or 54.61% of surveyed businesses stated that they fully agree with this statement, i.e. that they organize training for employees.
2) 44 or 31.21% of the surveyed businesses stated that they partially agree with this statement, i.e. that they periodically organize training.
3) 20 or 14.18% of surveyed businesses stated that they do not agree with this finding, i.e. that they do not organize training at all.

![Figure 5. Organizing Trainings for Employees](image)

The results of this question do not give a clear picture of the form and manner of training, so the next question will provide clearer explanations in this regard. The ninth question of the questionnaire was related to the previous question and explains the findings given above. This question asked businesses to indicate what kind of training they organize for their new employees but also other employees. As expected, the results are as follows:

1) 107 or 88.42% of businesses that stated that they organize training, the form or type they use is the classic one or on-the-job training by colleagues or the manager.
2) Only 7 or 5.78% of businesses stated that in addition to training by colleagues or managers, training are organized in the form of internal training sessions for the specific job.
3) Only 4 businesses (3.33%) stated that the training of employees was done through external consultations (whether this company or individual).
4) Only 3 businesses (2.47%) stated that the training of employees was also done in organized workshops.

As can be seen from the results, very few family businesses organize effective training through consultants, to increase the performance of their employees.

The tenth question had to do with whether the businesses have a system of rewarding and punishing workers. The results obtained are as follows:

1) 56 or 39.7% of surveyed businesses stated that they have a system of rewarding and punishing employees.
2) 85 or 60.3% of surveyed businesses stated that they do not have a system of rewarding and punishing employees.
The next question had to do with what additional benefits they offer to workers in addition to the basic salary. Here they were given the opportunity to choose more than one option. The results obtained from the survey are as follows:

1) 135 out of 141 surveyed businesses stated that they offer health and pension insurance.
2) 74 businesses stated that in addition to the basic salary, employees are also offered paid leave.
3) 41 businesses stated that among other things they offer their employees bonuses in the form of 13 salaries.
4) 16 of the surveyed businesses, among others, offer their businesses flexible working hours.

From these results several things are noticed. First, not all businesses offer employees the things that are required by law, such as health or pension insurance. Only half of the businesses surveyed stated that they give employees paid leave, which is not a positive thing. Only 13 businesses offer employees a paid leave of absence despite the fact that such a thing is a legal obligation.
The next question had to do with whether the businesses have a manual or document where elements such as job description, responsibilities, promotion method, and the like are included. The results obtained show that:

1) Most businesses or 121 of them (85.81%) do not have such a thing
2) 7 or 4.97% of surveyed businesses stated that they have such a thing
3) 13 or 9.22% of surveyed businesses stated that they do not know.

The last question of the questionnaire was about how important businesses consider having a particular person or sector of human resource management in employee and business performance. The results obtained show that:

- 132 or 93.62% of businesses surveyed say it is very important
- 9 or 6.38% of businesses were undecided in responding

From the results we can see that family businesses are aware of the importance of having a person or human resources sector and that it can positively affect employees and their performance.
V. DISCUSSION

The data gathered from the survey shows what we suspect is in reality with family businesses in North Macedonia. Since most family businesses are run by family members and most of the staff employed are again family members they don’t perceive that they need a specific department to deal with HR issues, since most of the issues are dealt with through the owner/managing director. This is applied as well in terms of having practices and policies. There is a common secret that most family businesses recruit new staff through the recommendation of family members which was shown as well through our research. Not much importance is given to the training of the employees where most training the new staff gets from colleagues. Unfortunately, it’s a common practice for family businesses not to have a rewards system in place in their businesses, and the only benefit that the employees get are those that are mandatory by law (paid leave, 13th salary) and usually they don’t have any manual or job description. But as a common benefit, they see having an HR department.

VI. CONCLUSION

The purpose of this paper was to analyze the importance of human resource management in the operation of family businesses in North Macedonia. It is widely known that one of the most important factors for a business is the human resources of the organization.

Most of the surveyed family businesses do not have a person or sector that deals with human resources, which is a negative aspect of them, especially for small and medium enterprises which have a larger number of employees compared to micro businesses. They implement human resource management practices and functions (recruitment, selection, training, remuneration, etc.). But most of them still do the recruitment through referrals from their relatives and fail to utilize other resources like universities and employment agencies. They emphasized that they organize training for their employees but that they are training of the classic type, i.e. training by colleagues or supervisors and very few by training centers or individual consultants, which would positively affect the performance of employees, with this even business.

Negative is the fact that in addition to the basic salary and social contributions (which are required by law), very few businesses offer employees additional benefits in the form of paid annual leave, thirteen salaries, or leave of absence (which is also a legal obligation but few businesses practice it). Finally, although a good number of them stated that they do not have HR person or sectors, most of them are of the opinion that having such a thing has a positive effect on workers, and thus on business.

The research provides good feedback for family businesses on what to have in mind while they are managing their human resource within, the companies. Moreover, it offers relevant information on how to improve the process. The limitation of the study is that it should be included as an analysis of the employees as well as they can give important feedback on how to manage the human resources in family businesses. The future research of the study
will focus precisely on the employee’s aspect and how they perceive that a family business takes care of and manages the human resources.

REFERENCES


