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COMPARATIVE ANALYSIS OF LEGISLATIVE SUPPORT FOR THE ORGANIZATION OF A FAMILY BUSINESS

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Purpose of the article: *The article reflects various methods of legislative support for family business. The author proposed a series of measures for the support of family business in the Republic of Moldova. The purpose of the research is to examine the need for introducing the concept of "family enterprise" into scientific discourse and legislation as a business entity and to define its legal status legislatively.*

Methodology: *The study presents an analysis of various methods of legislative support for family businesses. A comprehensive approach was employed, including an analysis of scientific literature and legislative acts, as well as a comparative analysis of legislative practices in different countries. The research proposes a set of measures to support family entrepreneurship.*

Conclusions: *The analysis of the legislative framework allows for the identification of problems and the improvement of laws to create a favorable environment for the development of family businesses. The study also enables an assessment of the effectiveness of various support mechanisms for family entrepreneurship, such as preferential tax conditions or training and consulting programs.*

Originality: *The study provides successful examples of legislative support in the USA, the United Kingdom, the UAE, and the Republic of Uzbekistan, which serve as models that other countries and regions can learn from and adopt. Conclusions and recommendations are formulated.*

Keywords: *family business, family enterprise, legislative support, comparative analysis, determination of legal status, Republic of Moldova, legislative definition of legal status, international legislation, economic development.*

JEL Classifications: K20, K22, L26, O17

INTRODUCTION

Family business is a unique phenomenon that enables the simultaneous resolution of several important tasks: engaging the younger generation in work, fostering mentorship and succession, and ensuring the financial independence of the family. The importance and prospects of further research in this field. Family businesses play an important role in the economy of many countries, and legislative support for such organizations is of great importance for their successful development. It should be noted that, to date, family business lacks official status in the legislation of most countries worldwide, which poses a significant challenge in accessing state support measures and represents a major obstacle to the development of family entrepreneurship as a distinct institutional unit of the economy. Research in this area allows us to identify best practices and recommendations for creating a favorable environment for family businesses. One of the important tasks of research is to study the laws and regulations related to taxation, inheritance, property and other aspects that may affect the family business.

LITERATURE REVIEW

The study "Comparative Analysis of Legislative Support for Family Business Organization" is the result of an examination of the experience and legislative support for family businesses in various countries, forming a key component of the monograph "Success Factors and Development Perspectives of Family Business" (Stamov, 2025). Within the framework of the study, a comprehensive approach was employed, including an analysis of scientific literature and legislative acts, as well as a comparative analysis of legislative practices across different countries. According to the analytical article by Dorothy

Neufeld, "The Influence of Family-Owned Businesses by Share of GDP" as of December 2023, 90% of enterprises worldwide are managed by family businesses (Fig.1), serving as a key driver of economic growth (Neufeld, 2023).

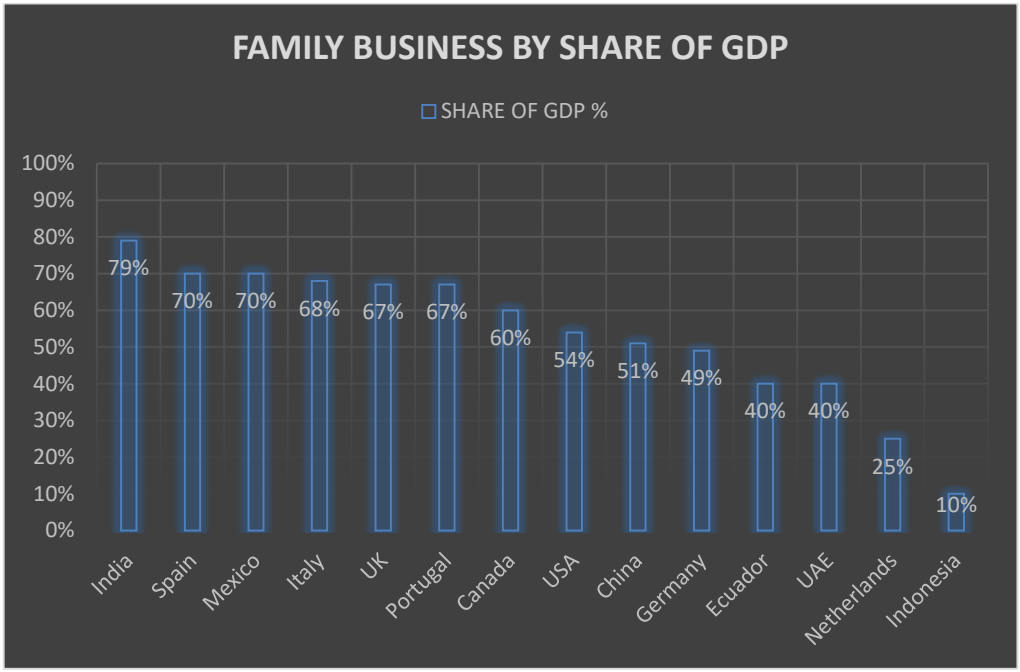


Figure 1. The impact of family business index as a share of gdp.

The 2023 EY and University of St. Gallen Family Business Index indicates that the 500 largest family enterprises are growing faster than the global economy—nearly twice as fast as in developed economies and approximately 1.5 times faster than in emerging and developing markets. Collectively, these enterprises employ 24.5 million people worldwide (Klein, 2023). The following table (Tab.1) presents a list of well-known companies rooted in family businesses. The share of enterprises founded by relatives and passed down through generations among small and medium-sized businesses worldwide is steadily increasing. Many of these enterprises have existed for decades or even centuries. Globally, there are 5,586 family companies with a history spanning over 200 years. The oldest family business in the world is the Hōshi Ryokan hotel (Lee & Koyanagi (n.d.), owned and managed by the same family since 718. This business has been operating for 46 generations.

Table 1. Renowned companies representing family businesses.

COMPANY	COUNTRY	INDUSTRY	SURNAME
WALMART	USA	Retail	WALTON
TATA GROUP	INDIA	Conglomerate	TATA
THE FERRERO GROUP	ITALY	Conglomerate	FERRERO
FORD	USA	Automotive	FORD
DELL TECHNOLOGIES	USA	Computer Hardware	DELL
BMW GROUP	GERMANY	Automotive	QUANDT
TOYOTA GROUP	JAPAN	Automotive	TOYOTA
SAMSUNG GROUP	SOUTH KOREA	Conglomerate	LEE

Source: *EY and University of St. Gallen Global 500 Family Business Index.*

MATERIALS AND METHODS

A family business is often defined as "an enterprise controlled and managed by one family or several relatives, where decision-making impacts the business's trajectory and the family's well-being, with the intention to keep the business within the family" (Levushkin, 2023). The primary economic objective of a family business is the efficient use of available resources, such as labor and capital, to maximize benefits.

In family companies, the approach to employing relatives differs from conventional business practices. While many enterprises view the presence of relatives on staff as a potential threat to productivity and competitiveness, family firms see it as an advantage: they believe that involving family members strengthens family values and ideals within the business and enhances informal oversight of its operations.

The transfer of business management from one generation to the next is a key element of family firms. This ensures a natural process of learning and professional development for the owners' children. In many family companies, future managers - and eventually owners - start their careers in lower-level positions and gradually rise to leadership roles.

The issue of succession in family businesses is fraught with challenges. Often, company founders do not pay sufficient attention to succession planning, automatically passing management to their descendants without always considering their qualifications or suitability for the role. However, it is critical to prepare for the transition of management thoughtfully and in advance, as the chosen successor determines the future of the company, into which so much effort has been invested.

To better understand the concept of a family business, in 1982, American researchers Renato Taguri and John Davis developed the "Three-Circle Model" (Davis, 2018). Each of these circles represents the family, ownership, and business (Fig. 2). The Three-Circle Model was created to describe various situations arising in all family enterprises. This system is based on the company, ownership, and family, with each circle representing a group of individuals with specific characteristics in their relationship with the family business. At the intersections of the circles, individuals can be found who possess traits of two or all three aspects of the family business.

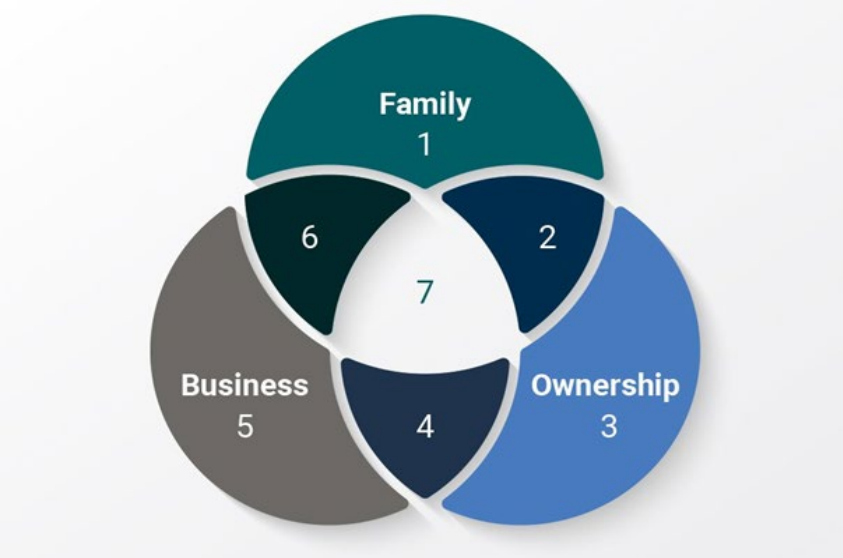


Figure 2. Tagiuri-davis three-circle model.

In the Republic of Moldova, family businesses are primarily micro and small enterprises operating in the service sector, trade, agriculture, and processing industries. According to data from the National Bureau of Statistics of the Republic of Moldova for 2022, the share of small and medium-sized enterprises (SME) in the total number of enterprises in the country's economy is 99.2% (Fig.3), (National Bureau of Statistics

of the Republic of Moldova, 2024). Several studies, conducted using data from the National Bureau of Statistics of the Republic of Moldova, survey results, and interviews with entrepreneurs, focus on the role of family businesses in the economy of the Republic of Moldova and the factors contributing to their success (Akulay & Vinogradova, 2015). The studies conclude that the specific features of family entrepreneurship in the Republic of Moldova not only create barriers but also provide additional opportunities for business development, partially compensating for the lack of resources, particularly financial and human resources.

To date, there are no officially published data in the Republic of Moldova on the proportion of enterprises in the economy that are family-owned in terms of ownership and management structure. However, it is worth noting that in item 50 of the 3P Questionnaire of the 2024 Population and Housing Census in the Republic of Moldova, there is an indication of the respondent's involvement in a family business (National Bureau of Statistics of the Republic of Moldova, 2024).

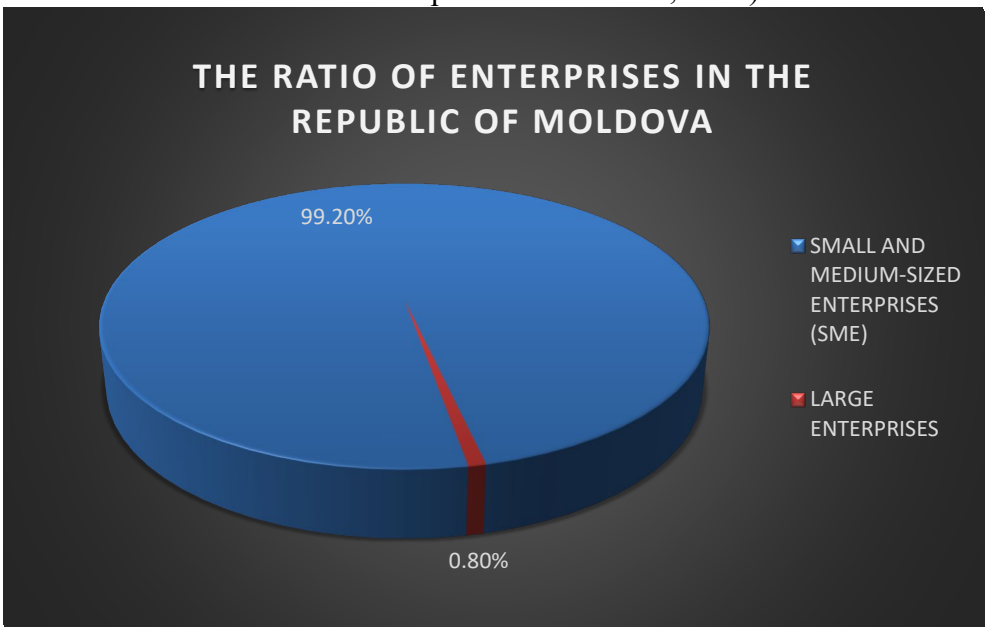


Figure 3. The share of sme in the total number of enterprises in the republic of moldova.

From the above, it follows that family businesses in the Republic of Moldova, as a distinct institutional unit of the economy, do not receive adequate attention.

RESULTS AND DISCUSSIONS

Global practices feature various definitions and concepts of legislative support for family businesses (Tab.2), including the adoption of laws and regulations that create a favorable legal and regulatory environment for family businesses, enabling them to operate seamlessly and develop sustainably.

Below are several examples of legislative support for family businesses:

- **United Kingdom of Great Britain:** The "Entrepreneurs' Relief" policy, which provides tax incentives for small businesses and family enterprises.
- **United States of America:** The "S-Corporation Rules," which allow small and family businesses to avoid double taxation - once as a corporation and again as a shareholder.
- **United Arab Emirates:** In 2022, Federal Decree-Law No. 37/2022 was adopted, regulating family entrepreneurship (Federal Decree Law, 2022). This law aims to support and protect family companies, providing a legal framework for their operation in a global market.

➢ **Republic of Uzbekistan:** In 2012, a law on family entrepreneurship was passed, providing a legal basis for such companies. This law allows operations with or without the formation of a legal entity, simplifying the registration and management process (Law of the Republic of Uzbekistan, 2012).

Table 2. Special laws on family entrepreneurship.

COUNTRY	TITLE & NUMBER OF THE ACT	DATE OF ADOPTION / ENTRY INTO FORCE
LATVIA	*LAW "ON INDIVIDUAL (FAMILY) ENTERPRISES AND FARMS OF FARMERS OR FISHERMEN"*	8 NOV 2007/ 1 JAN 2008
UZBEKISTAN	*LAW NO. ЗРУ-369 "ON FAMILY ENTREPRENEURSHIP"*	16 MAR 2012/ 26 APR 2012
MALTA	*THE FAMILY BUSINESS ACT LOCAL LEGISLATION. ACT XLVIII OF 2016.*	12 AUG 2016/ 1 JAN 2017
UAE	*FEDERAL DECREE-LAW NO. 37 OF 2022 "ON FAMILY BUSINESSES"*	10 OCT 2022/ 10 JAN 2023
ITALY	*ARTICLE 230-BIS OF THE ITALIAN CIVIL CODE*	UPDATED AS OF 10 AUG 2025

Source: *Global Law Experts/www.globallawexperts.com/.*

Based on the analysis of the best global practices, it can be concluded that optimal models of legislative support for family businesses include the following aspects:

a) ***Tax incentives and benefits for family enterprises***, such as reduced tax rates or exemptions from certain taxes depending on the company's size and duration of existence.

b) ***Guarantees of property and inheritance rights for family members*** working in the business to prevent potential conflicts and disputes.

c) ***Financial support for starting or developing family businesses*** through loan programs or grants.

d) ***Training and consulting programs for family members working in the business*** to enhance competencies and improve management skills.

e) ***Development of specific laws and policies to promote the preservation of family businesses across generations***, such as tax incentives for transferring businesses from parents to children.

f) ***Creation of mechanisms to support family enterprises during economic crises or instability***, such as reserving government contracts or providing preferential access to resources.

Overall, legislative support for family enterprises is critical to ensuring their sustainability and growth. Successful examples of legislative support serve as models that other countries and regions can learn from and adopt.

The lack of a legal framework also creates challenges in supporting family enterprises. Addressing the issue of regulatory and legal frameworks will allow for a clear definition of the concept of family business development in the Republic of Moldova.

CONCLUSIONS

To improve legislative support for family entrepreneurship in the Republic of Moldova, the following organizational and legal measures should be implemented:

➢ ***Introduction of the concept of "family enterprise"*** as a distinct organizational and legal form of entrepreneurial activity by amending the Republic of Moldova's Law on Entrepreneurship and Enterprises (Law of the Republic of Moldova, 1992).

- ***Adoption by the parliament of the republic of moldova of a law on family entrepreneurship*** with clear definitions and mechanisms for family entrepreneurship.
- ***Creation of training programs*** for entrepreneurs operating within family businesses to develop managerial and leadership skills, enabling them to identify opportunities for growth and development of their family businesses.

These measures can serve as significant steps toward strengthening state support and development of family entrepreneurship in the Republic of Moldova.

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