COMPARING THE ROLE OF MANAGERIAL CONTROL IN MICRO FAMILY BUSINESS START-UP IN BOSNIA ERZEGOVINA, BRAZIL AND ITALY

Massimo Bianchi*, Joshua O. Imoniana**, Laura Tampieri***, Jelena Tesic****

Abstract

This paper compares the role of managerial control in Micro, Small and Medium Enterprises (MSMEs) startup in Bosnia Erzegovina, Brazil and Italy respectively in the district of Banja Luka, San Caetano and Forlì-Cesena. The main reason for this emergent topic is the survey carried out in the various countries that shows that informal controls outweighs the formal controls in the MSME and that there is a good evidence that such businesses are family owned. The most interesting result of the research was the discussion on MSMEs control system that is interwoven by the role and features of managerial control in Family Business (FB). In this regard, should we assume as empirically demonstrated in model (Fig.1) together with Greiner statements, developed by other Authors (Quinn, Cameron 1983), the general framework allow us to maintain the hypothesis that the control level in the first phases of MFB startup is low and limited to punctual check and operative one.

Keywords: Managerial, Control, Startup, MSMEs, Erzegovina, Brazil and Italy

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Introduction

The paper presents the results of methodological research carried out by authors for the preparation of a comparative analysis on managerial control in Micro, Small and Medium Enterprises (MSMEs) of Bosnia Erzegovina, Brazil and Italy respectively in the district of Banja Luka, San Caetano and Forlì-Cesena.

The research is motivated by the social relevance of the MSMEs and the survey carried out by various authors concerning SMEs of which we borrowed a leaf from the preliminary conclusions that formal control in MSMEs are not overseen by the managers and that informal processes undertaken by family organizations overcome the formal ones.

Concerning the premises used to guide our reflection upon this phenomenon, the traditional approach on Organizations made by Etzioni (1964) and before by Parsons (1937) and Merton (1949) showed all it usefulness in considering the FB as a strong emerging category as it concerns its impact on economies. Nevertheless, at the same time, classical theory (Vaccà 1985; Cafferata 1993) underlined the difficulty to analyse this subject in a scientific organizational approach.

Country diversities on collected data led Authors to put in discussion some general ideas such as: 1) the development process of enterprises; 2) the classification of Micro and Small Enterprises; 3) the role of managerial control in MSMEs dimension changes. Another item refers to the transition of Organizational Theory focus from MSMEs to FB as it concerns: 1) the classification of FB as bordering element in research field; 2) the role of managerial control as effect or cause of enterprise dimension evolution; 3) the approaches of FB in different local systems.

To this purpose the paper and the connected researches individuate the role of time in the comparison study of enterprises dynamics referred to in this context.

The choice as granted by Economics Faculty in Banja Luka, Brazil and Italy that could be criticized for the heterogeneous of these three contexts was considered by Authors as very interesting offering the opportunity to verify some hypothesis in which the environment plays a central role. The variety of contexts affects particularly the size of examined enterprises in organisational aspects, capabilities of surviving, development and cultural establishment of entrepreneurial experiences.

1. The State of art

Family Business (FB) plays a central role not only in Italy where it has a relevant position in district model and in its contribution to employment and socio-economic stability. Also in Balkan Countries and South America the central position of FB is recognized not only in quantitative but also from a

In particular FB is considered an interesting model for development processes of Transition Countries in which it is linked to enterprises culture. To this purpose the transition concept can be limited to a group of countries composed by ex Soviet Union countries, Balkan countries, or extended to South America and Africa (Gentili, Zamponi 2005). In this scenario, the large diffusion of FB is a characteristic of Europe and North America economies and contributed to enrich the transactional models in economics (Bartlett, Ghoshal 2000). Today FB is recognized in the e-economy perspective as an additional push factor to move entrepreneurship from post-fordism approach (Maggi 2000) to the most advanced implications of ICT (Rayport, Jaworsky 2002) and of the post modern culture (Padroni 2000).

The approach to study these topics in the three chosen local systems could be synthesised through a summarized comparative profile (Fig. 1).

**Fig. 1.** Bosnia Erzegovina, Brazil and Italy

<table>
<thead>
<tr>
<th></th>
<th>Bosnia Erzegovina</th>
<th>Brazil</th>
<th>Italy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>3,935,000²⁷</td>
<td>188,078,261²⁹</td>
<td>59,093,092³⁰</td>
</tr>
<tr>
<td>Surface</td>
<td>51,129 km²</td>
<td>8,514,877 km²</td>
<td>301,338 km²</td>
</tr>
<tr>
<td>Index of human development</td>
<td>0.800³¹</td>
<td>0.792³²</td>
<td>0.940³³</td>
</tr>
<tr>
<td>GDP per capita</td>
<td>8.543 $ USA³⁴</td>
<td>9.108 $ USA³⁵</td>
<td>30.732 $ USA³⁶</td>
</tr>
<tr>
<td>Energy consumption per capita</td>
<td>1473³⁷</td>
<td>1877³⁸</td>
<td>4732³⁹</td>
</tr>
<tr>
<td>Labour force in sectors</td>
<td>agriculture: 14.2%</td>
<td>agriculture: 20%</td>
<td>agriculture: 5%</td>
</tr>
<tr>
<td></td>
<td>industry: 30.8%</td>
<td>industry: 14%</td>
<td>industry: 32%</td>
</tr>
<tr>
<td></td>
<td>services: 55%</td>
<td>services: 66%</td>
<td>services: 63%</td>
</tr>
<tr>
<td>% Enterprises with 10 and less employees</td>
<td>59.3⁴¹</td>
<td>98%</td>
<td>83.3⁴²</td>
</tr>
<tr>
<td>% Employees in Enterprises with 10 and less employees</td>
<td>59.5</td>
<td>59.80</td>
<td>79.70</td>
</tr>
<tr>
<td>% GDP produced by enterprises with 10 and less employees</td>
<td>38.2⁴³</td>
<td>20%</td>
<td>58.50</td>
</tr>
<tr>
<td>Research area</td>
<td>Banja Luka</td>
<td>São Caetano City</td>
<td>Province Forlì-Cesena</td>
</tr>
<tr>
<td></td>
<td>Municipality</td>
<td>Province</td>
<td>Province</td>
</tr>
<tr>
<td>Population</td>
<td>315,000</td>
<td>150,000</td>
<td>371,318</td>
</tr>
<tr>
<td>Surface</td>
<td>96.2 km²</td>
<td>15.3 km²</td>
<td>228 km²</td>
</tr>
<tr>
<td>Human Development Index</td>
<td>0.800⁴⁴</td>
<td>0.919</td>
<td>0.849⁴⁵</td>
</tr>
</tbody>
</table>

²⁷ As it concerns Brazil the MSMEs contribute for 2,7 % of exportation, for 26 % of paid salaries and to 99,2 % of the number of formal enterprises.
²⁸ 2007, estimate
²⁹ 2006, estimate
³⁰ 2006, estimate
³¹ 2004
³² 2004
³³ 2004
³⁴ 2005, estimate
³⁵ 2005, estimate
³⁶ 2006, estimate
³⁷ 2000
³⁸ 2000
³⁹ 2000
⁴⁰ We can consider also other dimensional classes but the Authors consider this one a relevant feature for the entrepreneurial local system
⁴¹ 2004, according to Republik of Srpska Development Strategy for SME’s 2006-2010, data for Republik of Srpska
⁴² 2001
⁴³ 2006 - stima
⁴⁴ This data is related to the Country as whole
⁴⁵ This data is related to Emilia – Romagna Region. See QUARS 2005 - Rapporto sullo sviluppo locale. Come si vive in Italia?
Although it is huge synthesis, this comparison shows clearly the relevance of local system as a category that allows, for dimensions and structural characteristics, a confrontation among countries of different dimensional scale and structure. Considering the existing local systems, the differences do not constitute a relevant obstacle to compare entrepreneurial aspects.

**Fig. 2. The main evolutionary steps of theoretical approaches to business creation**

<table>
<thead>
<tr>
<th>Theoretical approaches</th>
<th>Approach to business creation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rational Determinism (Spinoza)</td>
<td>It's possible to project optimal path to enterprise creation</td>
</tr>
<tr>
<td>Empirical theory (Locke)</td>
<td>Enterprises born from single actions and experimental activities.</td>
</tr>
<tr>
<td>Constructivism (Berger, Luckman, Weick)</td>
<td>Enterprises are the result of put and take approach</td>
</tr>
<tr>
<td>Institutionalism (Veblen)</td>
<td>Institutional and formal frameworks of the state and government condition the success in enterprise creation and development.</td>
</tr>
<tr>
<td>Neo empirical (Popper, Hempel)</td>
<td>It's impossible to define general principles deriving them from a limited number of cases. Each enterprise represents a fortuitous event unrepeatable.</td>
</tr>
<tr>
<td>Neo constructivism (Giddens, Granovetter)</td>
<td>Good enterprises practices derives from entrepreneurial practice communities as it happens for scientists and professionals.</td>
</tr>
<tr>
<td>Neo institutionalism (Albert, Hikermeier)</td>
<td>Private and public sectors can share in enterprise creation in a diversified framework.</td>
</tr>
<tr>
<td>Systemic Determinism (Scott, Nelson-Winter)</td>
<td>Relationships network limits and qualify the best practices available in a specific environment.</td>
</tr>
</tbody>
</table>


As it concerns the role assigned to FB, we have in these countries different perspectives. In Bosnia H. FB is indicated as an Instrument of entrepreneurial and overall economic development (Vukmirovic 2006b, Jelić, Berberović 2005, Republic of Srpska SME’s Development Agency 2007). In Brazil the familiar entrepreneurship is recommended as an Economic and social balance factor (Stradiotto 2005). Many Authors consider in Italy the FB as an element of dynamism and innovation (Corbetta, Montemerlo 1999).

The theoretical background of MSMEs development is strongly connected to researches on the enterprise start up. Authors report a huge variety of approaches which evolved during time coming in most recent ideas connected to neo constructivism, neo institutionalism and systemic determinism (Fig.2).

Recent bibliography on this subject shared equally its interest between the relevance of practice community (Boland, Tenkasi 1995; Wenger 2000; Magnusson, Davidson 2001; Brown, Duguid 2002; Mattallucci 2003), and network dynamics (Tsi 2001; Lin, Shroff 2005) with last researches on the entrepreneurial culture in determining the territorial attractiveness (Florida 2005 a,b; Manente, Meneghello 2006).

To this purpose we also have to consider the contribution about the relationship between decision risk propensity and perception (Sitkin, Weingart 1995) in decision process leading to the enterprise start up.

Authors applied a definition of FB as an enterprise with a minimum of 75% of property controlled by family elements within the second grade of kinship or affinity respect of progenitor. The Bosnian Law defines the family as “life community of parents and children and other kin”. In Brazil the Civil Code and the Federal Constitution define the family within the third grade of kinship.

The will of analyse the FB start up further restricts the class of enterprises to be considered because the observations will be bounded to micro dimension measured by the number of employees (included members of family) within a maximum of nine units. Another condition is the enrolment of FB to an association of MSMEs. This allows to identify the minimum level of activity and was introduced by Authors in order to consider only the enterprises.

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47 See Articles 74–77 of Italian Civil Code. In these three countries it isn’t exist a regulamentation on the unofficial communal life and homosexual.
inserted in some way in the formal free network of employers organization 50 (Bianchi 1976, Padroni 1986).

As it concerns the fresh introduction of the nano or sole owner enterprise concept 51 the legal definition of SMEs (McCollom 1988) can be considered today as less connected to institutional approach but more intensively related to organizational and environmental aspects together with the interdisciplinary asset of researches on FB (Rutherford, Muse, Oswal 2006; Livingston 2007).

In the organizational perspective, one of the methodological problem to be considered is that the FB is a category emerging from theories that just a few years ago didn’t recognize SMEs as a possible field of researches on organization (Bianchi 1976, Padroni 1986). The result of these previous carelessness is, from a methodological point of view, the scarcity of diffused studies on FB while we are plentiful of analysis on MSMEs and, in very recent times, on micro enterprises. This situation induced scholars to employ previous researches with an attitude that we can define as utilitarian. This means that as some aspects of MSMEs were conveniently used to analyse FB structures and processes, other Authors suggest an investigation on new paradigms of FB (Rutherford, Muse, Oswal 2006; Livingston 2007) feasible also in researches on start up phases and on the role played along them by the managerial control.

By the way, the parallel approach to entrepreneurial size, development phases and FB incidence can be proposed in an unified approach (Fig.3).

This schema suggests, in Authors opinion, one quite clear methodological perspective taking into consideration the existing relationships among business size, organizational development phases and FB diffusion and a suitable introduction to definition and classification assumptions.

2. Definition and Classifications

The concept of enterprise size can be expressed, in official classifications by a quantitative or qualitative profile. In the first approach the dimension refers to the volume of production factors, market share, revenues and production volume. According to the qualitative approach we can consider the level of decision making (controlled enterprises or independent) and the organizational structure (centralized or decentralized).

In the analysed countries the classification is related particularly to normative standards defined by European Commission in 200352. In Bosnia Erzegovina (BiH)53 there isn’t a single definition of SMEs. The BiH Ministry for foreign trade and economic relationships undertook many initiatives aiming to define officially ones.54 In Serbian Republic55, according to the Law on SMEs development, the enterprises can be classified on the basis of these elements:

1) Average number of employees;
2) Turnover;
3) Balance sheet total.

To this purpose, small enterprises are defined as legal entities that: 1) use, in an average level, from 11 to 50 employees in a year; 2) realize a turnover not upper to 4.000.000,00 BAM57 or a balance sheet total not upper to 2.000.000,00 BAM58.

Inside this category we can identify the micro enterprises that employ less than 10 workers. The Medium enterprises are legal entities that 1) use, in an average level, from 51 to 250 employees; 2) realize an annual turnover not upper to 20.000.000,00 BAM or a balance sheet total not upper to 10.000.000,00 BAM. The classification of SMEs in Serbia Republic is showed in the following Figure 4.

50 In particular in Bosnia Erzegovina there is the Employers Association of Republic of Srpska and Employers Union of Federation of BiH, in Brazil the SEBRAE Brazilian Service for a support to Micro and Small Enterprises and in Italy Confindustria, Confapi, CNA and Confartigianato.

54 BiH is divided into Republic of Srpska and Federation by Bosnia Ervegovina.
55 It is a parlamentary republic with limited international subjectivity and with capital Banja Luka.
56 Gazzetta Ufficiale della RS, No. 6402.
57 1 EUR = 1,95583 BAM (or KM). The “Marco convertibile” is the official money of Bosnia – Ervegovina.
58 BAM: Bosnia – Herzegovina Convertible Mark.
Fig. 3. The localization of FB regarding business size and development phase

![Graph showing the localization of FB regarding business size and development phase.](image)

**Small Business Size**

- **Non Family Business**
- **Family Business**

**Start up**

- **Organizational Development phase**

**Medium Business Size**

- **Large Business Size**

![Image 4. The classification of SMEs in Serbia Republic.](image)

<table>
<thead>
<tr>
<th>Size</th>
<th>Number of employees</th>
<th>Turnover</th>
<th>Balance sheet Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>1 – 10</td>
<td>Less of 4.000.000,00 BAM</td>
<td>Less of 2.000.000,00 BAM</td>
</tr>
<tr>
<td>Small</td>
<td>11 – 50</td>
<td>Less of 4.000.000,00 BAM</td>
<td>Less of 2.000.000,00 BAM</td>
</tr>
<tr>
<td>Medium</td>
<td>51 – 250</td>
<td>Less of 20.000.000,00 BAM</td>
<td>Less of 10.000.000,00 BAM</td>
</tr>
</tbody>
</table>

In order to harmonize the definitions on small and medium enterprises of Republic of Srpska with the European Commission, amendment of Law on SMEs was anticipated to the first semester of 2006.

On the basis of the data coming from the European Bank for Reconstruction and Development estimated in most Countries of South East Europe that the SMEs contribute to the GDP was more than 50%.

Fig. 5. Number of SMEs per 1000 inhabitants in the Countries of South East Europe

![Bar chart showing the number of SMEs per 1000 inhabitants in South East Europe.](image)

The Fig.5 shows the number of SMEs per 1000 inhabitants in the Countries of South East Europe and European Union in 2002. Bosnia Erzegovina (7), Moldavia (6.1) and Serbia (7.8) had the lowest number of small and medium enterprises per 1000 inhabitants compared with the other countries in the region, as Poland (87), Hungary (85.9) and Czech Republic (85.1) expressed the higher percentage.

In Brazil the classification appears similar to the previous one. The different criteria used in the entrepreneurial field, both public and private, can be summarized as follows:

- Classification on the basis of the number of employees

SEBRAE\textsuperscript{59} utilizes the criterion established by IBJE\textsuperscript{60} that classifies the enterprises according to the number of employees, in relation to the sector in which they belong to (Fig.6).

- Classification on the basis of the turnover

The Brazil Government, by the Federal law no\textsuperscript{9} 9.841, holding effective from 05/10/990, instituted for taxation purposes a new classification based on annual turnover (Fig. 7). In this way Small Enterprises can be distinguished in order to apply a simplified accounting system.

We emphasize that a complementary law no\textsuperscript{12} 123 was promulgated 14 December 2006 thereby renovated Law no\textsuperscript{9} 9.841 changing the classification as from 1\textsuperscript{st} July 2007, as could be observed in Fig.8.

Moreover the financial institutions in Brazil determined their own criterion to classify the enterprises (Fig.9).

In Italy the distinction of enterprises in micro, small and medium size refers to the "Decree" of Ministry for Productive Activity, according to which the elements considered are: number of employees; Turnover; Balance Sheet Total (Fig.10).

The number of employees is the main element through which classify enterprises because it is linked to many organizational aspects such as human resources management, roles and responsibilities together with functions assignment. This criterion allow us to consider the qualification of enterprise in handicraft or industrial sectors and implies effects related to credit access and labour contracts applying.

To this purpose, according to the strong processes of outsourcing and downsizing undertaken by big enterprises in order to achieve facilities, the focus of legislator is on inter organizational relationships of properties. The independence is the major condition for enterprises to be considered SMEs. So they have to demonstrate their autonomy, at least formal, to avoid any suspect of integration or functional submission to larger entities. SMEs have to be, within this regulation, non associated, autonomous, with a limited number of employees and engaged in an economic activity \textsuperscript{61}.

In recent years in Italy the SMEs increased their relevance particularly in economic and financial system. Most of SMEs work in services. Effectively they make business mainly in wholesale and retail trade, tourism, ICT, Research and Development, Marketing, Business and human resources management.

In Europe and particularly in Italy the enterprises of minor size (mainly micro) represent a very important category in social and economic area with strong implications for individual self achievement and entrepreneurial career.

To this purpose we can recognize in the enterprises of small dimension some peculiarities (Barricelli, Russo 2005):

- a relevant presence among businesses (the 95% of the total amount of 4,3 millions of active national enterprises and the 93% of the total of 20,5 millions of SMEs existing in EU)
- a fundamental employment basis for the economic growth in Italy and Europe, in term of international competitiveness and potential economic growth.

3. The managerial control

In the field of managerial control the paper considers the procedures aiming to ensure the respect of assets and formal framework of enterprises (Flamholtz 2002), but also a correct balance based on feedback and feed forward processes among objectives, resources and results. These controls evaluate business performance in term of Efficacy (Ec), Efficiency (Ez) and Adequacy (Ad) (Bianchi 2007).

From one side the controls are influenced by the indications that have to be established and respected before the carrying out of functional activities. Some Authors distinguish control functions in which eventual tentative of omitting this process (as can be happen in informative systems) can determine to a stall of operations. From these items we can distinguish the controls that don’t forecast an automatic block of operations (Imoniana & Nohara, 2004).

\textsuperscript{59} See the footnote n. 31

\textsuperscript{60} Instituto Brasileiro de Estudos Juridicos

Fig. 6. The Brazilian enterprises classification on the basis of the sector and the number of employees

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Trade &amp; Services</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro enterprises</td>
<td>Till to 9 employees</td>
<td>Till to 19 employees</td>
</tr>
<tr>
<td>Small enterprises</td>
<td>From 10 to 49 employees</td>
<td>From 20 to 99 employees</td>
</tr>
<tr>
<td>Medium enterprises</td>
<td>From 50 to 99 employees</td>
<td>From 100 to 499 employees</td>
</tr>
<tr>
<td>Big enterprises</td>
<td>More than 100 employees</td>
<td>More than 499 employees</td>
</tr>
</tbody>
</table>

Fig. 7. The enterprises classification on the basis of the turnover in Brazil

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Annual Turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro-Enterprise</td>
<td>Till R$ 244.000,00</td>
</tr>
<tr>
<td>Small Business</td>
<td>Between R$ 244.000,00 and R$ 1.200.000,00</td>
</tr>
</tbody>
</table>

Source: Brazilian Federal Law no. 9.841, de 05/10/99.

Fig. 8. The enterprises classification according to the recent regulation

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Annual Turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro enterprises</td>
<td>Till R$ 240.000,00</td>
</tr>
<tr>
<td>Small enterprises</td>
<td>Between R$ 240.000,00 and R$ 2.400.000,00</td>
</tr>
</tbody>
</table>

Source: Carta Circular 2002.

Fig. 9. Classification of National Bank for economic development

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Annual Turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro enterprises</td>
<td>Less of R$ 1.200.000,00</td>
</tr>
<tr>
<td>Small enterprises</td>
<td>More than R$ 1.200.000,00 adn less of R$ 10.500.000,00</td>
</tr>
<tr>
<td>Medium enterprises</td>
<td>More than R$ 10.500.000,00 and less of R$ 60.000.000,00</td>
</tr>
<tr>
<td>Big enterprises</td>
<td>More than R$ 60.000.000,00</td>
</tr>
</tbody>
</table>

Fig. 10. The classification of SMEs

<table>
<thead>
<tr>
<th>Size</th>
<th>Number of employees</th>
<th>Turnover (Euros)</th>
<th>Balance Sheet total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>Less than 10</td>
<td>Less than 2 milion</td>
<td>Less than 2 milion</td>
</tr>
<tr>
<td>Small</td>
<td>From 10 to 49</td>
<td>Less than 10 milion</td>
<td>Less than 10 milion</td>
</tr>
<tr>
<td>Medium</td>
<td>From 50 to 250</td>
<td>Less than 50 milion</td>
<td>Less than 43 milion</td>
</tr>
</tbody>
</table>

Source: www.piccolamediaimpresa.it

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62 Both medium and small enterprises have to respect the criterion of independence, through which they haven’t to be managed more than 25% by big enterprise with the exception of public financial institutions, venture capital societies or institutional investors. The lost of the qualification of medium, small and micro enterprise happens when these thresholds are overcome during two exercises running.
Discussions on managerial control in FB refer to three main classes:

1. Managerial control as a culture which should be applied in FB so they could be in condition to increase their quantitative (in terms of dimension) but also qualitative characteristics (to improve their survival probabilities).

By the way, studies consider the limited diffusion in FB of formal systems of accounting and managerial control. Other studies (Zocchi 2004) seem to link the FB success to intuition or entrepreneur’s initiative. At least they recommend the control methodology as a basic knowledge for entrepreneurial achievement (Camporesi 1989).

Also in the strategy approach (Pümpin 1993) the programming and the connected control system is considered a prerequisite of a profitable start-up. Also the traditional approach to FB studies underlines the lack of Managerial Accounting and the connected control activities (Fazzi 1973, Tesini 1980). Moreover in some analysis of district systems Authors point out the scarce diffusion of a rational approach to organizational problems as a limit in the development (Bursi 1989).

2. Managerial control as a need of environment in which small FB operate and particularly as condition to access to credit and labour facilities (Camuffo 1998).

In this case the approach is to consider control as a tool to analyze small FB in the perspective to understand limits and needs to implement or institutionalise structures to support these enterprises (IASM 1980). Some Authors recognise that the reduced dimension is an obstacle for this implementation but they indicate the solution in services managed by associations (Filippucci, Lugli 1985). It’s not a surprise to find in this perspective the question of the Social Accounting throughout introducing a very detailed information control system that the same supporters advice of very difficult extension in FB (DeSantis, Ventrella 1980, Zamagni 1991).

3. Managerial control as a functional activity in the evolution cycle of FB development.

To this purpose we have to take into account the Greiner classics scheme in which the central phase is characterized by the establishing of control. In these terms, considering the control system as an expression of formal system like managerial control and its most diffused tool that is the accounting control (Anthony, Dearden, 1980), we are forced to admit that only after the diffusion phase together with the demand of control bureaucracy, this function is to introduce as a development factor.

As it concerns the main obstacles to MSMEs creation and growth (Kassai 1997) we have to consider the perspectives introduced by Italian experiences in district economy (Becattini 1998; Bramanti, Ordanini, 2004) and the phenomenon of enterprise development in transition countries (Dostic 2002; Mecinger 1996). It seems to us that it’s time to accomplish concepts derived exclusively from economics with a network based view (Lorenzoni, 1996) and recent empirical studies on MSMEs and e-cluster emersion (Camuffo, Romano, Vinelli 2002; Rullani, 2004).

### Fig. 11. The traditional and new characters of MSMEs

<table>
<thead>
<tr>
<th>Traditional theories</th>
<th>New Theories</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSMEs are …</td>
<td>MSMEs are …</td>
</tr>
<tr>
<td>- Undercapitalized</td>
<td>- Supported by family estate</td>
</tr>
<tr>
<td>- Hardly to change their work methods</td>
<td>- Strongly innovative and flexible</td>
</tr>
<tr>
<td>- Oriented to local market</td>
<td>- Easy moving in globalization flows</td>
</tr>
</tbody>
</table>

These changes in perspectives (Fig.11) (Bianchi 2007) are linked to the relevance in business development to adequate planning, monitoring procedure and performance evaluation. We didn’t want to refuse the functional link: business planning & control - business development, but we have to take into account the impressive consideration about limits of business process reengineering (Ciborra 2006), in the dialectics between improvisation (Giddens 1976) and planned decisions (Simon 1976).

To this purpose our comparative research needs a strong open perspective in which the introduction, establishment and implementation of business control will be a phase of enterprise development but not necessary as the engine of its creation and development, in which we have to deepen the role of commitment (Mowday, Steers, Porter 1979).

### 4. The hypothesis

The basic hypothesis of our research is linked to the timing of control structure and process impact on
entrepreneurial start-up. This implies almost three statements:

a. The time in Micro FB definition.

The dimension of micro FB is connected with the number of people engaged in activity but also, as it concerns the start up, with the enterprise age (Davis, Harveston 2000).

Start up it’s a phase exhausted within three years from its start. To this purpose the Global Entrepreneurship Monitor considers in this class who is going to start up an enterprise or who is owner / manager in initiative with less than 42 months of activity (CSES 2002). This dimension can be divided in detailed periods such as: 0 – 3 months; 3 – 6 months; 6 months – 1 year; 1-2 years; 2-3 years.

Some Authors measure the start up length in term of days with the purpose of underlying the very fast process of enterprise creation in which single days are relevant to understand the big bang process of structuring the successful enterprises (King, Mervyn 1989; Jensen, Meckling 1976).

b. The Time arrow

The start up process is something interesting if connected to a controlled action. This marks the difference between sociological and business approach (namely teleological one). But the relevance of this control is qualitatively different from a simple take and put method that characterizes the learning process (Mella 1997). We are speaking about the managerial control divided into feedback and feed forward. The consequence of this statement is that in a so short time the development of entrepreneurial process is mainly connected to objectives than to results simply because these last ones are not yet fulfilled or not fulfilled in a meaningful way (Habbershon, Williams, MacMillan 2003).

This is the reason why some Authors criticize the classifying approach using turnover in the start up of SFB (Di Bernardo 1991). Seemingly the time arrow in micro FB is mostly connected to the trust in the future than in the past (Bianchi 2004; Korsgaard, Schweiger, Sapienza 1995).

c. The time and the context.

As a consequence of previous assumptions some Authors considered the time needed to start an enterprise from the point of view of administrative procedures to be accomplished to this purpose (Bianchi 2003) and concerning the timing that characterizes the different dynamics of countries bureaucracy.

Other Authors consider the different temporal density of start up processes on the basis of the number of enterprises created in a time unit, of the related turnover or the contribution to employment, always referred to a particular, defined period.

Both these methods allow to perceive, from a different perspectives, the temporal profile of enterprise start up and permit to localize it correctly in the evolutionary process of Economies in different Countries and in local paths for enterprises creation (Keegan 1999) (CSES 2002) (Fig.12):

Fig. 12. Critical path analysis in micro enterprises start up - Upper quartile situation

These researches emphasized the need, in the study of micro enterprises (and consequently of start up in the limits that Authors considered for this research) of using a timing scale very detailed on the
basis of day scale. By the way the time required to establish a Micro Enterprise in EU Member States is 30.0 weeks in the case of the upper quartile.

5. Methodological structure

To accomplish the proposed comparative analysis, it is necessary to deepen the structure of key variables that can be applied in different contexts with a clear and adequate level of feasibility. To this purpose we indicate the methodological indications as effects of the previous statements.

a. The definition of Micro FB start up

MFB start up is defined as a creation and development of activities concerning the enterprises with at least 75 % of property in the hand of a family within the second grade of kinship, less of nine employees (included the self employees) and within the third year of activity. At the survey phase the enterprises have to be enrolled in MSMEs Associations or similar.

b. The observation field

The geographical area is defined by administrative boundaries of Municipality of Banja Luka, of San Caetano City and of the Forlì-Cesena Province. The enterprises have to hold a legal centre and their main activities in these areas.

c. Hypothesis

Enterprises start up is connected to both, external and internal causes distinguished through following criteria: Commitment (or first relevant order), Facilities, Change of work (external) and Entrepreneurial idea, Surplus of resources and achieved skills (internal) (Fig. 13).

Fig. 13. The model

d. Quantitative analysis

i. Composition

\[ \frac{V_{1i}}{\sum V_{1i}} \quad \text{for} \quad (i = 1; 3) \]
\[ \frac{V_{2i}}{\sum V_{2i}} \quad \text{for} \quad (i = 1; 3) \]
ii. Accumulation factors of threshold level

\[ X = \Sigma ( V_{2li} + V_{2li} ) \text{ for } (i = 1; 3) \]

iii. Functional link of the result (growth factor) with causes and stimulations

\[ Y = \left[ (W \times X) \times t \right] \]

iv. Correlation

\[ C (Ec, Ez, Ad) \]
\[ Ec = \text{Efficacy; } \]
\[ Ez = \text{Efficiency} \]
\[ ; Ad = \text{Adequacy} \]

The start up can be linked to one or more of these factors considering the different level of priorities. The facilities, for example, can be represented by a governmental policy favourable to small enterprises and to FB, by a credit or by an efficient desk of services for business man. Surplus of resources can derived, in a family, by heredity or unfreezing of investments.

Those random causes determine the threshold that has to be overcome for the entrepreneurial start up (X). To trig entrepreneurial activities the first commitment (W) has to reach an adequate level to exceed the threshold to start activities in a competition among priorities. The entrepreneurial growth rate (Y/t) is a result of the positive gap between W and X causes and is governed by the control level (C) that define the level of enterprise organization.

The model showed in Fig.13 is an attempt to represent the different hypothesis that the research aims to verify in a coherent way with the theoretical applicative framework before considered. It is based on the assumption that among the variables it exists a relevant relationship as it regards sign and intensity.

After the establishment of composition levels and the accumulation of this different start up causes, the threshold is individuated on the basis of the relevance accumulation of these causes. The threshold level has to be defined in experimental way and considered together with the qualitative and quantitative relevance of the commitment that determine the start process and growth factor. This last aspect will be evaluated using the correlation rate applied with the forms and intensity of managerial control detected in enterprises.

The questions that the research aims to answer in the three local system analyzed are:

i. Do relevant differences about the origin, internal and external to the family, of the causes indicated as determinant of the MFB start up exist?

ii. Which diversity of relevance can be attributed, independently by their origin and considered as single, to the causes of MFB start up?

iii. Which are the thresholds that have to be exceeded for MFB start up?

iv. Can be demonstrated the correlation, between the level of dimensional development of MFB and the threshold of start up process?

v. Can the control level be influenced by the variations referred to start up phase in progress at the moment of observation?

The basic structure of comparison is taken into consideration the development process of the three countries and their different phase of growth. Also the temporal dimension plays a central role as assumed in the individuation of analysis tools.

In this case, considering the index of development and start up timing, the proposed framework is based on three different positions in which control function of business management, particularly in the early days, weeks, months, years of life, assumes a different relevance that can be summarized as follows (Fig.14):
Fig. 14. The relevance attributed to the role of MFB

<table>
<thead>
<tr>
<th>Country</th>
<th>MFB Role</th>
<th>Level of environmental control</th>
<th>Time of business start up (in days)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bosnia Erzegovina</td>
<td>Diffusion of personal initiative</td>
<td>Low</td>
<td>54</td>
</tr>
<tr>
<td>Brazil</td>
<td>Realization of a balanced development</td>
<td>Medium low</td>
<td>152</td>
</tr>
<tr>
<td>Italy</td>
<td>Recovery of innovation and dynamism</td>
<td>High</td>
<td>13</td>
</tr>
</tbody>
</table>


Fig. 15. The start up timing and number of SMEs per 1000 inhabitants

Conclusion

If we assume as empirically demonstrated in model (Fig.1) together with Greiner statements, developed by other Authors (Quinn, Cameron 1983), the general framework allow us to maintain the hypothesis that the control level in the first phases of MFB start up is low and limited to punctual check and operative one.

Localizing these results in the different local systems it is possible to discuss if the increasing control management culture can be adequate to the needs of a sustainable development in relation to local interests in transition countries. Furthermore, we could argue that they influence in a negative way the time platform on which is based the MFB definition, the field of observation and the growth rate.

It will be also necessary to verify if the structure of FB is connected to the improvement of managerial control or to the dominium, in the first phases of start up, of the decisional threshold that determine the successful creation of enterprise.

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