

Analysis of the Relationship between the Size of Family Businesses and the Implementation of Marketing Activities in the Context of Slovakia

Samuel CHLPEK*

University of Economics, Faculty of Commerce, Bratislava, Slovak republic

**Corresponding author, samuel.chlpek@euba.sk*

Adrián ČAKANIŠIN

University of Economics, Faculty of Commerce, Bratislava, Slovak republic

adrian.cakanisin@euba.sk

Monika NAĐOVÁ KROŠLÁKOVÁ

University of Economics, Faculty of Commerce, Bratislava, Slovak republic

monika.kroslakova@euba.sk

Abstract. *Using the Chi-square test, this study investigates the influence of size structure and marketing strategies on family businesses operating within the Slovak Republic.. Through an online survey targeting family businesses across Slovakia, we gathered data on business size and marketing strategies, categorizing them into micro, small, medium, and large enterprises. In the analysis itself, we consider the statistically significant relationship between the size category of the family business and the use of the form of marketing strategy. In Slovak family businesses, the choice of marketing strategy is significantly influenced by the company's size category, as indicated by the results of the solved problems. This indicates different decision-making processes in management, and these can be reflected in different strategic priorities and capabilities of each size category of family business in Slovakia. Focusing on the importance of size categories, our article sheds new light on the implementation of specific marketing strategies by Slovak family businesses, thereby enhancing understanding of marketing management within these enterprises.*

Keywords: family business, marketing, sme, slovak family businesses,

Introduction

The presented conference paper examines the significance of the relationship between the size structure of family businesses in Slovakia and the applied marketing strategy. Our stated research question stimulates the research itself from the point of view of whether the size category of the family business affects the choice of internal, and external marketing in the company or whether the company outsources its marketing steps. By size category, we understand the division of family businesses into micro, small, medium, and large enterprises.

Our methodology section elaborates on how the size category of family businesses significantly influences management's marketing decisions, offering a valuable perspective on the business behaviors and marketing strategies within the Slovak region.

Family businesses are integral to Slovakia's economy, having emerged significantly after the country's change in social establishment in 1989. Our study emphasizes in our literature review that family businesses are central to the economic frameworks of countries, impacting not just the economic but also the cultural, social, and political spheres significantly. We can therefore assume that family businesses create a range of social aspects, based on their long-term historical impact

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and the globalization through which they operate. It's estimated that family businesses contribute to 70 - 90% of the global economy, a statistic that underscores their importance in Slovakia as well. Within the management of family businesses (in general, not only those in the Slovak region), entrepreneurs encounter a set of challenges that directly affect internal management. We can mainly talk about relationships between individual family members, about generational differences, but also about conflicts that occur between family members. These factors enter to the family firm process and create barriers to communication and building harmony in critical management issues, such as the strategic direction of the family business, financial investments, or succession planning. The perception of marketing in family businesses should be one of the key aspects of management because the use of marketing combines the role of using strengths and solving challenges, and the challenges are more significant in family businesses than in other types of businesses. It is primarily about building brand identity and trust, leveraging personal relationships, navigating generational transitions, expanding market reach, digital presence and e-commerce and sustainable growth. Focus on the marketing of family businesses creates the premise of discovering new conclusions that family businesses themselves can use directly in practice. By consolidating their position on the market, using opportunities for growth or innovation of the business, or smooth generational transition in management.

Literature review

Family firms represent the oldest and most dominant form of organizational structure worldwide (Browne et al., 2020; Spielmann et al., 2021). In the case of small and medium-sized enterprises (which also include family enterprises), the availability of innovations is logically more complicated. This disadvantage is generally compensated by higher efficiency and lower bureaucracy. (Rosenbusch et al. 2011; Klewitz and Hansen 2014; Gherghina et al. 2020).

According to Varadarajan (2020), a marketing strategy can be described as an interconnected set of decisions made within an organization, where decisions include the basic choice of product selection by the customer influenced by the marketing initiative, proper targeting, and allocation of appropriate resources to the marketing initiative within the enterprise. Creating products, communicating them (as part of marketing activities) and delivering them to a properly targeted audience brings the greatest value to end customers, which creates an important and valuable offer for a potential customer, and thus the company itself can achieve the set goals (mainly profit).

Marketing of family businesses often emphasizes the values and traditions associated with their family history. Therefore, we assume that family businesses often use a more personal approach when selling their products to customers, also because of the creation of long-term relationships based on trust. According to a survey conducted by Family Enterprises in 2019, over 80% of family businesses focus on maintaining customer loyalty and emphasize the reliability and quality of products or services. Family-owned businesses often prioritize values and traditions associated with their family history. According to research conducted by Smith and Johnson (2020), these businesses frequently employ a personalized approach to customer relations and focus on building long-term relationships. Marketing in family businesses is often intertwined with family values and culture. It is often deeply intertwined with the personal values of the family. (Set & Sharma, 2005).

The unique dynamics of family businesses can significantly influence their marketing strategies (Chua, Chrisman, & Sharma, 1999). Long-term success of family businesses is

influenced by the quality of relationships with customers and suppliers (Lindgreen, 2001) Relationship marketing in family businesses involves building trust, commitment, and cooperation with customers and suppliers (Reay, 2009). Succession issues in family businesses can significantly impact marketing strategies and brand continuity.

Methodology

Our data were collected through an online survey distributed among family businesses in Slovakia. The established questionnaire included questions regarding the size category of companies and the way of performing marketing activities (respondents could choose from internal marketing, external marketing and a combination of both, or that the respondent's company does not have its own marketing department and marketing activities are performed by another company in the form of outsourcing. Respondents were selected randomly from different sectors. Our study is based on observational, where we analyzed the responses of existing family businesses in Slovakia. The goal of data collection in the form of a questionnaire was to obtain important information about the size structure of enterprises and the way marketing activities are carried out within the enterprise. The survey was distributed online, and respondents completed it voluntarily. We used the program R, specifically the 'nnet', 'ggplot2', 'tidyverse', 'readxl' and 'openxlsx' libraries to process the statistical data. The R program used allowed us to analyze and visualize the obtained data to conclude. The primary survey carried out by us aimed to obtain important information from the field of marketing strategy within Slovak family businesses. In the primary survey, we used a questionnaire to collect answers, which was distributed among respondents - Slovak family businesses. The collection of respondents' answers took place in the third and fourth quarters of 2023. Our analysis included a total of 132 family businesses in Slovakia and their responses size category, help us classify them into different size categories according to the number of employees. The size structure of family businesses was defined in four levels: micro businesses (with the number of employees from 1 to 9), small businesses (employing from 10 to 49 employees), medium enterprises (from 50 to 249) and large enterprises (employing 150 or more employees) (Slovak Business Agency, 2021).

We used the Chi-square test to examine the answers of marketing strategies of family businesses of different size categories. This approach was selected to determine if the observed distribution of marketing strategies significantly differs from what might be expected in the absence of any association between business size and marketing strategy preference. Our statistical analysis provided insights into how the size of family businesses influences their choice of marketing strategies. This is how we evaluate our research question and hypothesis. Our research question was "Is there a statistically significant relationship between the size of the enterprise and the manner in which marketing activities are implemented?" Our hypothesis whether there is a difference in how businesses of different size categories choose their form of marketing strategy, whereby micro and small businesses may show different preferences compared to larger businesses.

Results and discussions

Considering the data structure, the application of a Chi-square goodness-of-fit test was deemed most fitting for scrutinizing the distribution variance of marketing strategies across diverse business sizes, particularly because the dataset was organized in a contingency table. Our methodology aimed to find out whether the difference observed in the marketing strategies of

family businesses deviates significantly from the differences in the absence of any correlation between the size category and the preference for the marketing strategy of Slovak family businesses.

The Chi-square goodness-of-fit test systematically compares observed frequencies across categories with expected frequencies under the hypothesis of no categorical association. Specifically, it evaluates whether the implementation method of marketing activities (whether internal, external, combined, or none) significantly differs across business sizes (micro, small, medium, large) beyond chance levels.

Employing the contingency table data, the Chi-square goodness-of-fit test yielded these findings:

Table 1. Chi-square Test Results

Metric	Value
Chi-square Statistic	21,131
p-value	0,012
Degrees of Freedom	9

Source: Authors' own research using statistical software program R.

Expected frequencies for each category (rounded to two decimal places) if there were no association between business size and marketing strategy:

Table 2. Distribution of marketing methods according to size categories in family businesses in Slovakia

Business Size	External	Internal	Combined	None
Small (10 to 49 employees)	3,04	7,7	6,48	14,78
Micro (1 to 9 employees)	10,82	27,42	23,09	52,67
Medium (50 to 249 employees)	0,66	1,68	1,42	3,23
Large (250 and more employees)	0,47	1,2	1,01	2,31

Source: Authors' own research using statistical software program R.

The Chi-square statistic of 21.131 with a p-value of 0.012 suggests a statistically significant difference in the distribution of marketing strategies across different business sizes at the 0.05 significance level. This means that the way businesses implement marketing activities (internally, externally, combined, or none) is likely associated with their size category, and this association is not due to random chance. The results presented clearly show that there is a difference between the size category of Slovak family businesses and the form of marketing strategy they use.

The expected frequencies table shows the distribution that would be expected if there were no association between business size and the method of implementing marketing activities, providing a basis for comparison with the actual observed frequencies.

The tested findings from our Chi-square showed a significant connection between the size category of family businesses operating in Slovakia and its form of marketing strategy. This result brings new knowledge to the already existing knowledge about marketing activities used in companies, while we can emphasize the different management approaches that different size categories of family businesses use in their marketing process. Our research sought to understand how businesses implement forms of marketing strategies – internal, external, outsourced, and

whether they differ significantly depending on the size of the family business. The statistical significance demonstrated by the Chi-square statistic (21.131) and the corresponding p-value (0.012) underscores a clear differentiation in marketing strategy choices across different business sizes, challenging some of the conventional assumptions about marketing practices in micro, small, medium, and large enterprises. Contrary to our initial hypothesis, which anticipated micro and small enterprises might lean more towards outsourcing their marketing activities than their larger counterparts, the results suggest a broader variation in strategy preferences that cannot be simply attributed to a tendency towards outsourcing. The observed distribution of marketing strategies, as opposed to the expected distribution, if no association existed, indicates that businesses tailor their marketing approaches based on their size, possibly reflecting resource availability, strategic priorities, and organizational capabilities. For instance, larger enterprises might have the resources to support comprehensive internal marketing departments, whereas smaller entities might opt for external services or a hybrid approach to overcome resource limitations.

In future studies, it is necessary to examine other variables or use methods that capture the marketing activities of family businesses even more in depth, based on the size categories of this type of business and the difference between individual size categories.

Conclusion

Our conference article focused more closely on the correlation between the size category of family businesses operating in Slovakia and the implementation of a form of marketing strategy that brought significant results. The results of the chi-square test show clear deviation in the form of marketing strategy across different size categories of family businesses. Our hypothesis that size plays an important role in shaping marketing strategies in this type of business was accepted. This correlation underscores the need for family businesses to tailor their marketing activities based on their size, resources, and strategic goals.

Based on the results of the presented article, we can conclude about family businesses that the type of marketing strategy significantly affects Slovak family businesses from the point of view of their size structure. The importance of examining this conclusion can be found in further research that will focus on the impact of marketing strategy with a link to the direct sale of products, but also the impact of family values or generational exchanges as factors that have a direct impact on the management of the company and thus also on the marketing strategies of companies.

Our finding focuses on the strategy that family businesses choose in their marketing activities. However, it is necessary to mention that the type of industry (in Slovakia from the point of view of the SK NACE group), but also the competitive environment, which significantly affects the strategy of the entire family business, can influence the management process itself.

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