

PERSPECTIVES ON FAMILY FIRMS IN THE ROMANIAN ECONOMIC FRAMEWORK

Viorel CORNESCU*
Andreea STROE**

Abstract

The paperwork focuses on emphasizing the increasingly significant role of family firms in the Romanian economic framework, by bringing into attention legislative matters, their advantages and disadvantages compared to other similar forms of organization (sole proprietorship (IF) and PFA (self-employed person)). The importance of FFs is indisputable, not only generally, from the economic point of view, but also in terms of the commitment shown to local communities, business responsibility, long-term stability and moral values. They are also a fertile soil for entrepreneurship as incubators for future entrepreneurs. Our goal is to capture their features, their evolution in time in the local framework, development tendencies, but also the peculiarities of their financial instrumentation. Their specific aspects in what concerns financial instrumentation of FFs may be the subject of future debates on proposals to improve the management of their work, to analyze their financial activity by highlighting the legislative aspects which are compared to similar forms of organization, by also assessing the evolution in time of family firms in terms of their importance within the economy. Therefore, the paperwork points out some of the key aspects and characteristics of such organizations which act as a balance in entrepreneurial development, along with the economic support of thousands of families, both from rural and urban environment.

Keywords: family firms, sole proprietorship, financial instruments, evolution, microenterprises.

1. Introduction

Family firms have gained great importance in economic practice, but also in specialized literature, especially in connection with firm's theories, with emphasis on their role and incorporation in management and entrepreneurship theories. (Beckard and Dyer, 1983). Family firms are often considered, in the light of their features, different from non-family firms, and their economic implications generated a significant academic debate. Family firms are established all over the world, having different shapes and sizes, from the smallest manufacturers to large multinational companies. Their features are different according to many variables (dimensions, organization of assets, legal forms, etc.), this thing explaining the contradictory points of view from specialized literature. Furthermore, we notice that the great majority of them are smaller than private non-family firms in what concerns the number of employees and the volume of sales and have a greater inflexibility in terms of the impact of new techniques and technologies. Typical family firm is less based on formal knowledge, is less involved in exports and has a low productivity compared to private non-family firms. Family firms can, by definition, take the liability only on the legal forms of the limited liability company, partnership or

sole companies, according to the legislation of each country.

The researchers use different criteria to define family business, such as the status of assets, strategic control, the involvement of multiple generations in the business and the intention to keep the business in the family.

Some researchers such as (Lea, 1998) suggest that family firms should be defined by the fact that they are established by and for the need of a specific family, or under the explicit anticipation that future generations take over the business. Other studies such as Donckels and Frohlich (1991) and Lyman (1991) suggest more conservative approaches, stating that a person or a group of individuals whom are directly related to each other by ties of kinship should control 60% or in full a company in order to be classified as a family firm.

EC definition (2009) adopted by the European Union and by some multinational family business networks, such as the European Group of Family Enterprises (GEEF), Family Business Network International and Family Firms Institute (FFI), points out that a company can be considered a family firm if it fulfills the following conditions:¹

- I. The majority of the decision making rights are held by the natural person or persons (family) who established the firm, or who hold the share capital of the natural person or the capital of the spouses, parents, heirs;

* Professor, PhD, Faculty of International Relations and Administration, "Nicolae Titulescu" University, Bucharest (e-mail: cornescuviorel@yahoo.com)

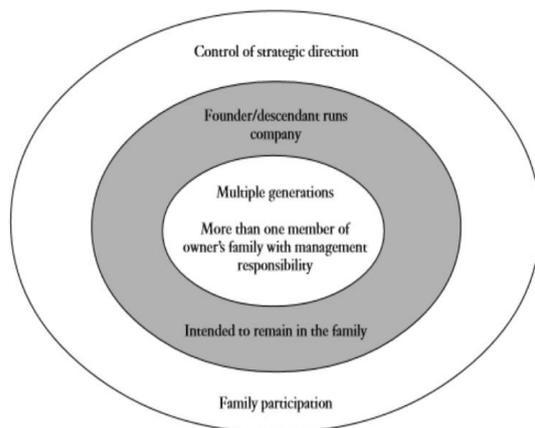
** Lecturer, PhD, Faculty of Economics and Business Administration, "Nicolae Titulescu" University, Bucharest (e-mail: stroeandreea@univnt.ro)

¹ The Characteristics and Performance of Family Firms: Exploiting information on ownership, governance and kinship using total population data, Fredrik W. Andersson, Dan Johansson, Johan Karlsson, Magnus Lodefalk and Andreas Poldahl, 2017

- II. The majority of the decision making rights are indirect or direct;
- III. At least a family representative is officially involved in the management of the company;
- IV. The publicly traded corporations fulfill the definition of family firm, namely the person who established or purchased the firm (share capital) or family or descendants if they have mandated 25% of the share capital.

A very suggestive descriptive definition of family firms is suggested by the picture below describing the universe of such organizations.

Picture 1. The universe of family firms



Source: Family Businesses' Contribution to the U.S. Economy: A Closer Look Joseph H. Astrachan, Melissa Carey Shanker, 2003

The characteristic of family firm is that the transfer of ownership, when the case may be, is made to another member of the family, so that family plays an important role in the business management, and the impact of the generations on the business development is a significant one. Therefore, in addition to quantitative aspects of the business, we must also take into account the importance of intangible aspects.

Gartner (2001) questions the interconnection of entrepreneurship with the researches on the development of family firms. A recent research indicates that 80% of small partnerships have similar characteristics with those of family firms (Chua et al. 1999), such as the engagement of own financial resources or human capital. Entrepreneurship is a special case of strategic management, in the creation and renewal of organizations, a merge between opportunity and resources. Taking into account that an important part of new organizations is created by means of family involvement, families induce to entrepreneurial activities their values and aspirations. On the other hand, entrepreneurship requires an understanding of how family resources can be exploited and how family involvement can influence the type of attracted capital, organizational form of the enterprise and financial performances. Therefore, there

can be noticed the possibility of a symbiotic connection between entrepreneurship and family firm.

Habberson et al. (2003) captures family firm as an interactive system consisting of individuals, a family and a firm, pointing out the synergy created by its familiarity and contribution to creating competitive advantages and wealth. The financial resources (capital raising), human resources (different organizational culture), technological resources (innovation) are meant to distinguish between family and non-family firms by meeting standard criteria of unity, inseparability and synergy. Christman et al. (2003) proves that the classification of Habberson can be applied more broadly by replacing the maximization of wealth by the maximization of the value as predominant goal of family firm. By introducing the concept of value determination policy (Christman et al.) shows how the Habberson's theory concepts can help explaining long-term survival and development of family firms.

On the other hand, Schulze (2003) points out the contribution of altruism and self-control, as entrepreneurial features that can help or raise difficulties within the company, the differences between trading companies and family firms being highlighted in terms of organizational conduct and performance. The altruism matter occurs when managers try to help third parties (i.e. children), thus encouraging avoidance, postponement of decisions or liberty, which cannot be controlled by means of economic initiatives. Therefore, these difficulties can be harder to solve than in a trading company.

The existent entrepreneurial research did not ignore family firms. Notwithstanding, they used very selective criteria which ignore the size and issues of family firms. Chrisman et al. (1998) paperwork explains that entrepreneurship is a special case of strategic management, where the risk, organizational renewal and innovation (Sharma and Chrisman, 1999) are strategy actions involving synchronization between opportunity and resources. Only few strategic decisions are made for pure economic reasons; the values and aspirations of top owners and managers also play an important role (Andrews, 1971).² In addition to them, while human calculation for new company establishment certainly takes into account profit and its determinants, **the FFs also include goals which cannot be viewed only from the financial point of view.** Therefore, family firms seek to meet family's economic needs, and the wishes of those establishing them to create, to build something and to add value, stability and security in the present and the future, to them, family and descendants.

Selznick (1957), believes that family business entrepreneurs are unique by trying to build enterprises which are also family institutions. The way the founders of family firms deal with the establishment and development of organizations to create family

² An introduction to theories of family business, Jess Charisma, Jess Chua, Mississippi State University, 2003

inheritances and sustainable economic value should be of interest for the entrepreneurship field. The perpetuation of such inheritances requires the firm to manage family succession, which, besides the need to replace the founding entrepreneur, often involves changes in strategy and / or structure.

Such changes could revive a novelty responsibility (Stinchombe, 1965), with deep implications for organizational survival and growth.

Tan and Fock (2001) show that the appointment of an entrepreneurial leader can be the key to success in family business succession. Researches suggest that a substantial proportion of new enterprises is created under family involvement. Families influence entrepreneurial activities by their values and aspirations. They must support intergenerational entrepreneurship in order to achieve their goal to create sustainable family inheritances. On the other side, entrepreneurial spirit requires an understanding of how family resources can be exploited and how family involvement can affect the type of targeted investment and the performance of shareholders at the beginning. Therefore, there can be a symbiotic relation between entrepreneurship and the research in family business field.

2. Specific features of IF compared to other forms of economic organizations

Let's see what is a family firm and what is the legal regime applied in Romania. Small entrepreneurs which want to carry out an economic activity together with the family, can choose the establishment of a family firm (former family association), currently regulated by Government Emergency Ordinance no. 44/2008.

In the process of setting up a family firm, the first requirement is the assessment of the conditions provided by the law on two aspects, both important, namely: 1. the persons who can become members; 2. the economic activity that can be carried out by this form of association. In what concerns the persons who can become members, the law uses expression "family members". The law also provides who the respective persons are: husband, wife, their children who have already turned 16 on the date of family firm authorization, relatives and up to fourth degree of kinship included; [Art. 2 para. (1) letter d) of Government Emergency Ordinance no. 44/2008].

The number of persons required for family firm establishment is of at least two. Once fulfilled these criteria, the first step for the establishment of family firm is the conclusion of an establishment agreement between the members and the appointment of a representative of the family firm authorized by means of a special power of attorney to manage the interests of the family firm.

The National Trade Register Office employs the following definition **The firm of a professional, family*

firm consists of the name of the family or its representative plus phrase "Family firm".

Family firm, in Romanian legislation, has the following restrictions in what concerns the scope of business: liberal professions or economic activities regulated by special laws, economic activities for which the law established a special legal regime, certain performance restrictions or other prohibitions, services provided under the freedom to provide cross-border services.

Under the regime of legal acts concluded for the performance of economic activities within a family firm, according to art. 29 and art. 32 of Government Emergency Ordinance no. 44/2008, they are concluded by the representative of the family firm and produce effects on all the members of it³.

Under the legal regime of natural person's assets, the performance of economic activities within a family firm enables the establishment of dedicated assets. The members of a family firm can choose, by pursuing a specially regulated procedure in this respect, the dedication of a part of personal assets for the individual performance of economic activities. This part shall be subject to a special legal regime and shall be designated by term dedicated assets.

In terms of acquiring the capacity of trader, the option for the individual performance of economic activities, as a member of a family firm, leads to the acquiring of this capacity as of the registration with the Trade Register.

In terms of acquiring the capacity of taxpayer, the independent performance of economic activities within a family firm entails the existence of such capacity. Normative acts establish on the members of the family firm, on the self-employed person and on the entrepreneur, holder of a sole proprietorship, the obligation to pay certain taxes and fees, which can be classified in two main categories: general tax obligations (incumbent on all the members of a family firm) and special tax obligations (incumbent only on certain members of a family firm, as a result of their will, of acquiring the capacity of employer, of performing certain category of activities or of the activity scale, reflected in the turnover).

Other similar forms on which we can draw conclusions on the similarities and differences are sole proprietorships and PFAs.

Sole proprietorship (II) is a form of economic activity organized by a natural person entrepreneur, and the low cost of establishment is one of the advantages of establishing such an entity.

Self-employed person (PFA) is any natural person authorized to perform any type of economic activity permitted by the law, by using mainly its labor force (art. 2 letter i) of Government Emergency Ordinance no. 44/2008). PFA is insured under the national pension system and other social insurance rights and is entitled to be insured under the social

³ www.onrc.ro

health insurance system and unemployment insurance system, under the terms provided by the law. PFA is held liable for the obligations on the dedicated assets, if set up, and, in addition, on all assets, and in case of insolvency, it shall be subject to simplified proceedings provided by Law no. 85/2006 on insolvency proceedings, as further amended and supplemented.

Under Government Emergency Ordinance 44/2008 updated in 2014, family firms are treated alongside sole proprietorship and PFAs, not gaining legal status by means of the registration with the Trade Register Office. In order to note the advantages and disadvantages of all forms of organization, we hereby present a short comparison

Criteria	Family firm ¹	Sole proprietorship	PFA (Self-employed)	S.R.L (Limited liability company)
Form of organization	<ul style="list-style-type: none"> -it consists of 2 or more members of a family -does not hold own assets and does not gain legal status by the registration with the trade register - the members of the family firm are considered natural person traders. 	<ul style="list-style-type: none"> - does not gain legal status by the registration with the trade register -can employ no more than 8 employees, third parties, under individual labor agreement 	<ul style="list-style-type: none"> -is entitled to perform any form of economic activity permitted by the law, by mainly using its labor force -can employ, as an employer, third parties under an individual labor agreement, concluded under the terms of the law and can cumulate the capacity of certified natural person with the capacity of an employee of a third party 	<ul style="list-style-type: none"> -is a legal form of company, a certain form of legal entity, with limited liability before the law and its owners. It is a hybrid form of business with the features of both a partnership and a corporation -has legal status (law no. 31/1990)
Legal matters	<ul style="list-style-type: none"> - income and expenditures are distributed among members, according to the share of contribution, members pay income tax amounting to 16% on distributed net income (every member declares his share of income to the fiscal body) -the members of a family firm may simultaneously be PFAs or holders of sole proprietorship and can also hold the capacity of employee of a third party. -family firm cannot employ third parties under labor agreement. 	<ul style="list-style-type: none"> -the natural person entrepreneur is considered natural person trader, can employ third parties under individual labor agreement, according to the law, but can also hold the capacity of employee of a third party - the costs of establishment and administrative costs are lower - owes health insurance contribution -it gains an annual cumulative income equal to at least 12 basic gross wages 	<ul style="list-style-type: none"> -it is certified but, cannot cumulate the capacity of natural person entrepreneur holder of a sole proprietorship. -the costs of establishment and administrative costs are lower - PFAs can benefit from the achieved net income at any time, without distributing dividends, compared to SRL - the process of establishment of a PFA is much more simple and requires lower costs 	<ul style="list-style-type: none"> -higher investments, the costs of establishment and management are higher than in case of the other form of organization - shareholders are bound to pay another 5% tax for dividends. It is the only legal way to take money out of the company (unlike PFA).

¹ The establishment of self-employed persons, family firms and sole proprietorships is regulated in our country by *Emergency Ordinance no. 44/2008* on the performance of economic activities by self-employed persons, sole proprietorships and family firms.

	-Family firm is set up under an establishment agreement, concluded by the family members in writing			
Advantages	-the accounting is kept in single-entry bookkeeping, the accounting records are kept by filling in a Receipts and disbursements journal, where cash and bank transfer collections and payments are recorded in chronological order.	-the accounting is kept in single-entry bookkeeping -the accounting can be kept by the business owner (a receipts and disbursements journal or file index is the only thing required),	- the accounting is kept in single-entry bookkeeping (as of January 1 st , 2015, they can choose double-entry bookkeeping), they are insured under the social insurance system	-the accounting can be kept under double-entry bookkeeping - in case of debts, the liability of every shareholder is limited to the share capital he has deposited at the time of the company establishment
	-obligations to the state budget: - 10% tax on net income -10% of the national minimum income for health insurance system compared to 5,5% of the gross income declared in 2017 - 25% of the declared monthly income (namely the income for which you want to be insured) contributions to pension system CAS.	-they can choose the income tax bracket for self-employment income, a fixed tax which is established according to a scale set up by ANAF (National Agency for Fiscal Administration) or for real regime tax system (income tax amounting to 10% applicable on the difference between income and expenditures in 2018)		-they can take part in private or public auctions
	-In order to carry out the activity as P.F.A., I.I. and I.F. it is required that the natural person, the owner of the sole proprietorship or the members of the family firm have qualification in the respective field, qualification to be proved by a study document or a qualification diploma. - flexibility and adaptation to changes in the economic environment	- throughout the performance of the business there is the possibility to extend it by opening new business units or the scope of business can be modified, higher flexibility	- it is required to prove the fulfillment of certain conditions or professional training and/or certification of professional training -PFA carries out only regulated or registered activities -the documentation submission process is easier and consists in the submission of tax statement before ANAF	-the submission of documents of certifying professional training and experience of the founders of the company in the scope of business is not mandatory
	-the members are insured in the public pension and social security system	-simpler formalities of establishment or deregistration,	-there are only three obligations to the state budget: 10% tax on net income, 10% of	-the companies which gain income under EUR 100,000,

	<p>and are entitled to be insured in health insurance system and unemployment insurance system, under the terms of the law.</p> <p>- the termination of the activity can be performed by the simple deregistration with the Trade Register, short-term procedure with low costs,</p>	<p>registration costs generally reach about RON 500-600</p> <p>-the deregistration is performed by the submission of an application to the Trade Register, as well as of the documents of the company (registration certificates and company confirmation details in original.</p>	<p>the national minimum income for health insurance system, 25% of the minimum income contributions to public pension system CAS ;</p> <p>-If the taxpayer chooses to pay CAS and CASS for the gross national minimum wage, as of January 1st, 2018, they will amount to RON 665,</p>	<p>regardless of the number of employees, pay income tax of 3% (with no employees), 2% (1 employee – full time) or 1% (≥ 2 employees – full time) (advantage for the companies with lower expenditures and disadvantage for traders);</p> <p>-program for the encouraging of SRL-D establishment</p>
	<p>- the economic activities of IF, they can be carried out in all areas, occupations or professions that the law does not expressly prohibit. (agriculture, industry, tourism, constructions, IT or trade, etc.)</p>	<p>- Sole proprietorship can have as a scope of business no more than 10 classes of activities referred to in NACE code.</p>	<p>-Only NACE codes that concern the activity in which the PFA is to be certified can be chosen; this mean that you cannot function as a PFA in any area</p>	<p>-there can be chosen more than one NACE code in order to conduct more economic activities from different areas; there are no scope of business limits</p>
Disadvantages	<p>-as of 2016, under the new amendments brought by the Tax Code, the operation as sole proprietorship, self-employed person or family firm entails, from a strictly fiscal point of view, more disadvantages compared to SRL</p> <p>- no new shareholders can be coopted, according to the regulations in force, IF cannot employ third parties under labor agreement,</p> <p>-the natural person, owner of the firm or members of the family firm are held liable before third parties with the</p>	<p>-10% corporate tax, plus certain contributions (CAS, CASS).</p> <p>- if in case of a SRL corporate tax generally amounts to 3% plus 5% tax on dividends in 2016 (practically a corporate tax added to the income tax) or 10.5% as of 2017</p> <p>- you will be held liable with own assets, in case of a II, the assets are confused with personal assets</p> <p>-you cannot become an employer within your own sole proprietorship.</p>	<p>-as of 2018 10% income tax, namely one third of the collections are transferred to the state</p> <p>-the contributions to health insurance system and CAS shall be paid even if the PFA does not earn income throughout the year, in this case the national minimum income being established as a calculation base</p> <p>- in case of debts, the liability of the natural person is maximum, in case of insolvency, the person shall be subject to the simplified proceedings provided by Law no. 85/2006 on insolvency proceeding²</p> <p>- lower business development opportunities in some</p>	<p>- if a shareholder does not have salary income sources, the state shall apply and shall retain social insurance contribution of dividends</p> <p>- the dissolution of a SRL entails a complicated procedure, takes a long time (about 2 months) and requires great costs.</p> <p>-greater opportunities for business development</p> <p>-5% dividend tax, as of January 1st, 2017</p> <p>- 5.5% contribution to health insurance system for</p>

² The creditors shall execute the receivables according to common law, if the PFA does not hold the capacity of trader. Any interested person can prove the capacity of trader within the insolvency proceedings or separately, by declaratory action, if a legitimate interest is justified

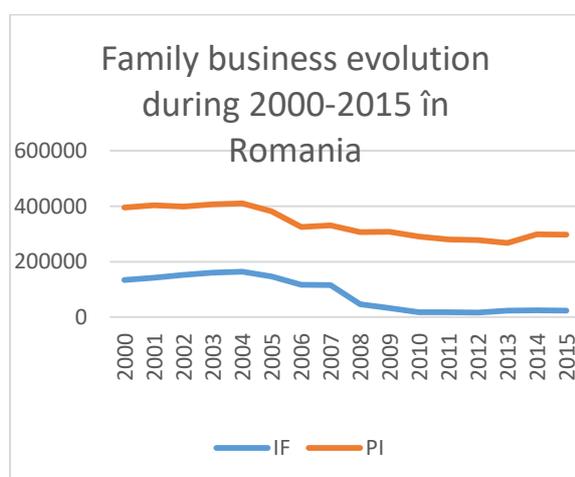
	dedicated assets and own assets - the option to contribute to public pension system and health insurance system was introduced even if the actual or estimated income is lower than the minimum calculation basis from which contributions become mandatory.		situations, less entrepreneurial development - cannot employ third parties under a labor agreement for the performance of the activity	dividends withdrawal.
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Own source

3. I.F. in Romania

In Romania, throughout the latest years, the number of family firms or sole proprietorships fluctuated depending on the market conditions. The incidence of entrepreneurial exploration or exploitation in what concerns the identification of opportunities, the adjustment of the strategies to market conditions, the reorganization of the resources was affected by the instable economic environment after 2007, by decreasing the number of IFs. It seems that a greater flexibility and adaptation has been achieved by IIs, the number of which remained stable in recent years, given the legislative conditions. The studies show that the involvement of the family in the management of the firm affects the ability of future generations to reach high levels of ambidextrousness, along with the fact that the opportunity can trigger a conflict within the IF and its settlement would influence the timeliness of its exercise. (Shepherd and Haynie 2009). This is a special approach that can be taken into account only for the supplementation of economic explanations, as follows:

Picture 2 The evolution of IF (family firm) and II (sole proprietorship)



Own source

It is noted that throughout 2000-2015 family firms had significant fluctuations. We associated this evolution with the increase of the number of self-employed persons, in order to create a clearer picture of the changes in the field. The number of IFs raised from 133,610 in 2000 to 142,537 in 2011, by reaching the peak in 2004 with a number of 165,236 due to legislative support (law no. 346 of July 14th, 2004 on the stimulation of establishment and development and on the priority for public procurement of SMEs). Since 2005 we have noted a downward trend which will lead to a drastic decrease of family firms to almost a third in 2008-2009 in the background of the economic crisis, which led to the bankruptcy of small companies with less flexibility to drastic market changes. The decrease continued, with a slight increase starting with 2013 where their number will be around 24,500. The number of self-employed persons was much more stable given the autonomy and unilateral control of the business and of the legislation that favored the economic problem, therefore their number fluctuated around 261,258 in 2000, up to 214,710 in 2007 and reaching 274,065 in 2015, this can also be due to the restriction of the activity of certain microenterprises or enterprises which chose the individual performance of an economic activity by being affected by the economic crisis. In 2013 in Romania operated almost 268000 of sole proprietorships, of which almost 244000 were self-employed persons and 24000 family associations. Compared to the aforementioned forms of organizations, the number of sole proprietorships had decreased significantly and constantly starting with the economic recovery period (in 2013 their number increased by 140000 compared to 2004). This is due almost exclusively to the fact that four of five family associations ceased their activity. The mass disappearance of family associations is partly due to legislative changes (since 2007 they have been registered as family firms), but probably also to the fact that once with the accession of the country to the European Union and the re-launch of credit market, financial resources that only trading companies with legal status could access became available. It is plausible to argue that many of the owners of dissolved

family associations established limited liability companies, and the other passed to sole proprietorships. Current legislation entails the employment of third parties (outside the family) in addition to the owner, which in certain cases provides more favorable taxation conditions than in case of trading companies.

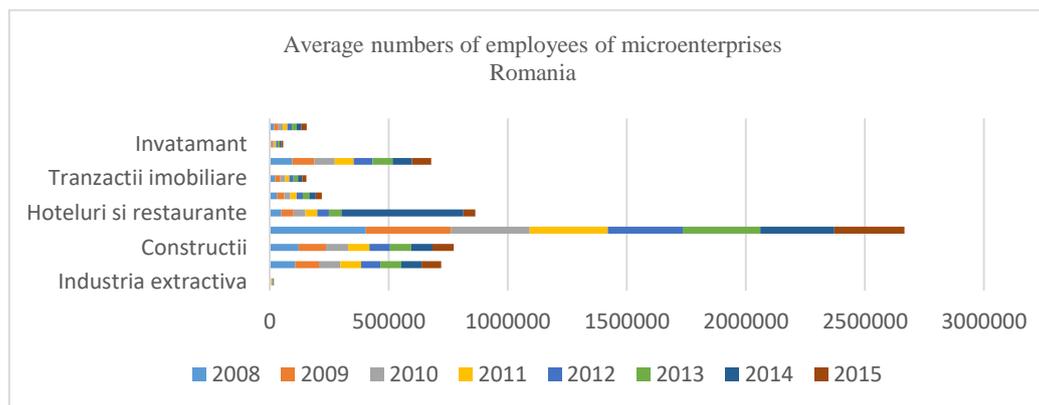
In 2016, the law which changes fundamentally the operation and registration of natural persons who carry out economic activities was published (more specifically self-employed persons PFA, sole proprietorships II and family firms IF). The law provides a maximum number of employees that such a person can have and a maximum number of scopes of business – NACE codes - that the person can carry out. In other words, essentially, natural persons can carry out economic activities as follows: individually and independently, as certified natural persons, as entrepreneurs and holders of an individual entity, as members of a family firm.

If we take a look at the legal background of SMEs supporting and at the role of EU directives in the supporting of entrepreneurship and microenterprises, we note a significant support. In this respect, the European Commission adopted the following principles: all new proposals which have impact on companies must be subject to rigorous researches on their potential impact on SMEs, the legislation can be different for microenterprises, small and medium-sized enterprises and large companies, in order to make sure that the created burden is divided proportionally between different types of company. In order to protect SMEs, certain support measures can be applied, decreased taxes and fees or even tax exemptions, in order to ensure a fair competition environment for all legal entities.

In Romania of the 2000s, the number of small enterprises increased, and survival statistics have improved as a sign that post-privatization “evolution” selection ended (Grabher & Stark, 1997). The adaptation ability of smaller business has improved considerably. General macroeconomic more favorable conditions also contributed to it (legislative stability, foreign capital flow, more accessible credits). These positive changes suddenly stopped during the economic and financial crisis. Global negative economic factors and the government’s austerity measures – of which the introduction of flat tax and the fiscal tightening of flexible forms of employment – were the greatest danger and did not go easy with the SME sector, but as of 2012 the number of newly created enterprises exceeds the number of those which cease the activity, a fact that can be construed as a potential sign of recovery. These considerations can be broadly applied on sole proprietorships (independent and family firms), which are often treated separately in the statistics of enterprises. They do not have legal status, meaning that the assets of the enterprise and those of the individual/household are not separated, and the entrepreneur bears unlimited liability for his activities with all his assets.

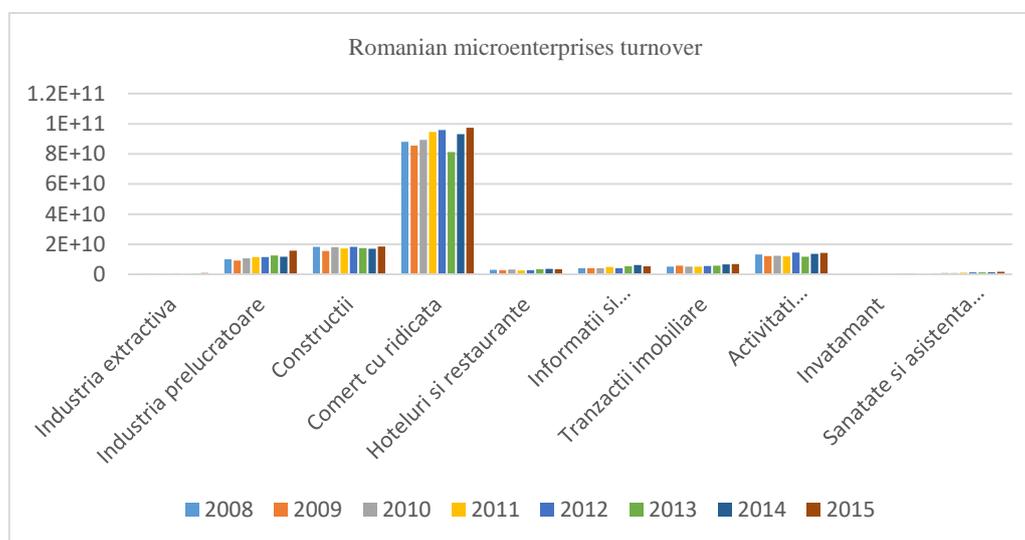
Statistical evidence deals separately with entrepreneurial forms without legal status (independent enterprises and family firms) and publishes less information on them, although there are cases when the separation of microenterprises from individual entrepreneurial forms is not justified. From our data concerning the end of the 2000s, we can note for example that **entrepreneurs flexibly choose between legal forms if concrete advantages motivates this fact.** This happened in case of family associations, when their number decreased to one fifth in a period of only five years. Besides the changing of the related legislation of 2007 we assume that, following the accession to the European Union, many persons established small trading companies due to better opportunities to obtain financing, and other obtained individual entrepreneur certification, which, as of 2008, has offered a greater flexibility in the employment area. Family firms can be compared in terms of structure with microenterprises with a number of employees between 0-9, therefore we can hereby corroborate the evolution of family firms with that of the micro sector, so that to have an overall picture on the Romanian economy on this sector of small enterprises, some of them without legal status. Two important indicators which can guide us in our analysis are the following: the average number of employees and the turnover. Their reporting can provide us information on the average productivity of the respective sector. By taking into account the main economic activities, we conclude that the highest average number of employees was recorded in the wholesale trade sector in 2008 (403130), by reaching an upward trend until 2015 where values of 295674 are reached. The other sectors with similar growth are constructions, manufacturing industry and scientific and technical professional activities. The turnover has a discontinuous evolution between 2009-2013 but does not record significant deviations, the fluctuations being related to legislative changes or the adherence to new forms of organization, the increase of the number of employees or liquidation of the company if we take into account post-crisis period 2008-2009. The sectors with a major turnover are manufacturing industry, wholesale and construction, last places being held by health and social care, respectively education. (15786154366 – manufacturing industry compared to 581440797, education 2015). The average of work which relates the turnover to the number of employees recorded significant values in 2008, respectively 2015 in what concerns constructions sector (RON 151,832 and RON 208,692), within this range the rate fluctuates by approximately 20-30%, being followed on the first place by the trade sector with a productivity of RON 218,577, respectively RON 329,487 in 2015. If we make a comparison with previous picture Evolution of family firms, we will notice the same slightly downward trend in 2008-2012, followed by a slight increase between 2013-2016, which explains the symbiotic nature of family firms.

Picture 3 Average number of employees of microenterprises



INS data processing www.insse.ro

Picture 4 Microenterprises turnover



INS data processing www.insse.ro

4. Specific aspects regarding financial instrumentation

In order to support I.F. managers we will note certain specific aspects regarding their financial instrumentation, by making comparisons, from case to case, with the specific aspects of trading companies, from a general point of view. First of all, family firms use single-entry bookkeeping, with the possibility of using double-entry bookkeeping as of January 2015, trading companies use double-entry bookkeeping.

Single-entry bookkeeping is a real regime bookkeeping based on earnings and expenditures (with some exceptions, such as depreciation). The required accounting records are: Accounting journal and Inventory journal, which, as of March 1st, 2015, their registration with the tax bodies is no longer mandatory. The collections of the Receipts and disbursements journal shall include the following: the amounts collected from the performance of the activity,

contributions in cash and by bank transfer performed on the start of the business or throughout the performance of the scope of business, the amounts received as bank credits or other loans, the amounts received as indemnities, the amounts received as sponsorship, patronage or donations, the amounts received as special support from non-reimbursable external funds (allowances), other collected amounts (such as refunds of taxes, fees and penalties).

The individuals who manage single-entry bookkeeping can use the following financial accounting forms provided by Order no. 170/2015 of the Minister of Public Finance, or only a part of them, according to the specific elements of the activity carried out: asset book, invoice – according to the provisions of the Tax Code, waybill, stock card, receipt, receipt for foreign currency operations, payment order, payment-collection order for the cashier's office, salary statement.

The registration of the income is based on the following supporting documents, such as: receipt, invoice, daily fiscal closing report, if electronic fiscal

cash registers are used, the extract of the payment slip. The VAT payers shall also draw up the Sales journal where they will record the income earned. In case of VAT payers, the income, VAT excluded, are taken over from the corresponding columns of the Sales journal. The following elements are registered by the I.F. in the Receipts and disbursements journal, without representing gross income from a tax perspective: contributions in cash or RON equivalent of the contributions in kind performed on the start of the business or throughout the performance of the scope of business, the amounts received as bank credits or other loans from natural persons or legal entities, the amounts received as indemnities, the amounts received as sponsorship, patronage or donations.

Furthermore, not only operations in cash are recorded in the Receipts and disbursements journal, but also those performed through the current bank account. In the Receipts and disbursements journal, the transactions shall be recorded at the amount provided in the supporting documents, including the value added tax.

If the I.F. passes from the single-entry bookkeeping system to the double-entry bookkeeping system, this shall be achieved by taking over, based on the inventory and information on the receivables and debts, as initial balances, at the beginning of the financial year for which they chose to pass to the double-entry bookkeeping system. Unlike the double-entry bookkeeping system (usually practiced by the trading companies), single-entry bookkeeping consists of the following:

- simultaneous registration of an economic operation in two accounts;
- the creation of a logical link between the two accounts used in double-entry, operation called account correspondence;
- the practical-current representation of the double entry using value equality, called accounting formula.

We should note that beside the Accounting Journal which records chronologically all the financial operations and of the Inventory Journal which classifies into categories the assets and liabilities according to their nature, the following are also available:

The General Ledger where the movement and existence of all assets and liabilities are recorded on a monthly and systematic basis, by regrouping the accounts, which the draw up of the trial balance is based on, cash book, *tax register*. *The balance sheet and the income statement* are financial documents based on which the company's profitability is calculated, containing important information on profit, expenditures, assets and liabilities.

As shown, the accounting of family firms is a simpler one but grants us a lower degree of instrumentation of profitability elements, the main indicator taken into account being the income in reference to expenditures. Therefore, the main profitability rates that would give us an overview of the profitability of family firms are related to the

accounting value (the value of receipts – the value of disbursements), existent inventories and costs rate. The main profitability indicator is the profitability threshold, namely the required sales volume where the profit generated by these sales covers the fixed costs of the business. The income remains the main indicator the tax of 16% (respectively 10 %) is related to, as a balance between collections and payments.

It is obvious that the option of the double-entry bookkeeping system provides more financial information and contributes to a greater flexibility of the organization. The double-entry bookkeeping system enables, for example, the purchase of a laptop by the registration of certain debts that are to be subsequently paid. The advantage of such a system is that the manager can have clear records of assets held, receivables and debts, respectively of the income and expenditures and can see on the basis of the accounting records, for example, what receivable he/she has to collect in relation to his/her customers. The disadvantage is that it involves a greater bureaucratic effort than the single-entry bookkeeping system.

What is to be taken into account is the fact that in both systems, the obligation of the economic entities refers to mandatory registers: Receipts and disbursements journal (chronological registration of all the amounts collected and paid, both in cash, and by bank accounts) and the Inventory Journal in case of single-entry bookkeeping the Accounting Journal and Inventory Journal, documents regulated as of January 1st, 2016 by Order 2634/2015 on accounting-financial documents, under the fulfillment of the accounting regulations in force. In both cases (double/single-entry bookkeeping), there is the obligation to perform the annual inventory of the assets and liabilities. From tax perspective, regardless the preferred option of accounting system, the annual net income shall be calculated according the provisions of the Tax Code, by filling in the Tax register, as the difference between gross income and deductible expenditures incurred for the purpose of gaining income.

Conclusions

Our goal was to present an overview of family firms, some of their features compared to other forms of similar organization (sole proprietorships, self-employed persons) so as to be given an exhaustive explanation on the place and role of family firms within the economy. We note that family firms are economic entities without legal status established by a natural person entrepreneur together with the family. The economic activities carried out by a family firm can be in the field of agriculture, industry, tourism, constructions, IT and trade. The legislative regulations they are subject to are different from those of trading companies, by being similar in terms of legislation to sole proprietorships and PFAs. In this respect, since 2008, a serial interruption has been registered in Romania, family associations being turned into family

firms. The differences between them and other similar economic entities do not consist only in legislative changes on the organization form, fiscal obligations, taxes or modalities of accessing financing, but also in what concerns their financial instrumentation. The peculiarities of these documents are related to the supporting documents (Inventory Journal, Receipts and disbursements journal), to the regulations on single-entry bookkeeping system, the lack of mandatory reporting of NiRs (goods received notes) or mandatory registers. From this point of view, the calculation of the profitability in case of family firms is more difficult, the information being diminished compared to the case of trading companies which make available a balance sheet, an income statement or trial balance. The income remains the main performance indicator based on which the profitability threshold is anticipated, the coverage of expenditures and corporate tax (10 % as of January 1st, 2018). The possibility to pass to double-entry bookkeeping as of the establishment date (in case of PFAs) should be taken into account because of the access to more extensive information.

Furthermore, we should not forget that the IF represents an opportunity for thousands of families to ensure for themselves a decent economic existence, by being also an important factor for economic growth and development of some areas and localities of the country.

It is true that family firms are versatile, they start as small business cores and can be turned into real business conglomerates, therefore their importance should not be overlooked precisely from this trampoline perspective, a launch phase in support of small entrepreneurs who, in the beginning, need assistance and legislative conditions to support their development. As we have noted, the trend of microenterprises corroborated with that of the evolution of family and individual firms has been a stable one in recent years, although it faced some downs throughout 2008-2010. Even in a post-crisis time, a similar form of organization provided greater flexibility, fewer risks and higher degree of adaptability to the economic environment changes, and these things must be taken into account when we analyze the Romanian economic environment, with the fluctuations imposed by legislative coercions of recent years.

In other words, family firms can be the start-up engines of future business, by shaping the profile of an individual successful entrepreneur and even if their contribution to economic growth can be challenged, the perspective can be a positive one taking into account that the role of family firms is recognized at European level in niche economies and as developers of great businesses from the point of view of entrepreneurial ethics, sustained moral values and success through perseverance.

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