

INNOVATIVE START-UPS AND FAMILY ENTERPRISES IN TERMS OF AGE STRUCTURE OF THE ENTREPRENEURS

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Abstract

Business units of different type are dynamic elements of the economy. The most well-known types of enterprises currently being targeted are the innovative start-ups and the family enterprises. The innovative start-ups and SMEs are a frequently discussed issue. Although the demographic structure of entrepreneurs is an interesting partial issue addressed by the research of entrepreneurial activity, the question is less discussed by professionals, experts and scientists. In the past 30 years, since the SMEs are represented and got strength in the Slovak business environment, most of them struggle with the problem of generation change in the company. The most urgent seems to be the problem in the segment of family enterprises. The need to address the issue and find solution for generational exchange in these types of businesses is underlined by the fact that in many sectors of the national economy (agriculture, food industry, some of the services), the younger generation has no interest to continue the business activity started by their parents, which means that the business functioning successfully until now is determined to finish its business activity. The aim of this contribution is to evaluate the age structure of the entrepreneurs in innovative start-ups and family enterprises based on empirical findings.

Key words: entrepreneur, entrepreneurship, age, young generation, demography

JEL Code: J11, L26, M13

Introduction

Economic entities function as the essential elements of trade links in each market-based economy. Business entities from the micro, small and medium-sized enterprises (SME) sector operating on the principle of supply and demand have a dominant role in these economies. SMEs make up 98-99% of all businesses in Slovakia. Significant and turbulent market changes have helped the emergence of micro-enterprises and of start-up initiatives, who can take advantage of the present market conditions very well. They are extremely adaptable, adapting

their activities to customer needs and market conditions. Of the many businesses, it was start-ups that, even in times of economic recessions and the pandemic, were able to take advantage of market gaps successfully and offer products and services that are in demand.

Another specific group of companies are family businesses. Three decades after the change of regime, the problems of succession and generational change are becoming significant. Many family businesses have failed to tackle these challenges and have gone bankrupt or are closing down. This means that entrepreneurs running family businesses are becoming older and the middle and younger generations are missing. This paper deals with the above mentioned ideas on a theoretical level and in the empirical part findings from the Slovak business practice are presented.

1 Theoretical background

In the SME sector, small and very flexible innovative new products and services are coming to the fore also resulting in a growing number of such businesses. In a market full of competing companies, it is them that can constantly come up with new or improved products and services. Start-up initiatives flourish even in difficult times marked by economic crises. Start-ups are important since they are highly innovative and bring interesting added value to the market. Therefore, they are also in the focus of this paper.

Csabay and Stehlíková (2020) claim that business size together with the business structure belong to the key aspects of the competitiveness of companies and of their success in being innovative. Company size belongs to the decisive characteristics of business entities in the SME sector. Stefko et al. (2021) state that the way start-ups do business is literally unique, as they are based on expertise, talent, technological solutions and, last but not least, on their own way of business financing. The importance of information must also be mentioned here, since in these businesses being well-informed is one of key pillars of operations. The original idea of innovative start-ups will, over time, become a business model that makes businesses successful. The changing environment supported by the Fourth Industrial Revolution pose great challenges to innovative processes (Stacho, Stachova, Caganova, 2020). Innovation oriented small businesses need strong leaders. In this context, Smerek and Šurinčíková (2020) attribute to leaders several qualities that make them successful in business management. Since innovations are associated with novelty, the leaders of these businesses must possess qualities like skilfulness, ingenuity, expertise, insight and being communicative.

Entrepreneurial initiatives focused on innovation result not only in new products or services, but according to Audretsch et al. (2020) they can also create new sectors or even have a new impact on the economy. Therefore, it is important to develop a policy of support for these initiatives, which helps start-ups succeed. Innovative SMEs were also in the focus of research conducted by Edwards, Delbridge and Munday (2005). They unanimously underline the need for research into innovative companies in terms of processes and process changes. Every managerial decision must be in line with the ongoing business processes. Also, it should be added that one of the strategic processes is the process of acquiring new human resources and also the process of generational exchange with an aim to attract younger generations to doing business. Business development is largely dependent on the implementation of innovation processes (Chovanová, Supeková and Krchová, 2019).

Another important group of SMEs is family businesses. Peracek, Vilcekova, and Strazovska (2020) stress that these companies are struggling with numerous problems, including those that are specifically typical for this group. In addition to generally present problems in the market, they must also solve problems that arise from the family character of their business (Peracek, Noskova, Mucha, 2017; Betakova, Okręglicka, Haviernikova, 2021). One of the current problems family businesses need to deal with is generation exchange. The issue of the interests and motivation of generations in relation to their involvement in family businesses has been dealt with by Hradsky and Sadilek (2020). The most common questions that younger generations have to deal with when they join their parents' businesses are the following: motivation to work, what it means to work in their parents' company, why they should join their family's business, how to find the right balance between their family and their business. A specific strategic issue is also often neglected, which is the readiness of the business for succession and the taking over of management by a younger generation. Shortcomings regarding this activity can often be observed (De Pontet, Wrosch, Gagne, 2007). Hitka, Lorincová and Ližbetinová (2017) stress that with a view to employee retention and maintaining job positions, it is necessary for the management of businesses to collect the necessary data and to adjust the management of the business accordingly. Hiring new staff in a family business is associated with the arrival of a new generation, often into management positions. According to Ling, Baldrige and Craig (2012), the fundamental way of managing change is maintaining a multi-generational business entity, since it is important for the further prospective development of such businesses. Different generations have different views and ideas regarding the functioning of the company, so it is necessary to give other generations space for the presentation of their ideas. New generations come up with new ideas that are the reflections of

their generational and emotional intelligence (Machová et al., 2020). Family members naturally have a different emotional approach to their family business than non-family employees. The new visions of the next generation can move family businesses forward.

2 Aims, material and methods

This paper discusses an unconventional combination of partial issues related to entrepreneurship in the SME sector. The area of SMEs is usually researched in terms of their share in macroeconomic indicators, in terms of business and marketing or in terms of functional management areas. However, scientifically validated data on the situation regarding the age distribution of entrepreneurs in this sector are rarely analysed. This paper aims to contribute at least to a small extent to analysing the current situation on a Slovak sample, and that by evaluating the current state of the age structure of entrepreneurs in innovative start-ups and family businesses on the basis of empirical research. A partial goal is to point out the need to solve this significant current issue. Data from the field were collected during the implementation of two research projects (VEGA and GAAA scientific projects). Data from the business sector were collected during a partial research phase. The entire sample for the analysis of the age structure was made up of 224 entrepreneurs from all over Slovakia. The respondents were entrepreneurs who had agreed to take part in this specific research, so we refer to the data as primary data. The sample was made up of entrepreneurs from start-ups and family businesses. Our desktop research was conducted on the basis of papers published in the scientific databases Web of Science and Scopus. The papers discussed have been published by foreign and Slovak experts. The methodological grasping of the issue has been directly derived from the research topic and required the application of statistical methods. In addition to the text field, the research findings are presented through descriptive statistics to explain the theorems. In order to increase clarity and explanation the results are also presented graphically. When analysing partial problems, age pyramids were also used. At the end of the paper, based on the findings, we will try to formulate conclusions and recommendations in order to contribute to the success of businesses.

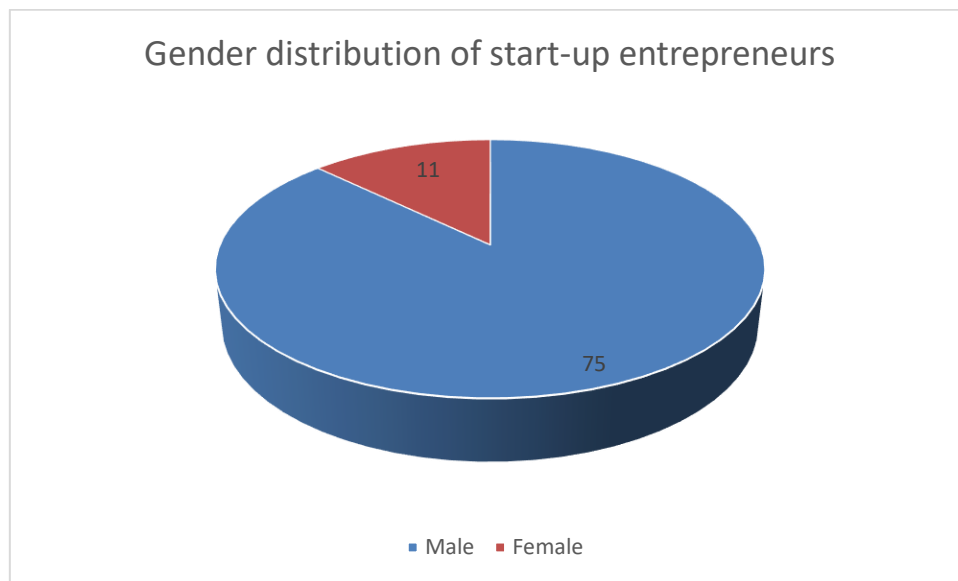
3 Results

The second part of the paper presents the findings from the analysis of data provided by innovative start-ups and family businesses. The research was conducted on a sample of 224 entrepreneurs from all over Slovakia. Out of them, 86 were entrepreneurs representing

innovative start-ups and 138 respondents were from family businesses. Due to limited article extent, not all research findings are presented in this paper; only partial, the most interesting results are discussed.

Gender division is also closely related to the analysis of age structure; therefore, data were also analysed in gender breakdown in both subgroups. Figure 1 shows the gender distribution of respondents from start-ups.

Fig. 1: Gender distribution of start-up entrepreneurs



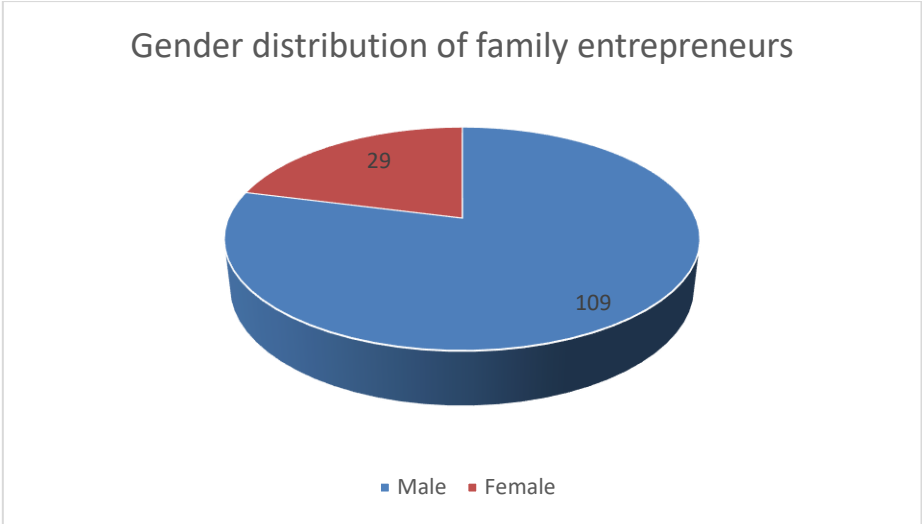
Source: primary research, own editing

Start-ups are highly innovative business entities, which are focused mainly on bringing new solutions, new ideas, new technologies, or they focus on improving the properties of products and services. They are often focused on technical and technology-oriented solutions. Therefore, the results of the gender division of entrepreneurs in the group of innovative start-up initiatives were not surprising to a large extent. Out of 86 respondents from start-ups 75 were male and only 11 were female. The gender division of the subgroup can be attributed to the fact that men in general have a greater and better relationship to technology, which is of key importance in start-ups.

Subsequently, the gender division of respondents representing family businesses was also analysed, which is shown in Figure 2. The division is different in the case of this subgroup. These businesses often focus not only on production but also on providing various services, whether personal (cosmetics, hairdressing, pedicure, manicure) or on sales activities (sales of cosmetics, clothing for kids, baby products etc.). The above mentioned businesses are

dominated by women. In the field of hospitality and gastronomy, married couples often run businesses. The subgroup of 138 respondents coming from family businesses was made up of 109 men and 29 women.

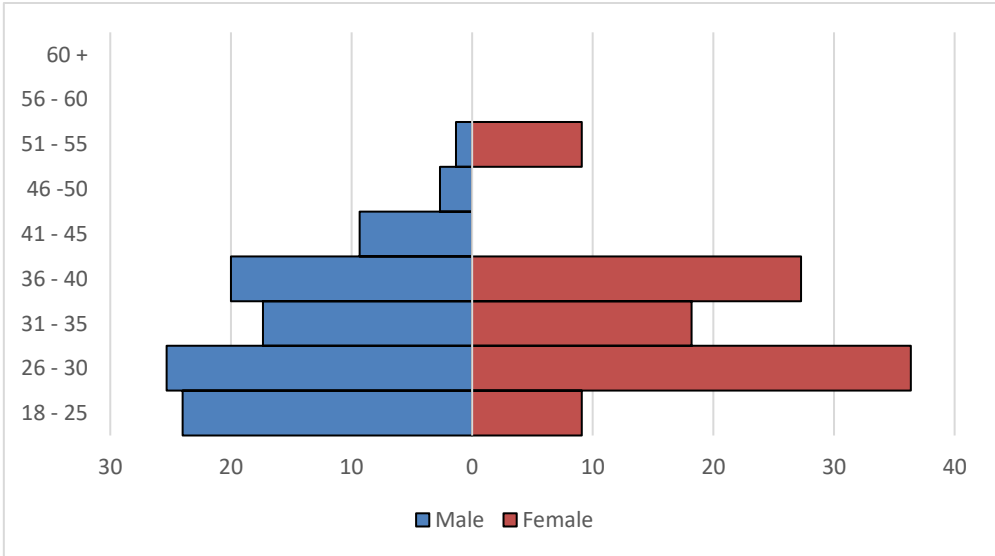
Fig. 2: Gender distribution of family entrepreneurs



Source: primary research, own editing

Following the analysis of the gender distribution of entrepreneurs, the age structure of entrepreneurs in both subgroups was analysed. In Figure 3, the age structure of entrepreneurs from the group of start-ups is shown through an age pyramid.

Fig. 3: The age pyramid of start-up entrepreneurs

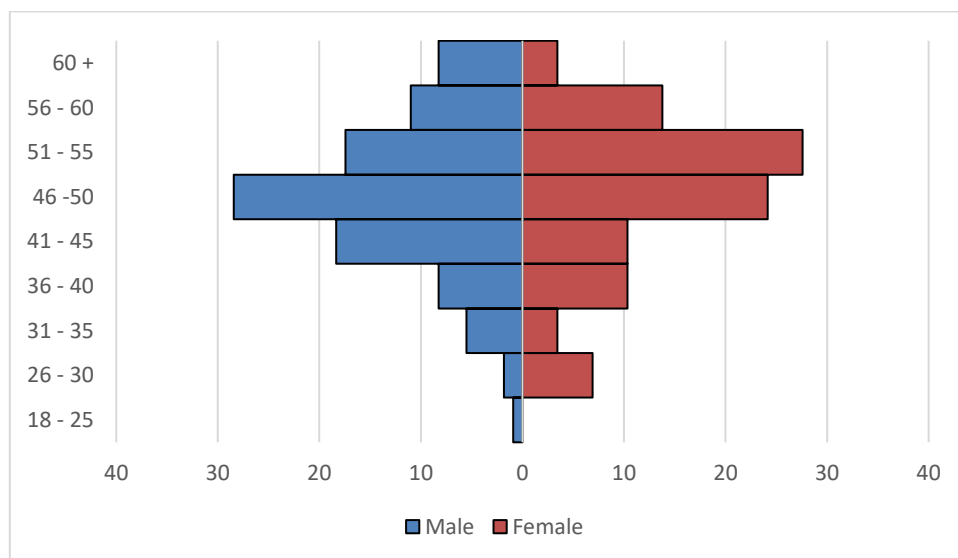


Source: primary research, own editing

The age pyramid in Figure 3 shows that most female entrepreneurs in the group of start-ups are in the age range of 26 to 30 and in the range of 36 to 40. The third most common age group is the one of respondents between 31 and 35. There is much bigger variety in the case of male respondents. Respondents between 26 and 30 also come in first in this subgroup, but the proportion of those between 18 and 25 is similarly large. The age group of those between 26 and 40 has a relatively high proportion here as well, followed by those between 31 and 35. The other age groups come after them.

The next step was to find out about the age composition of entrepreneurs from the subgroup of family businesses. The results are shown in Figure 4.

Fig. 4: The age pyramid of family business entrepreneurs



Source: primary research, own editing

In the case of entrepreneurs in family businesses, all age groups are represented in the sample. In the case of women the biggest group is made up of those between 51 and 55, and in the case of men it is those between 46 and 50. The second biggest group of female respondents was of those between 45 and 50, and in the case of male entrepreneurs it was those between 41 and 45, followed by entrepreneurs aged between 51 and 55. The third largest male group is of those between 56 and 60. As it can be seen, this group of entrepreneurs has many years of experience in running a family business and the group is also ageing. Figure 4 indicates that generational change in family businesses has become a highly topical issue that must be dealt with in the near future. The current entrepreneurs have to deal with the HR issue as soon as possible, and need to find those who will take over the management of their business in the future.

Conclusion

Previous research in the field of small and medium-sized enterprises has not called for the need to analyse a partial problem, namely the age structure of entrepreneurs, which is a combination of two fields, management and demography. Not only does applied research help draw the attention to the issue, it also helps solve it, which is of very high significance in Slovakia nowadays. Many entrepreneurs focus on solving the everyday operational problems of their company, and there is no time left for the long-term and strategic management issues.

Entrepreneurs, however, need to be aware that the issue of generally ageing population has also its impacts on the business sector. Entrepreneurs are also ageing and there is a need to deal with the reproduction of human resources in their positions in order to maintain business success and business continuity. This paper presents at least some minor findings, which were obtained during the implementation of research tasks focused on start-ups and family businesses.

In conclusion, the following facts can be summarised:

- 1) On a sample of a total of 224 entrepreneurs representing innovative start-ups and family businesses the gender distribution and subsequently the age structure of entrepreneurs were analysed.
- 2) In the subgroup of start-ups on a sample of 86 entrepreneurs, the gender distribution is strongly inclined towards male entrepreneurs, i.e. there are a lot more male entrepreneurs. This can be attributed to the fact that innovative start-ups are rather technologically and technically oriented. Men generally have a closer relation to these areas than women.
- 3) In the subgroup of family businesses on a sample of 138 entrepreneurs, the gender distribution is different from that of start-ups. It was shown that the gender division is significantly less varied.
- 4) In terms of age structure, the age group of those between 26 and 30 dominates in the sample of 86 start-up entrepreneurs.
- 5) The age structure of entrepreneurs from the sample of 138 family businesses is showing more worrying facts than that of start-ups, since the age distribution is significantly more concentrated in the middle and upper-middle generation range. It turned out that while start-up entrepreneurs come mostly from the young generation or from the younger segment of the middle generation, entrepreneurs owning family businesses are mainly middle-aged or older. This

supports and confirms other research findings that there is an acute need for generational change in family businesses.

It is up to the entrepreneurs themselves how they will deal with the results that have been achieved, including their decisions regarding the solution of the generational exchange issue and the reproduction of human resources in their businesses. With a view to strategic and business management, however, in order to maintain sustainable business operations, it would be necessary for them to look for ways how to reproduce human capital as soon as possible.

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