

# Newsletter

## PROMOTION OF SUSTAINABLE SOCIO-ECONOMIC TERRITORIAL DEVELOPMENT IN THE WESTERN BALKANS

*Most family businesses are small and medium-sized companies, but the public usually does not know that there are also many large family-owned companies. Some of them are well-known, such as Levi Strauss, Ford Motor, Johnson & Johnson, Heineken, BMW, Washington Post, New York Times, Tetrapak, etc. As much as a third of companies from the 500 largest corporations according to the ranking of American Fortune Magazine are family owned.*

# Family business

Prof dr. Blagoje Paunović\*

Emphasized importance and promotion of support to the development of this type of business, as a topic that has been underlined as significant in the recent elections campaign, is apparently more related to the lack of more original ideas of our politicians, or perhaps the awareness that the topic has not been "overused", than the politicians' awareness of the importance of family businesses, and even more the knowledge about ways to encourage the development of family entrepreneurship. Actually, as weak as politicians' statements about these issues are, they reveal their full lack of understanding of the phenomenon of "family business" and lack of ideas about support measures for their development. In this short essay I will briefly discuss the most important characteristics of family business in order to break the most frequent misconceptions about this type of business, not only held by our political elite, but the broad public as well.

First, what our politicians do not get wrong, and what is a general consent, is that family businesses do have a great importance in contemporary market economies and that this significance will be even higher in time. The importance of family business is in the fact that around 16 million companies in the U.S. are family owned, which

\* Prof. dr Blagoje Paunović is a professor at the Faculty of Economics in Belgrade and the President of InTER.

### IN THIS ISSUE:

Project with Olof Palme  
Centre: Jim Newkirk

Recommendations for business  
support infrastructure  
development in Serbia

InTER Library

accounts for around 90% of all business entities in the U.S.. These businesses employ more than 40 million people and generate around 60% of the U.S. gross domestic product. In Great Britain, it is estimated that 75% of all companies are family companies. Family companies are also very important in Europe, where two out of five businesses have two family generations, and it is estimated that in South America, South Asia and Middle East there are even more companies with two family generations working.

Researches show that family businesses will be more and more important in the future. The estimation is that 40-50% companies in the U.S. will be run by brothers and sisters as co-owners in the future. There are indications that more than 40% of all companies in the world are or will be going through a succession process, i.e. transfer from one to the next generation of leaders. The importance of family businesses was also recognised by the European Union, which, in the Small Business Act, as the most important EC document defining SME support policies, emphasizes the first principle as the need to "create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded".

Family companies are by many features particular types of business. Most family businesses are small and medium-sized companies, but the public usually does not

know that there are also many large family-owned companies. Some of them are well-known, such as Levi Strauss, Ford Motor, Johnson & Johnson, Heineken, BMW, Washington Post, New York Times, Tetrapak, etc. As much as a third of companies from the 500 largest corporations according to the ranking of American Fortune Magazine are family owned.

Family business is a very old type of business activity which is historically related to farmers, guilds, craftsmen, local traders, etc. The level of connection between families and work is shown in the fact that before the industrial age families lived in the same space (buildings, farms, etc.) where they performed economic activity, and only with the industrialisation and the increased number of paid workers who were not family members the family and work are separated. Some family businesses are very old and have a long tradition, such as for example The Codorniu Group, an internationally acknowledged wine producer from Spain, the beginnings of which go back to 1551 and that is today run by the 18th generation of the same family.



Regardless of the size, all family businesses have something in common, including: family ownership, control or management of the company by the family, active involvement of family members in business operations and the tendency to transfer the leading role from one to another family member. This is why family business is usually seen as a business where two or more family members are owners or in some other ways actively involved in its operations, as well as a business that has been owned by more than one generation of the same family. In accordance with that, family business is characterised by family ownership or active involvement of two or more members in business operations, regardless of whether the family business was established by the current generation or it inherited the family business from previous generations. Extent and types of engagement of family members in business can vary significantly. It can be a full-time or a part-time engagement, as well as work on different managerial or non-managerial jobs.

The basic characteristic of a family business, which is a foundation for other characteristics, as well as specific management of business operations, is the coexistence of family and work. Even though they are separated phenomena, different by function and goals, elements and values, family and work intertwine in a family business. Family and business goals can be similar and complementary and consistent, they can be conflicted, but they are never identical. Intertwining of family and business goals significantly complicates the management of family business, and survival and success of family business largely depend on capabilities to balance business and family interests in management. At the same time, intertwining of family and business interests imposes some management problems that do not occur in other businesses, and if they do they are manifested in a different way. Thus, for example, family businesses have a problem of rewarding family members and other employees, problem of professionalising the management, problem of succession, i.e. the transfer of the leading role in the family business from one to another generation of family members, etc.

However, even with numerous different characteristics, from the point of view of economic policy there are no significant differences between a family business and any other business. Family business success factors are the same as in any other company. Briefly, those are stable operating conditions that encourage, and not impede entrepreneurial initiative. That is why it is strange to see the promotion of family businesses by exactly those politicians who have directly or indirectly contributed to drastically exacerbated business conditions in the previous years, which is most easily seen in the utterly unfavourable dynamics of newly established and closed enterprises in the last several years. For example, only in the first ten months of 2011, 12% less companies were established than in the same period in 2010, whereas as much as 87.8% more companies were closed in this period than in the same period in 2010. That is why it is not difficult to conclude that the precondition for increased number and importance of family businesses in Serbian economy is to create conditions for entrepreneurs to survive in business, because it is the only way for them to be transferred from the generation of their founders to their heirs and thus become family businesses. ■

# Capacity building for trade unions in Serbia in co-operation with the Olof Palme International Centre

Jim Newkirk\*

InTER is providing technical assistance to the Olof Palme International Centre's Serbia Programme. Olof Palme International Centre (OPC) works in the spirit of Olof Palme for democracy, human rights and peace. OPC cooperates with individuals and organisations throughout the world, in countries such as Brazil, Burma, South Africa, Palestine and Moldova. They seek to empower people to change their societies, and thereby their own lives, and focus on women, youth and grassroots activists. OPC works closely with the Swedish Labour Movement, whose extensive network enable cooperation with global partners who share OPC's values. OPC has its main office in Stockholm.

OPC works in Serbia, where it has four development projects which are being implemented by local organisations, in partnership with one of OPC's member organisations in Sweden. The Serbia programme focuses on unionised workers within the car, metal and textile industries in Vojvodina and in Kragujevac. Parts of the programme have a special focus on female unionised workers. The overall objective of the Serbia programme is that trade union members and non-unionised workers in Serbia are aware of their rights, and have a stronger commitment and greater opportunities to demand their rights.



Workshop within the Olof Palme Project

InTER is working closely with these local organisations, providing training, mentoring and skill development assistance with designated representatives of the organisations. This capacity-building is specifically about learning a variety of methods and techniques necessary for organisations to monitor the effectiveness of their planning and implementation. InTER's capacity-building work has begun in earnest over the past two months. A total of four workshops have been held, and a fifth is scheduled for after the summer holidays. The workshops, the first in a series that will be held with each of the local organisations, covered three specific areas:

- The concept of the 'Project Cycle' was presented and discussed, using the particular experience of the workshop participants.
- A monitoring and evaluation system, as a tool for successful project management, was introduced. This system will be the focus of much more detailed work with the project groups over the next three years. Key components being looked at early in the process are clearly stating the output and outcome indicators for each of each project's results.
- Thirdly, the InTER team provided consultancy advice to the project teams in improving the logical frameworks for their projects, including results statements, indicators and baselines. The team is working with the local partners to develop a clear baseline for each of the project indicators. Later work will involve regular monitoring of these indicators against the baseline.

There is a direct correlation between the training and the actual work of the local partner's project teams' work on project monitoring and evaluation. Each step of the training, over the three years, will be closely and directly related to the actual work they do on project monitoring. ■

\* Jim Newkirk is InTER's team member within the Project for Monitoring and evaluation financed the Olof Palme International Centre

# Recommendations for business support infrastructure development in Serbia

*Belgrade Chamber of Commerce, National Agency for Regional Development (NARD), Institute for Territorial Economic Development (InTER) and the Association „Klub prvih žena“ have submitted the conclusions from the round table “IMPORTANCE OF BUSINESS INCUBATORS, CLUSTERS, INDUSTRIAL ZONES AND PARKS FOR LOCAL ECONOMIC DEVELOPMENT - Are we keeping pace with the EU countries and countries in the region?” to all relevant institutions in Serbia.*



Due to the necessary development and transformation of business support infrastructure, which includes business incubators, clusters and industrial zones and parks, a round table was organised in the Belgrade Chamber of Commerce in April 2012, with the topic: “IMPORTANCE OF BUSINESS INCUBATORS, CLUSTERS, INDUSTRIAL ZONES AND PARKS FOR LOCAL ECONOMIC DEVELOPMENT”. The round table was organised by: Belgrade Chamber of Commerce, National Agency for Regional Development (NARD), Institute for Territorial Economic Development (InTER) and the Association “Klub prvih žena”.

The topic gathered around 200 representatives of business and entrepreneurial associations, clusters, business incubators, industrial and free zones, relevant institutions and organisations from all parts of Serbia. Participants in the discussion were: dr Milan Janković, President – Belgrade Chamber of Commerce, Ivica Eždenci, Director – National Agency for Regional Development, mr Dragiša Mijačić, Director – Institute for Territorial Economic Development InTER, mr Milan Randelović, Head of Local Economic Development Office of the City of Niš and the Director of Free Zone “South”, Simon Zečević, Director – Cluster “The

Flower of Šumadija” Kragujevac and mr Ivana Zeljković, President – Association “Klub prvih žena”.

At the round table, the participants were introduced to the latest research on the analysis of the current situation and the level of development of business support infrastructure, its efficiency in operations and the level of their impact on the local economic development. The research was conducted in late 2011 by the National Agency for Regional Development and the Institute for Territorial Economic Development - InTER.

The conclusions from the round table and the discussion related to improvement and transformation of business support infrastructure have been submitted to the Serbian Government and relevant ministries, representatives of Autonomous Province of Vojvodina, Regional Development Agencies and all other relevant institutions.

## 1) Business incubators:

- Incubators have an important role in promoting entrepreneurship and enterprises at the beginning of their business, as well as in stimulating local economic development. In relation to that, it is necessary to strengthen incubators and develop the capacities of their staff. In accordance with this recommendation, it is necessary to train the staff to provide a broad range of services, as well as to identify and develop good relations with potential associates, organisations and institutions that would be involved in future initiatives of incubators. It is necessary to

The goal of business support infrastructure development is strengthening of the competitiveness of economy. In order to achieve that it is necessary to build innovation capacities which can be achieved through specialization of business activities.

change the focus of the incubators' services from physical incubation to the provision of a broad range of business services to entrepreneurs and enterprises. This is especially recommended to incubators in environments that do not have a developed network of institutions for the development of entrepreneurship.

- It is recommended that incubators should focus on certain sectors with comparative and competitive advantage in their environment. Stronger links should be built between incubators, clusters and local economic development offices in order to have an integrated approach to the development of identified strategic sectors. In order to strengthen cooperation among these factors, in smaller environments and where possible, it is recommended to provide the incubation space to clusters, LED offices, business service providers, consultants, etc. in order to achieve the synergy in their action on local economic development.



- In order to make it possible to measure the results of different incubators on the national level, it is necessary to define a unique system of criteria and measures for that purpose. Also, it is necessary to define the national standard for incubators' business operations as institutions for support to SME development. Standardisation will lead to organised business operations of incubators, and further more, it will be possible to measure effects achieved by incubators, and easier to compare the success of different incubators. Implementation of standards will use formal procedures and instructions to improve internal processes, such as selection and continuous evaluation of tenants.

- In order to achieve incubators' sustainability it is necessary to introduce the national programme for financing of business incubators that would be available (on competitive basis) to all registered incubators in Serbia. Also, it is necessary to strengthen incubators' capacities in order to achieve sustainability through the financing system 33% - 33% - 33%, i.e. one third of incubator's costs should be financed from the state/local programmes, EU funds and charged services. It is also necessary to continuously work on promoting the idea of business incubation and improve visibility of both existing and planned incubators.

## 2) Clusters:

- From the point of view of public policy, it is recommended to change the existing paradigm of cluster development that is exclusively based on the development of cluster initiatives, by introducing a holistic approach that would include the development of competitiveness and networking within geographic concentrations of companies in a certain sector. In accordance with that, it is necessary to reorganise the existing cluster development programme of the Government of Serbia in such a way that it does not only focus on the development of cluster initiatives, but also on other development institutions that can contribute to cluster development in a certain territory (regional chambers of commerce, regional development agencies, research institutes, sectoral associations, etc.).

- The role of local governments or regional agencies can be of key importance for cluster development because they have visibility and the necessary capacity to mobilise actors from public and private sector, including business support organisations, banks, professional institutions, etc. However, the private sector should also be supported in gathering around joint interests and thus improving business and competitiveness. The programme of the Serbian Government would have to find ways to support all these initiatives for cluster development.

- It is necessary to work continuously on education of cluster managers, associates of development institutions, cluster members and all other interested parties in order to improve their capacities for support to cluster development. It is necessary to introduce academic and professional programmes for education of managers of cluster initiatives. There should be active works on promotion of the idea of networking and gathering in clusters and on strengthening the trust between different actors from public and private sector.

- The term cluster is not sufficiently clarified to the public and it is necessary to have close cooperation with the media in order to influence the improvement of general education about possibilities for raising competitiveness and innovation through cluster development.

### **3) Industrial zones and parks**

- Number of industrial zones in Serbia goes beyond the foreseen investment potentials and municipalities in Serbia have mostly not been capable of estimating the optimum size of zones in relation to their internal and external circumstances. It is necessary to upgrade local capacities for planning of industrial zones in order to avoid bad investments. The Government of the republic of Serbia could also upgrade the process of planning of industrial zones by introducing a unique register of industrial and free zones, analysing their work and projecting future investment trends. It is also necessary to create a unique register of brownfield locations throughout the territory of the Republic of Serbia and make a programme for their restructuring and making them economically functional.

- Even with the large number of industrial zones in Serbia, the number of parks is symbolic. With that regard it is recommended to establish industrial parks that would manage the work of zones in the territory of a municipality or a city. It is also recommended to adopt a Law on industrial parks that would adequately regulate this field.

The goal of business support infrastructure development is strengthening of the competitiveness of economy. In order to achieve that it is necessary to build innovation capacities which can be achieved through specialization of business activities. That is why it is important to have an integrated approach to local and regional development that requires close cooperation between all elements of business support infrastructure. ■

## InTER participated in Berlin within the TRAIN Programme (Think Tanks providing Research and Advice through Interaction and Networking)

**InTER's** researchers participated in the seminar organised in Berlin from June 11 to 15, 2012 within the TRAIN Programme (Think Tanks providing Research and Advice through Interaction and Networking).



In cooperation with other think tank organizations from the Western Balkans, draft researches on selected topics were revised at the seminar. and the participants were provided with comments on the papers by DGAP experts (German Council on Foreign Relations). A seminar was also organised on preparation of communication strategies for research dissemination to key stakeholders on national or EU level. the participants had an opportunity to discuss the current political topics with the Head of Department for International Cooperation and EU Integrations of the German Government, Ms Tania von Uslar.

Within the programme, InTER is conducting a research on the necessity for mechanisms for impact assessment of the EU development support in the Republic of Serbia. ■

## InTER contracted to carry out analysis of local economic development offices

**InTER** signed the contract with the National Agency for Regional Development (NARD) to develop a study including mapping and analysis of the local economic development offices, creation of a set of standardised services provided by LED offices, as well as the recommended model for establishment of LED offices within the system of local self-government of the Republic of Serbia. ■



## Round table "Importance of business incubators, clusters, industrial zones and parks for local economic development"

**On** April 18, 2012, the Belgrade Chamber of Commerce, National Agency for Regional Development (NARD), Institute for Territorial Economic Development (InTER) and the Women's Association "Klub prvih žena" organised the round table on "Importance of business incubators, clusters, industrial zones and parks for local economic development - Are we keeping pace with the EU countries and countries in the region?".



The event was attended by around 200 representatives of companies, state institutions, universities, agencies and local economic development offices, local self-governments, as well as the existing business support infrastructure in Serbia. ■

## Strategic Plan of Development of the Municipality of Zubin Potok

**InTER** and Kosovo Relief Committee (KRC) have signed the protocol of cooperation for provision of technical assistance for the development of the Strategic Plan of Development of the Municipality of Zubin Potok. Strategic Plan of Development will be made through participatory methods with significant role of representatives of local self-government, public companies, private sector and civil society organisations. Final result of InTER's role will be a draft Strategic Plan of Development that will be submitted to the Municipal Assembly for adoption. ■

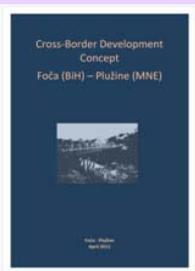
## *Guidelines for Assessment of EU IPA CBC Application Packages*



The publication represents a guideline for assessment of project proposals received under Calls for Proposals for EU IPA Component II on Cross-Border Development. The Guidelines is primarily developed as a tool to assist Assessors in assessing each criterion of the proposal evaluation grid. However, the Guidelines does not have intention to restrict the Assessors in grading the applications, neither to advocate normative standards for assessment of IPA CBC. The Guidelines might also be used by the applicants in checking the quality of their applications prior to the final submission to the authorities. The publication is in English language and it is available on InTER website.

[www.lokalnirazvoj.org](http://www.lokalnirazvoj.org)

## *Cross-Border Development Concept Foča (BiH) - Plužine (Montenegro)*



The publication represents a Concept for Cross-Border Development of two municipalities Foča from Bosnia and Hercegovina and Plužine from Montenegro. It is a baseline document that provides an overview of the potential for cross-border cooperation, accompanied by practical recommendations to local authorities of the two municipalities, as well as public and private sector representatives, civil society activists and professionals from international development cooperation agencies. The Concept has been developed by InTER under the auspices of the GIZ Open Regional Fund project on Cross-Border Economic Development of Montenegro and Bosnia-Herzegovina. The Concept was published in April 2011 and both English and Serbian versions can be downloaded from InTER website.

[www.lokalnirazvoj.org](http://www.lokalnirazvoj.org)

## *An Overview on Governance for Local Development in SEENET Territories*



The publication is the first report of a series realised within the SeeNet Programme by a research network coordinated by CeSPI and composed by seven research organisations from South East Europe, including InTER. Each research institute was assigned one territory, and InTER is conducting the research in the territory of Vojvodina. The first report focuses on management for local development, and InTER conducted a research on management of local productive systems in the Autonomous Province of Vojvodina. The report was published in December 2010. It is available for download in English on InTER website.

[www.lokalnirazvoj.org](http://www.lokalnirazvoj.org)

## *Decentralisation and Local Development in the Western Balkans*



This report is the second in a series realised as part of the SeeNet Programme by a research network coordinated by CeSPI (Italy) and composed of seven research organisations from South East Europe, including InTER. The report focuses on decentralisation and local development, with a particular emphasis on governance in Vojvodina. The analysis was conducted from a multi-level perspective, taking into consideration local, other sub-national, national, European, and other international levels. It also adopts a multi-stakeholder perspective. The report is in English and can be downloaded from InTER website.

[www.lokalnirazvoj.org](http://www.lokalnirazvoj.org)