

# Factors influencing the consultancy services used in Romanian family businesses

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**Abstract:** The present study approaches consultancy services in relationship to family businesses, focusing on the extent to which those services are used by this category of companies and the way in which they are used. The element of novelty of the research relates to the identification of a number of factors that influence the acquisition of consultancy services in family businesses (company characteristics and decision maker's features) and to their linkage to a number of characteristics of consultancy services. The theoretical model is applied on family businesses from Romania, an emerging market in Europe. Findings illustrate the existence of strong, weak and no existence at all of relationships between factors and consultancy characteristics, depending on the factor. Company related factors do influence the choice for consultancy services, meanwhile decision maker related factors seem to influence the least the analysed characteristics of consultancy in Romanian family businesses.

**Keywords:** family business, consultancy services, Romania, emerging markets.

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## Introduction

This study scrutinizes how the recently created family businesses in Romania are progressing towards the use of consulting. Romania, a South Eastern European country, the 10<sup>th</sup> largest of the European Union, has joined the EU in 2007, after a difficult transition period towards a market economy. After the fall of the 50 year long communist regime, in 1989, the Romanian business environment started its process of reconstruction, a context in which family businesses emerged. Despite the fact that Romania does not have a recent tradition in family businesses, "the oldest ones having no more than 18-19

years of activity” (Hârțescu, 2008, p. 19), family businesses are important for Romania’s current and further socio-economic development. One important reason is their wide presence in the economy. Hârțescu (2008) shows that a number of 439,993 family businesses and freelancers were registered in Romania, between December 1990 – December 2007, which means more than a quarter of the number of company registrations at the national level and over half of the number of SMEs that operate in the Romanian market. Moreover, the members of family businesses represented 19% of the total number of the employed population (*idem*). Secondly, according to mainstream economic wisdom, family businesses and, generally, the small and medium sized enterprises (SMEs) sector, can make real contributions to the increase of employment and GDP. A survey carried out by PricewaterhouseCoopers (2013) on family businesses in Romania, illustrates that 71% of the surveyed family businesses registered growth in 2012, showing positive economic expectations towards the near future. Thirdly, the development of family businesses in Romania is key for the promotion of the regional and local economy in a country where mono-industrial cities (traditional in the communist period), became victims of the transition process. Moreover, there are large disparities in terms of economic wealth between Romania’s own regions, and also between these regions and the wider European ones. SMEs and family businesses can contribute to the reduction of these local and regional disparities. Fourthly, in emerging countries such as Romania, family businesses are usually considered to play an even more important role than in developed countries. This role refers to their contribution to the creation of social capital, generally deficient in emerging markets. In this sense, it is considered that the social and economic ties of family businesses with clients, providers and institutions have the potential to act as substitutes for “institutional voids”, generating social capital and trust (Miller et al., 2009). This generates competitive advantages not only at microeconomic level, but also at macroeconomic and social level.

Despite their valuable contributions to the social and economic development, family businesses as a research subject are an almost entirely missing topic in the Romanian academic literature. In this paper, we aim to focus on family businesses in Romania and, more specifically, to understand the factors that influence the use of consultancy services by Romanian family businesses. Our rationale starts from the premise that the use of external advice is usually associated with the firm’s success (Robson and Bennett, 2000). We aim to understand how consultancy services might help Romanian family businesses to grow and to highlight some of the factors that influence the use of such services, including policy implications. As this paper tries to provide more insight into the relationship between the consultancy sector and the family business sector, the results of our research are relevant for theory development, policymakers and practitioners – both entrepreneurs and consultancy companies.

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**Family businesses and consultancy services**

Family businesses, described as the “dominant form of organization in the world” (Miller et al., 2009), as social systems, strategic entities, pools of philanthropically capital and primary sources of finance and entrepreneurial entities (Kellermanns et al., 2008), have (re)captured the interest of business and management research in the last 30 years, giving birth to a fast growing “niche” research market. At European level, theoreticians and policymakers have analysed and formalized instruments to support the success of the family businesses, one of those instruments being the supply of professional consultancy services, considered to be an important factor that could explain part of the success of a family business. The increasing complexity of the business environment, the insecure economic environment and enlarged competition have boosted the demand for consultancy services, both for small and large companies. In fact, business consulting is “the single most strategic information-based business service activity” (Bryson et al., 1993, p. 119). As mentioned in the introduction, there are only a couple of studies on Romanian family businesses, namely the PriceWaterhouseCoopers (2013) survey for Romania and Hârtescu’s (2008) study.

Currently, the academic consultancy literature focuses on two streams of research: a) the effectiveness of consultancy and b) the distinctive features of providing those services in small businesses (Christensen, 2006).

Regarding the first research direction, the results of the studies are mixed. One reason for this division in the literature consists probably of the difficulties encountered in the methodological approaches, such as correctly establishing the causality between external advice and economic performance or growth (Robson and Bennett, 2000). Other problems are also related to the nature of measurement of the growth process, for which many different options are at hand. Kent (1994) concluded that financial performance is related to the use of consultancy, using profit and sales as indicators. Dollinger (1985) shows that in general, the interaction of the entrepreneur with the external environment, including bankers, lawyers and accountants – as external advisors - is positively correlated with financial performance. Watson (2003) analyses the potential impact on survival (failure) rates of accessing advice, using a large database of the Australian Federal Government. His results showed that “external accountants and from others in the industry has the greatest explanatory power (together with the age of the business) in predicting SME survival” (p. 8). On the other hand, there are studies in which consultancy could not be linked directly to the performance of the firm (Storey, 1994). The main reason for this is that it is problematic to establish a direct causal relation between consultancy and the firm’s success, mainly due to the difficulty in establishing proper control samples, to the response bias or to self-selection (Curran, 2000). Robson and Bennett (2000) studied the relationship between the growth of SMEs and external advice on a large sample of British SMEs. In their case, the relationship has proven statistically significant only for a limited number of consultancy fields, such as business strategy and staff recruitment, but there

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was no significant relation with government provided assistance. The authors concluded that the impact of consultancy on customers and on their re-use intentions, are related to the characteristics of a firm, especially its size, cost of services, and only marginally influenced by the geographical distance between the consultant and the company.

Regarding the second research direction there is some consensus between researchers on the peculiarities of providing consultancy services in small businesses. The most common of those peculiarities are the lower frequency of using consultancy in small businesses (Christensen, 2006) and the low level of professionalization in this type of business, which is not able to respond to the different ideological tensions between managerialism, entrepreneurialism and paternalism (Koiranen, 2003). The use of consultancy services by small firms is considered to be paradoxical because although those companies are in most need for management consulting, most studies underline that small companies are unprofessionally managed (Stevenson and Sahlman, 1988), they hardly use those services. Still, consultancy is of strategic importance for the survival and growth of family businesses as it can improve the situation of two common factors for business failure for this type of firms: the lack of appropriate management skills and the inadequate capital (Watson, 2003). Also, other important reasons for the failure of the small firms are the lack of planning and the lack of market knowledge or managerial skills. In this respect consultancy services can be of help, too. If we accept the utility of consultancy services, one important question is which are the factors that influence and could increase the use of consultancy services by small and family firms?

Unfortunately, in many countries, research in the field has not developed enough to create a dedicated scientific knowledge base. There is a generalized gap of attention and knowledge of the peculiarities of consultancy services for family businesses. Issues such as how family businesses choose their consultants, which are the predictors of small business choice of consultancy, how effective and how specialized consultancy services for family businesses are and the specific problems that consultancy deals with in family businesses are aspects that still need to be addressed. In spite of the fact that the literature on management and business consulting is overwhelming, the one specialized on family businesses consultancy is almost absent, studies being more focused on consultancy of small and medium sized businesses (SMEs). Moreover, the literature on consultancy conducted in family businesses focuses rather on the consultants offering the service (Upton et al., 1993) and on how consultancy services for family businesses should be (Koh et al., 2009; Koiranen, 2003).

In this context of focus rather on the consultants than on the actual use of consultancy in family businesses, the present research analyses how the consultancy services used in family businesses are influenced by various factors thus bringing a plus of information about how a number of demographical characteristics of the family businesses and of the individual decision makers can influence the use of consultancy services in business. Given this scarcity of studies on the influencing factors for the use of the

advisory and consultancy services by family businesses in general, as well as the lack of studies on family businesses and consultancy in Romania, the research questions that we address in this paper are: “Which are the factors that influence the use of consultancy services by family businesses? and “How do those influencing factors affect the use of consultancy services?”

**Consultancy in emerging markets: The case of Romania**

Consultancy is an established sector in developed markets (such as the American or some Western European markets) independently of the type of company. In the emerging markets, small and family businesses generally manifest a low awareness of the need of consultancy services and at the same time there is a lack of availability of specialized and professional services designated to them. Some of the main differences between developed and emerging countries as far as the consultancy services market is concerned are summarized in Table 1.

**Table 1.** *Business consultancy services in emerging versus developed economies*

Dimension	Emerging countries	Developed countries
Appearance in time	- late, discontinuous - after the 90s in Central and Eastern Europe	- early, continuous - 1900s -1960s – US consultancies start their internationalization.
Availability of resources for consultancy	- scarcity of highly-skilled employees for consultancy, due to lack of a standardized qualification. - insufficient institutional and social infrastructure for business development, including in some cases the lack of statistical data.	- high specialization of management educational programs and therefore, availability of qualified work force. - availability of diverse institutional infrastructure, such as professional associations, business organizations, consumers' groups and initiatives, statistical data, etc.
Competition in consultancy	- dependent on the overall macroeconomic context: growing competition is expected in countries with a high economic growth (South Korea, Brazil, China, Singapore and Malaysia) while in countries in which the public sector is a significant consumer of consultancy (Jianzhong, 2009), the demand for consultancy may slow down during crises, due to reduced public finance assigned to consultancy activities.	- usually high competition between private consultancy firms. - the EU, Germany, the United Kingdom, Spain and France are large markets for consultancy. - diversified supply covering large areas of consultancy services, provided by multinationals and also domestic companies.
Areas of consultancy	- accounting, banking, business strategy - dependent on the particular needs of the country - China: accreditation, training and legal services (Jianzhong, 2009) - Romania: agriculture, production, finance, marketing, European funds, etc.	- all areas, such as training, accounting and audit, business strategy, human resources, IT, strategic planning, mergers & acquisitions, sales, marketing, communication, finance, technical.
Providers of consultancy	- international and domestic professional companies	- international and domestic professional companies and associations. - higher education institutions (Matlay and Addis, 2003).

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In Central and Eastern European countries, consultancy services have developed later than in developed countries actually starting with the 90s. In some countries (ex. Romania, Bulgaria) that development happened after a 50-year hiatus of communist regime and planned economy, when consultancy emerged only in some limited occasions (Gross et al., 2004). Business consultancy services were characterized for many years by a low availability of human and knowledge resources, with a low generalized professionalization. Also, the development of consultancy services was influenced by the scarce institutional and social infrastructure for business development (including the lack of statistical data) and by specific country needs. Multinational companies have dominated emerging markets, contributing to the dissemination of the orthodox managerial approach in business and in some occasions neglecting the need for cultural adaption to local conditions (Pio, 2007).

In the case of Romania, a series of factors explain the further development of the consultancy market. One of those factors is related to the low barriers to entry on the consultancy market, including scarce legislation and low initial investment capital required. In the last 15 years, there was an explosion of small consultancy firms, which was also a sign of a growing entrepreneurial class, but also a response to the transformations of the post-communist Romanian society. One of those transformations had to do with large scale privatization processes which needed professional expertise in the legal, financial and business areas. Another factor supporting the increase of the consultancy market is the growing number of business and economics graduates, generated by the growing student enrolments in this area (223,961 students in business and economics in 2009/2010, as compared to 20,003 students in 1990/1991), according to data of the Romanian National Institute of Statistics (2010). An "army" of white collars, specialists in business, management and economics had to be integrated in the labour market, and the consultancy sector has proven, like in other countries, an attractive one. Romania's integration in the European Union in 2007 was a major political event that triggered not only the need for better performing private companies, but also the need for a partial harmonization of business practices, standards and rules of Romanian companies with the European ones. The consultancy market evolved in the transition period as a response to the factors mentioned previously, being patronized by a series of distinctive features, which were well underlined by Mihai (2009). Among those, there is a certain lack of a culture for outsourcing in SMEs that could be a consequence of a high need to control business processes, combined with a significant level of personal distrust. Another peculiarity is the habit of substituting consultancy with formal and informal structures such as friends, colleagues, family and business partners, in an even more visible way than in other countries. The "Romanian pattern of consultancy" could be completed with a certain lack of effective professional standards for business consultants which is partially explained by the existence of still developing business and professional elites.

Unfortunately, statistical data about consultancy for family businesses is limited in Romania, as in other countries as well. One study belongs to the Romanian Agency for the Implementation of Projects and Programmes for SMEs (ANIMMC). The institution carried out a study with SMEs in 2004, which revealed that only 6.6% Romanian SMEs use consultancy services on a regular basis, 15.6% just sporadically and 77.1% have never used consultancy. According to the same study, the demand for consultancy services for SMEs focuses on operational issues, such as finance, marketing, production and design (ANIMMC, 2004). Evidence about the use of consultancy services in SMEs, a group that largely include family businesses, is also collected on a yearly basis by the National Council for Private Small and Medium Sized Enterprises from Romania, the SMEs employers' organization in Romania. Table 2 presents the evolution of the use of consultancy services by Romanian SMEs in the period 2005-2011, illustrating variations related to political events (EU integration) and economic evolutions (the crisis).

**Table 2.** *Evolution of the use of consultancy services by SMEs in Romania(%)*

The use of consultancy services	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
YES	18.84	19.41	13.07	13.73	24.35	11.29	9.46	7.55
NO	81.26	80.59	86.93	86.27	75.65	88.71	90.54	92.45
TOTAL	100	100	100	100	100	100	100	100

**Source:** CNIPMMR, White Charter of SMEs in Romania, Editions 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012.

\*Surveys are conducted annually on a representative sample of 1200-1700 Romanian SMEs.

### **Conceptual framework and hypotheses discussion: Factors influencing consultancy services usage**

We build our conceptual framework on the contributions of both the family business literature and the consultancy literature for SMEs. We depart from the owner-managed firm model and develop our hypotheses drawing on the peculiarities of family businesses. We construct our model based on the premise that choosing to acquire consultancy services is a matter of resource allocation and of managerial decision, aspects that are usually explained in economics by the utility function and market conditions. In this paper we add more specific factors to those determinants. The family business literature has generated a detailed analysis of the peculiarities of the family business owner, the system of managerial relations and the dilemmas of the decision making process. This process is influenced by a strong emotional component, the generalized lack of business training and the common unawareness of the importance of planning. Business decisions are influenced also by other attributes of family business, like trust, commitment, loyalty and care, which are considered to enhance efficiency (Lee, 2006).

The personal attributes of the owner and, usually, manager of a family firm are also likely to influence the choice of acquiring consultancy services. It is agreed that, generally, owners of small businesses are often reluctant to receive

outside help. The reasons lie in the psychology of the small business owner, who wishes to remain independent and has a strong personal autonomy (Zinger et al., 1996). Tucker (2011) shows that the first difficulty for family businesses to acquire external advice is to accept that the firm might experience difficulties. He illustrates that this is not an easy task, by “saying that your family business is in trouble is like admitting that you have problems in your family” (p. 71). On the other hand, Audet and St-Jean (2007) show on a sample of 77 SMEs in Quebec, that it is mistrust to the governmental apparatus, more than any other factor which makes owners and/or managers be reluctant to consultancy. Other characteristics of family and small businesses that partially explain the generalized low frequency of use of consultancy services is that usually those businesses are not used to consider themselves clients (Christensen, 2006). They do not have customer awareness that would allow them to analyse their needs and look for their satisfaction on the service market. Also, another specific pattern of behaviour of family businesses is the common use of informal advice from family members, friends or the advice of regular business partners, such as suppliers, customers, banks or accountants. Smallbone et al. (1993) describe it as the preference of smaller companies to rely more on personal networks, than on formalized services. This informal advice is likely to substitute the use of external formalized consultancy and it is known under the name of the “substitution effect”.

Figure 1 presents the conceptual framework used to verify the correlations between the use of consultancy services by family businesses and influencing factors. We have identified three categories of potential influencing factors for the use of consultancy services by family businesses:

Environmental factors, such as the economic, legal and the political ones. Economic regulations, together with legal aspects and political forces shape the business environment. Economic factors such as the overall evolution of the economy generally influence the evolution of the consultancy market. The decreasing trends of the economy after the crisis started in 2007/2008, are reflected in decreasing demand in the general consultancy market. For family businesses the decrease in the use of consultancy services can be even higher, given the lower economic power of those companies. Similarly, legislation of different types can influence consultancy in family businesses, first of all through specific legislation related to the company type and then through general company and fiscal legislation. The smaller the organization, like family business usually is, the likelier it is to be affected by environmental changes. Also, the higher the dynamism and the complexity of the firm environment, the greater the frequency of advice seeking (Dyer and Ross, 2008). The ability to grow of small business, including family companies, is mainly jeopardized by the external businesses environment (Hashi and Besnik, 2011), especially the institutional framework, with its legal and judiciary system and the degree of corruption. The process of transition has confirmed that institutions play a fundamental role in an emerging market system, enabling entrepreneurship by reducing transaction costs, risks and uncertainty. This has re-confirmed the

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importance of the institutional approach in explaining the success of businesses and their inclination towards improving this success by the use of consultancy firms. The importance of environmental factors (economic policies, business infrastructure, political uncertainty, degree of corruption, or the economic crisis) as predictors for consultancy acquisition is well established in the surveyed literature. However, from an empirical point of view, the present study does not focus on the environmental influencing factors as such, but rather on the influencing factors directly related to the company and its decision makers.

Company related factors, such as the size of the company (measured by number of employees and the turnover of the company) and the field of activity.

The size of the company can be measured in many ways out of which we selected the number of employees and the turnover. The size of the company is seen as one determinant factor in the choice of external business advice, although there are also studies that have rejected this relation. North et al. (2001) established that external support was more frequent in companies with 10 to 49 employees than in smaller companies, with less than 10 employees. Smallbone et al. (1993) show that the use and diversity of external consultancies grow according to the size of the company, the main reason being that smaller companies have less complex activities, less resources and face an unsatisfactory supply of business consultancy services. Manas (1992) and later Robson and Bennett (2010) confirm this, all showing that the acquisition of external support services decreases with the decreasing size of an enterprise. On the contrary, other studies find no statistical influence of the size of the firm on the use of consultancy services (Audet and St-Jean, 2007).

Our hypothesis for the family businesses in Romania is that there is a positive influence of the size of the company on the use of consultancy services. Therefore, we formulate H1 - the larger the family business, the higher the use of consultancy services, with the following sub-hypotheses: H1a: The higher the number of employees in a family business, the higher the frequency of use of consultancy services; H1b: The higher the number of employees in a family business, the higher the number of consultancy contracts; H1c: The higher the number of employees in a family business, the higher the amounts of money invested in consultancy services and H1d: The higher the number of employees in a family business, the longer the length of the consultancy services.

Turnover is another measure for the size of the company and it is also an influencer for the use of consultancy services. Sheikh (2002) illustrates that the company avoidance of consultancy decreases with the turnover: the greater the turnover, the higher the interest in consultancy services. As far as the relationship between the turnover and the use of consultancy services is concerned there is the dilemma: Which determines which? Does the company have higher turnover due to the use of consultancy services or does the company use consultancy because it has a high turnover and it can afford it? Which one comes first? In our opinion, the influence between the two variables is mutual, and we express this in hypothesis H2 and H3.

H2 states that the higher the economic performance of family businesses, the higher the use of consultancy services. It is built based on the following sub-hypotheses: H2a: The higher the turnover of a family business, the higher the frequency of use of consultancy services; H2b: The higher the turnover of a family business, the higher the number of consultancy contracts; H2c: The higher the turnover of a family business, the higher the amounts of money invested in consultancy services and H2d: The higher the turnover of a family business, the longer the length of the consultancy services.

Hypothesis 3 is based on the idea that family businesses that use consultancy services are better off than the ones that do not. Thus, we formulate H3: Family businesses that use consultancy services obtain better economic results than family businesses that do not use consultancy services.

Almost all the studies on family business converge towards the idea that the sector of activity and the field of activity of a business influence the rate of using external business advice. Sheikh (2002) shows, for example, that among those sectors with more than an average share of enterprises making use of support services are the business services, banking, repair services and the tourism sector. Comparably low participation rates were found in this study among enterprises in transport and communication, wholesale and retail, as well as in manufacturing and construction. North et al. (2001) find that external assistance is more commonly used in technology based sectors, because companies need more to count on specialized skills and technical expertise available outside of the firm. Johnson et al. (2007) and Robson and Bennett (2010) confirm those findings, showing that technological sophistication requires more external assistance, in terms of post-sale services (training courses or technical support). Based on this, we formulate our hypothesis (H4), expecting consultancy services used in family businesses to differ with the fields of activity of the businesses surveyed.

Decision maker related factors, such as age, level of education and gender. Similar with the previous determinant factors, the results of previous studies are mixed in what concerns the relation between the owner's age, education or gender and the acquisition of consultancy services.

Robson and Bennett (2010) conclude, based on more than 2,500 UK respondents' opinion survey, that age has a relatively small influence on external advice support acquisition. Based on a sample of 77 SMEs in Quebec, Audet and St-Jean (2007) establish that a 10% relative increase in the manager's experience (related to age) decreases their probability to use consultancy services by 2.82%. On a broader scale, the acquisition of consultancy is considered a function of the maturity not only of the owner, but of the entire company (Dyer and Ross, 2008), which supports the hypothesis that start-up-us are less likely than mature firms to rely on consultancy. We forward the supposition that younger owners are generally market oriented, more flexible and open to external advice. Based on this, we build and test hypothesis H5: the younger the decision maker, the higher the level of use of consultancy.

The literature converges toward the idea that the higher the level of education of the owner of a small business, the more likely it is for that company to benefit from consultancy services. Boedeker et al. (1995) found that the younger and the more educated is the entrepreneur, the more probable is his use of consultancy. Sheikh (2002) shows that the entrepreneurs with a secondary or university education use support services more often than entrepreneurs with an elementary education. Robson and Bennett (2000, 2010) confirm that the use of external consultants is encouraged by the enterprise's competency, showing that the greater the skills of a firm, the more open to consultancy are the owners and the managers. Watson (2003, p. 2) explains those trends by the fact that educated business owners understand better the benefits of "compensating for their own inadequate knowledge or skills" by using external advice. On the contrary, less educated managers are not aware of the complexity and difficulty of the problems that the organization might have and of the need for specialized assistance and knowledge. Based on those findings in the literature, we have formulated H6: The lower the level of education of decision makers, the lower the level of use of consultancy.

Among other factors related to the decision makers is gender. We identified one study that took into consideration the variations in the acquisition of consultancy services based on business owners' gender. Sheikh (2002) is the one who concluded that female entrepreneurs are generally more willing to make use of support services than their male counterparts. Given also the lack of documented support in literature, our hypothesis H7 is that: Gender does not have an influence on the use of consultancy services.

### **Research methodology**

The primary data was collected in a survey that was organized in March-April 2012 in Romania, with 720 SMEs, a representative stratified sample on geographical regions, fields of activity and sizes of the companies. In each company a face-to-face interview took place with an entrepreneur/owner or a manager. Of the total of 720 companies included in the sample, 337 were family businesses, defined as the organizations in which the owners are members of a family and they participate in the decision making processes of the company. Of those, only 130 companies used consultancy in the last three years and they represent our sample of analysis.

The two main categories of factors considered for the primary data collection, were company characteristics and decision makers' features, while the use of consultancy services was characterized by the following features: the frequency of use, the annual number of contracts, the amounts invested in consultancy and the length of the consultancy contracts. The following factors were used for company characteristics: the size of the company (in terms of number of employees), its economic performance (turnover) and the field of activity. Related to the decision makers' features we have focused on their age, their level of education and their gender. The structure of the respondents' characteristics from the family businesses that use consultancy is presented in Table 3.

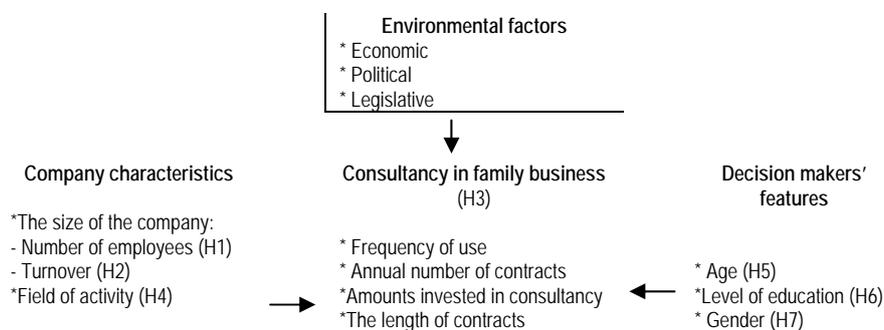
**Table 3.** Characteristics of respondents in the sample

	Number	Frequency
<b>Gender</b>		
Male	57	43.8%
Female	73	56.2%
TOTAL	130	100%
<b>Age</b>		
Under 25	4	3.1%
25-35	34	26.2%
36-45	51	39.2%
46-65	40	30.8%
Over 65	1	0.8%
TOTAL	130	100%
<b>Level of education</b>		
Gymnasium, up to 8 <sup>th</sup> grade	0	0.0%
Professional school, apprenticeship	3	2.3%
High school	25	19.2%
Post-high school	9	6.9%
University studies	77	59.2%
Postgraduate studies	15	11.5%
NR	1	0.8%
TOTAL	130	100%
<b>Position in the company</b>		
Manager - employee	48	36.9%
Owner/entrepreneur/manager	82	63.1%
TOTAL	130	100%

**Results and discussion**

The empirical research started from the assumption that there are a number of factors that can influence the decision of family businesses to use consultancy services and the influences of those factors will affect differently the characteristics of the consultancy services acquired. The company related factors and the decision maker related factors were the ones that have been tested in relation to with a number of characteristics of the consultancy services in family businesses, such as the frequency of using consultancy services, the number of contracts, the amounts of money invested in consultancy and the length of consultancy services. The factors that influence consultancy characteristics in family businesses and the hypotheses we have tested in the article are presented in Figure 1:

**Figure 1.** Factors influencing consultancy characteristics in family businesses and hypotheses



As we mentioned in the methodology section, only 130 companies of the total of 337 family businesses used consultancy in the last three years prior to the survey. Therefore, it may be interesting to look at the structure of the family businesses that used consultancy from the point of view of number of employees, field of activity and turnover, presented in Table 4.

**Table 4.** Structure of family businesses using consultancy by field of activity, size and turnover

Field of activity	Family businesses using consultancy		SMEs in the sample		% of companies using consultancy of total sample
	Number	Frequency	Number	Frequency	
Industry	15	11.5%	47	6.5%	31%
Trade	52	40.0%	391	54.3%	13%
Services	51	39.2%	239	33.2%	21%
Agriculture	0	0%	7	1.0%	0%
Tourism	4	3.1%	6	0.8%	66%
IT&C	4	3.1%	9	1.3%	44%
Building/construction	4	3.1%	21	2.9%	19%
TOTAL	130	100%	720	100%	18%
<b>Size of the company</b>					
0-9 employees	74	56.9%	555	77.1%	13%
10-50 employees	30	23.1%	110	15.3%	27%
51-250 employees	26	17.7%	55	6.3%	47%
TOTAL	130	100%	720	100%	18%
<b>Monthly average turnover – RON/EURO</b>					
No turnover – zero RON/EURO*	3	2.3%	32	4.4%	9.3%
1-500 RON/1-115 EUR	5	3.8%	59	8.2%	8.4%
501-1,000 RON/115 – 230 EUR	11	8.5%	108	15%	10.18%
1,001 – 5,000 RON/230 – 1,150 EUR	17	13.1%	122	16.9%	13.93%
5,001-10,000 RON/1,150 – 2,300 EUR	16	12.3%	79	11%	20.25%
10,001-20,000 RON/2,300 – 4,600 EUR	12	9.2%	53	7.4%	22.64%
Over 20,000 RON/Over 4,600 EUR	44	33.8%	99	13.8%	44.44%
NR	22	16.9%	168	23.3%	13.09%
TOTAL	130	100%	720	100%	18%

**Note:** Exchange rate: 1 Euro = 4.33 lei, average exchange rate in the period October 2011-February 2012 ([www.bnr.ro](http://www.bnr.ro)).

More than 50% of the family businesses using consultancy are micro-enterprises with 0-9 employees, but the average number of employees of the companies that use consultancy is 37.2 employees per company more than double the average number of employees in the companies that do not use consultancy which is 14.1 employees per company. This can be an argument in favour of the idea that larger family businesses are likely to use consultancy services more than smaller family businesses.

Most of the businesses using consultancy (79.2%) were in the fields of trade and services, corresponding to the large proportion of those two sectors in the

total sample (85%) that further on corresponds to the general distribution of businesses by fields of activity. The distribution by fields of activity of the companies that use consultancy services out of the total sample, illustrates that tourism (66%), ITC (44%) and other types of services (21%) are the domains in which companies use consultancy at a higher extent than in other domains.

In terms of the average monthly turnover obtained during the last 6 months (October 2011 – February 2012), one third of the family businesses obtained turnovers higher than 20,000 RON (4,600 Euro), while another third obtained monthly average turnovers between 1,000 – 20,000 RON (230 – 4,600 Euro), as presented in Table 4.

Hypothesis H4 (Consultancy services used by family businesses differ with the fields of activity of the businesses), was validated as the family businesses in our sample operating in different fields of activity used consultancy services at different extents. Family businesses operating in industry and construction used consultancy to a larger extent than others, as those companies had the highest frequency of use of consultancy services and a large average number of consultancy contracts for the period 2009-2011 (11-12 contracts/company, as compared to the sample average of 7.5 contracts/company) and the largest average length of the consultancy contracts (between 6 months and a year, as compared to the average of the sample that was of around 3-4 months). The characteristics of consultancy services by fields of activity of family businesses are presented in Table 5:

**Table 5.** *Characteristics of consultancy services by fields of activity of family businesses*

Fields of activity	Number of consultancy contracts	Frequency of use of consultancy 2009-2011 <sup>1</sup>	Average number of contracts/company <sup>2</sup>	Amounts of money invested in consultancy lei <sup>3</sup>	Amounts of money invested in consultancy Euro <sup>4</sup>	Length of contracts <sup>5</sup>
Industry	15	4.333	11.6	49.385	11.647,4	36.286
Trade	52	2.298	6.5	7.571	1.785,6	11.389
Services	51	2.039	7.6	14.654	3.456,13	11.381
Tourism	4	1.250	2.3	6.000	1.415	20.125
IT&C	4	4.125	5.7	18.750	4.422,16	30.250
Building/construction	4	2.125	12.0	40.500	9.551,88	11.250
TOTAL	130	2.450	7.5	17.454	4.116,50	15.442

1 = Almost never (0), Very rare (1), Rare (1,5), Medium (3), Often (6), Very often (12).

2 = Average number of contracts/company for 3 years (2009-2011).

3 = Average amounts of money invested in consultancy/company for the period 2009-2011.

4 = Average exchange rate for 2009-2011: 1 Euro = 4.24 lei (www.bnr.ro).

5 = 0 -7 days (1), 7-14 days (2), 14-30 days (4), 30-90 days (12), 3-6months (28), 6 months-1 year (40), over 1 year (60).

A comparison of the family businesses that use consultancy services with the ones that do not use consultancy reveals that the two groups differ from the perspective of the monthly income. Using the chi-square test on the two groups on monthly income categories, the chi-square value is 54.5 that allows us to state with a 99% probability that the two distributions differ significantly

(for  $df = 6$  degrees of freedom and  $\alpha = 0,001$  and  $hi-tab = 22.5$ ). At the same time, the calculation of the total average monthly incomes for the two groups (using as equivalence scores the middle of the intervals), illustrates differences, as for the consultancy using businesses, the total group average monthly income was 19,556 RON (4,516 EUR), while for the non-using consultancy businesses, the total group average income was of 8,190 RON (1,891 EUR), less than half of the first value. The comparison of the two groups through bi-serial correlation indicates the existence of a weak, but significant, correlation between them ( $R_{bis}=0.259$  with  $df = 550$  and  $t = 6.23$ ). Based on the above data we can conclude that family businesses that use consultancy services are better off from the perspective of economic results, obtaining higher turnovers than the ones that do not use consultancy services and thus H3 is verified.

Next, in Table 6, we will look at the characteristics of consultancy services in family businesses from the perspectives of the frequency of use, the number of consultancy contracts, the amount of money invested in consultancy, and the length of consultancy contracts.

**Table 6.** *The frequency of use and the number of consultancy contracts in the last 3 years*

Recurrence of using consultancy services	Number of family businesses	Frequency
Almost never	44	33.8%
Very rare, once at three years	20	15.4%
Rare, once at two years	17	13.1%
Medium, once a year	29	22.3%
Often, twice a year	9	6.9%
Very often, 3-4 times a year	11	8.5%
TOTAL	130	100%
Types of consultancy contracts used in the period 2009-2011	Number of contracts	Percentage of family businesses using them
Legal	58	77.3%
Economic/financial	47	62.7%
Management	30	40.0%
Marketing	36	48.0%
Technical	32	42.7%
Other	16	21.3%
TOTAL number	229	-
The length of consultancy contracts	Number of family businesses	Frequency
0-7 days	41	32%
7-14 days	13	10%
14-30 days	22	17%
30-90 days	15	11%
3-6 months	8	6%
6 months- 1 year	19	15%
Over 1 year	12	9%

Around one third of the family businesses that stated that they used at least once consultancy services, restated that they used them so rarely that the use can be assimilated with almost never. Only 15.5% of the family businesses that used consultancy services admitted that they used them often and very often, while other 30% stated that they used them rarely and 22% that they used

them with medium frequency, meaning once a year. It can be concluded that around 40% of the family businesses that declared they used consultancy services did it with a certain regularity (once or more often a year), even though a calculated average for the whole sample, results in an overall frequency of use near a medium level of once a year.

As far as the number of consultancy contracts is concerned, only 74 of the 130 companies indicated the number of consultancy contracts they had in the last three years, the rest of 56 being non-responses. The total number of consultancy contracts by fields of activity is presented in Table 6. In total 229 consultancy contracts for various domains were declared in the last three years (2009-2011) that resulted in an average of 76 consultancy contracts per year for all the 74 family businesses, which further resulted in one consultancy contract on average per year per company. This corresponds with the results regarding the frequency of use of consultancy services by family businesses. The largest number of consultancy contracts was related to legal issues and to economic and financial issues which was relatively expected given the high turbulence of the Romanian political and economic life.

The majority of the companies invested small amounts of money in consultancy as between 40-50% of them did not invest more than 2,300 Euro/year in consultancy services. The calculated average amount of money invested in consultancy/company was similar in the three years, being on average around 3,000 EURO/family business, while the total average/family business for the whole three years period of 2009-2011 was 8,267 EURO.

The analysis of the length of the consultancy contracts reveals that half of the family businesses used short term consultancy services of up to 30 days/contract, while 30% used even shorter consultancy services of up to 7 days/contract. However, 24% of the companies used medium and long term contracts of six months and over a year.

The application of the ANOVA test (see Table 7) for the distribution of family businesses according to the number of employees illustrates that the number of employees does not influence in a significant way either the frequency of acquiring consultancy contracts, or the total number of consultancy contracts by most domains of consultancy studied. However, the grouping of family businesses by number of employees does influence in a significant way the number of consultancy services in management, the amounts invested in consultancy services and the length of consultancy contracts. The study of the influence of grouping by monthly turnover over different aspects of consultancy revealed significant influences on the number of consultancy services in the management domain and on the amounts of money invested in consultancy.

**Table 7.** ANOVA test for the size of the company (employees, turnover)

Dependent variables	Test ANOVA							
	Number of employees				Turnover			
	F	k-1	n-k	Ftab	F	k-1	n-k	Ftab
Frequency of use of consultancy contracts	2.745	2	124	3.08	0.013	4	103	2.46
Legal	1.753	2	40	3.25	1.972	4	36	2.63
Economic	0.270	2	32	3.30	0.283	4	30	2.69

Dependent variables	Test ANOVA							
	Number of employees				Turnover			
	F	k-1	n-k	F <sub>tab</sub>	F	k-1	n-k	F <sub>tab</sub>
Management	0.501	2	18	3.55	5.787	4	17	2.96
Marketing	1.226	2	27	3.35	0.399	4	25	2.76
Technical	0.609	2	21	3.47	1.080	4	21	2.84
Number of consultancy contracts total	2.612	2	71	3.13	0.698	4	61	2.52
The amounts invested in consultancy services	26.393	2	94	3.09	3.448	4	89	2.47
The length of consultancy contracts	7.774	2	110	3.09	1.534	4	103	2.46

\* For  $F > F_{tab}$ , there are differences in the groups compared (according to number of employees and turnover).

Furthermore, after applying the Pearson correlation over the same set of data, significant correlations could be observed between the number of employees of the family businesses and their turnover on the one hand and the amounts invested in consultancy services and the length of consultancy contracts, on the other hand. The dependency is low to moderate in both cases as presented in Table 8. The strongest correlation in this case was between the number of employees of the family business and the amounts of money invested in consultancy services, with a dependency of 25%, meaning that the amounts invested in consultancy services depended in proportion of 25% on the size of the company. The dimension of the firm and the turnover of the firm correlate significantly (at a medium level of the correlation) with the amounts of money invested in consultancy, while the length of contracts and the frequency of using consultancy services indicate a significant but weak correlation.

**Table 8.** Pearson correlation for the size of the company (employees, turnover), age and level of education of decision makers

A. Dependent variables	Pearson Correlation							
	Number of employees				Turnover			
	n	r	r <sup>2</sup>	r <sub>c</sub>	n	r	r <sup>2</sup>	r <sub>c</sub>
Frequency of consultancy	127	0.230	5.3%	0.176	108	0.166	2.8%	0.181
Legal	41	0.339	11.5%	0.308	37	-0.050	0.2%	0.325
Economic	33	-0.047	0.2%	0.347	31	-0.061	0.4%	0.355
Management	20	0.115	1.3%	0.444	18	-0.100	1.0%	0.468
Marketing	28	0.040	0.2%	0.374	26	0.152	2.3%	0.388
Technical	23	-0.052	0.3%	0.413	22	-0.215	4.6%	0.423
Number of consultancy contracts	72	0.130	1.7%	0.232	62	0.020	0.0%	0.250
Amounts invested in consultancy	96	0.499	24.9%	0.200	89	0.362	13.1%	0.170
Length of consultancy contracts	111	0.328	10.7%	0.182	98	0.223	5.0%	0.199
B. Dependent variables	Age of decision makers				Level of education of decision makers			
	n	r	r <sup>2</sup>	r <sub>c</sub>	n	r	r <sup>2</sup>	r <sub>c</sub>
	Frequency of consultancy	129	0.023	0.05%	0.180	130	-0.053	0.28%
Number of consultancy contracts 2009-2011	74	0.068	0.46%	0.230	74	0.166	2.75%	0.230
Amounts invested in consultancy	97	0.286	8.17%	0.200	97	-0.010	0.01%	0.200
Length of consultancy contract	113	0.258	6.67%	0.185	113	-0.076	0.58%	0.185

\* For  $r > r_c$ , there is a significant correlation between variables.

Based on the two tests, we can conclude that hypotheses H1 (The larger the family business, the higher the use of consultancy services) and H2 (The higher the economic performance of family businesses, the higher the use of consultancy services) are both validated, but only partially. This is so mainly for two reasons: a) only some of the sub-hypotheses were validated and others were not and b) even the sub-hypotheses that were validated manifested levels of significance towards the lower end of the scale.

The components of the first two overall hypotheses that were validated are: H1a: The higher the number of employees in a family business, the higher the frequency of use of consultancy services; H1c: The higher the number of employees in a family business, the higher the amounts of money invested in consultancy services; H1d: The higher the number of employees in a family business, the longer the length of the consultancy services; H2c: The higher the turnover of a family business, the higher the amounts of money invested in consultancy services and H2d: The higher the turnover of a family business, the longer the length of the consultancy services.

Our hypotheses H5 (The younger the decision maker, the higher the level of use of consultancy) and H6 (The lower the level of education of decision makers, the lower the level of use of consultancy) did not prove to be statistically validated. According to the Pearson correlation (see Table 8B) there is no significant correlation between the level of education of decision makers and the use of consultancy services in family businesses in our sample. At the same time, a positive correlation was found between the age of decision makers and some aspects of the use of consultancy services. However, the correlation applies only to the amounts of money invested in consultancy and the length of the consultancy services, and it is low. This means that the higher the age of decision makers, the larger the amounts of money invested in consultancy ( $r^2 = 8.17\%$ ) and the larger the length of the contracts ( $r^2 = 6.67\%$ ). This contradicts our hypothesis that supposed that the younger the decision maker, the higher the use of consultancy services.

To identify the influence of gender on the use of consultancy services the t test was used, but no positive relationship was found between variables (see Table 9), indicating that the gender of the decision maker does not influence significantly the use of consultancy services in terms of frequency of use, number of contracts, amounts of money invested and length of contracts.

**Table 9.** *T test for gender of decision makers*

Dependent variables	Test t	Average		Stdev	
	Gender	Males	Females	Males	Females
Frequency of use of consultancy services	0.894	2.75	2.21	3.78	2.92
Number of consultancy contracts: average 2009-2011	0.339	7.23	7.73	8.04	8.56
Amounts invested in consultancy: average 2009-2011 (thousand lei)	0.415	16.386	18.394	24.710	31.390
Length of consultancy contract (weeks)	1.876	19.0	12.6	20.80	17.84

\* $t_{calc} > 1.96$ , the groups (according to gender) differ significantly with a probability of 95%.

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We can conclude, that generally speaking, personal characteristics (such as age, gender and level of education) of the decision makers in family businesses do not influence the use of consultancy services (in terms of frequency of use, number of contracts, amounts invested and length of contracts) in the companies they manage and/or own. The only statistically consistent influence identified was that of age, in the sense that older decision makers use to a larger extent consultancy services (in terms of amount of money invested and length of contracts). In our opinion, this can be interpreted in two ways: a) older decision makers have higher needs to use consultancy services and b) the accumulated experience of older decision makers triggers the larger use of specialists as basis for more documented and professional decision making in family businesses. Gender did not have an influence on the use of consultancy services, validating our hypothesis H7.

### Conclusions

The analysis conducted on the factors that can influence the use of consultancy in family businesses in the Romanian sample, allows us to draw the following conclusions:

*Company related factors*, such as company characteristics influence the use of consultancy in family businesses. Among those factors, the size of the family businesses (in terms of both number of employees and turnover) most influences the amounts invested in consultancy services and the length of the consultancy contracts, illustrating that the larger the company, the higher the use of consultancy. The field of activity of the family businesses is also an influencer, as businesses in fields such as manufacturing, IT&C, and building use consultancy more often, have a higher number of and longer consultancy contracts, as compared to fields of activity such as trade, services, tourism. The more complex and more technical the activity of the family business, the higher the use of external advice.

*Decision maker related factors* seem to influence the least the analysed characteristics of consultancy in family businesses (frequency of use, number of contracts, amounts invested in consultancy and the length of the consultancy businesses). No statistically significant influence of the level of education on the consultancy services was found in family businesses. But some correlations were found between the age of decision makers and two characteristics of the consultancy services: the amounts of money invested in consultancy and the length of consultancy contracts. The older the decision makers are, the larger the amounts of money invested in consultancy and the length of the consultancy contracts.

The present research has analysed how the consultancy services used in family businesses are influenced by various factors thus adding to the information about the effects of demographical characteristics of the family businesses and of the individual decision makers on the use of consultancy services in business. The results of the present study may bring a plus of utility for policy makers and for consultancy suppliers. For policy makers, the present

study illustrates again that family businesses need consultancy as companies that use consultancy are generally better off, but at the same time this study also reaffirms the financial scarcity that family businesses encounter, limiting their possibility to use external advice. Governmental support for consultancy designated to family businesses might be a good policy, in spite of the fact that there was discontent in other countries with the governmental advising services for family businesses and SMEs.

For consultancy service providers, the present study offers indications on which companies (in terms of size and field of activity for instance) are more inclined to use consultancy, helping them to direct their own business towards those categories of clients.

The study has obvious limitations and the authors are well aware of them. One of the limitations is that the study could not approach the issue of the quality of consultancy services used by family businesses and its consequences on the performance associated with it. This limitation, therefore, opens up possibilities for further research.

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