

Family Business in the Czech Republic: Actual Situation

Anastasia Petlina, Vojtěch Koráb

Abstract

Purpose of the article: The purpose of this paper is to define the actual situation of family business on the market, particularly focused on qualities of family business and its strengths or weaknesses. The object of research is the family business as an economical phenomenon. The study includes two subjects: firstly, to find out a specification of the family business, to analyze family ties within the business in accordance with the laws of the Czech Republic or to find out the current economic situation in family business and, secondly, to identify the features of family business as well as the difficulties faced thereby, lying in a base of two main components, namely the family system and the same of entrepreneurship.

Methodology/methods: The article was prepared on the basis of general theoretical scientific methods, particularly on those of analysis, synthesis, analogy, comparison, generalization and deduction, or the method of expert estimates. For the analysis of the actual situation in big Czech family business enterprises, it was decided to use the secondary data of a top research-journal for this area, namely the Forbes.cz. In accordance with one of the paper goals, a SWOT analysis was applied to find out the basic strengths and weaknesses of family business. It was decided to verify the received information by interviewing several representatives of the family business in the Czech Republic.

Scientific aim: The aim of scientific research is to improve the understanding of family business from the perspective of difficulties faced by family business and its economic perspectives.

Findings: The results of this study have allowed the finding of a definition for the family business based on family ties and the laws of the Czech Republic. Another finding is that family business as a motor of the Czech economy has a real potencial for its development and it is able to enhance the Czech economy competitiveness on the world market. In addition, the main features of strengths and weaknesses of family business were inquired.

Conclusion: This study has contributed to creation of a family business research theoretical body providing an important first step to gaining a nearer insight into the strengths and weaknesses of the family business influencing its effective function. This study has allowed it, to find out the nature and importance of family business development in the Czech Republic.

Keywords: family, family business, family ties, strengths, weaknesses, economic development

JEL Classification: D10, M50, R10

Introduction

The theme of family business is the subject of theoretical and empirical studies of well-known international companies by many universities. The importance of family business within the new economy in creation of the national business environment is reflected in a great number of scientific papers focusing on the issues of strategic planning for the family business, see *e.g.* the papers by Carlock, Ward, Fitzgerald, Winter, Miller, Paul. There are interesting Harvard studies of competitive advantages in organization of the family business by Miller or Breton&Miller; or the family business research of Cambridge establishing an elite family business by Marceau. The authors like Rosenblatt, Mik, Anderson or Johnson have works on various issues in operational management of the family business; the researchers like Dumas, Blodgett, Hennon, Jones, Roth or Popescu have comparative research models of the family business (see *e.g.* European Commission 2009). It is an interesting fact that the oldest companies in the world are the family business enterprises, see *e.g.* the Japanese construction company „Kongo Gumi“, which was founded in 578. The following families have more than 1,000 years' history of successful work within the family business: Hoshi Japan (hospitality), Marinelli family in Italy (casting of church bells) or the family of Gulen de France (wine trading). In modern Europe, the family business is a

foundation of all business sectors such as food production, trade, restaurants and hotels, construction or financial services (European Commission, 2009).

1. The Role of Family Business in Economy

The family business plays very important role in the developed economies. The topic of family business is independently taught at various universities. The issue of family business is also the subject of many investigations, where many research programs are added. It also should be noted that family business is very much widespread around the world. Spain, Austria, Italy, Germany, Switzerland, Norway and the United Kingdom are typical countries of the European Union with a high level of family business. Small- and medium-sized family business companies play a very important role in the overseas countries, like the United States or Canada, where the dominant representation is also in the category of up to ten employees (Wilson, 2011). Furthermore, in viewing the family business in terms of its share in the total number of all registered firms in the respective national economies, we can see an evident share thereof, namely between 70 and 95% (Owens, 1994). For example, in the European Union, 85% of all registered companies are the family firms and, in the USA, it is even more than 95% (Pistrucci *et al.*, 2000). These facts might convince even the grea-

Table 1. Family Business and its Share in the Number of Registered Companies in Different Countries.

Country	Shares in the number of registered companies (%)	GDP Shares (%)
Australia	75	50
Belgium	70	55
Brazil	90	65
Finland	80	>40
France	>60	>60
India	Data not available	65
Italy	>95	Data not available
Germany	60	55
Netherlands	74	54
Poland	50–80	35
Portugal	70	60
Spain	75	65
Sweden	>80	Data not available
Switzerland	85	Data not available
Great Britain	75	Data not available
USA	>95	40
Middle East countries	>95	Data not available

Source: Neuber *et al.*, 1998.

test skeptics who do not believe that family business could be considered as a propelling force of the global economy. When observing the data of family business (which are almost 20 years old), we can see that the issue of family business still plays the same important role in different national economies as it was 20 years ago. More about the percentage of family business in the total number of registered enterprises and the GDP formation in different countries, see the Table 1.

2. Development of Family Business in the Czech Republic

Unfortunately, the Czech Republic has started to pay a little attention to family business only since 1989. This is to the detriment of many causes, because family business has played an important role in both the interwar period and today. Unfortunately, the period of 1948/1989 has severed many generic lineages. The small and medium-sized family business enterprises were almost erased from the economic environment and, with only save for minor exceptions, the today's family companies are those of the first generation, *i.e.* the generation of founders. The family business enterprises are dominating in the category of today's Small and Medium-sized Enterprises (SMEs) (Koráb *et al.*, 2008).

It is estimated that the SME sector shares with 98.84 % in the total volume of all enterprises in the Czech Republic (Ministerstvo průmyslu a obchodu, 2011). The Table 2 shows category sizes represented as family business. (Data based on the authors' expert estimate and previous 15 year's research and experience in the field of family business).

It can be seen that the representation of family business is declining in different categories with the increasing size the enterprises. This situation somewhat disagrees with the estimate of the European Commission saying that: 80/95% of all business entities of the Czech Republic can be classified as family business enterprises“ (European Commission, 2009). The European Commission's estimates are too optimistic, when disregarding the distribution of business entities in the individual categories and mostly silencing about the definition of family business. At the present time, we can find various types of family business in the Czech Republic as they are listed in the table below. The Czech business environment shows the majority of new small and medium-sized enterprises established after 1989 (Table 3).

The research No. 26 by the Association of Small and Medium-Sized Enterprises and Crafts of the Czech Republic has brought relatively positive values regarding the actual situation within the Czech family SMEs in comparison with non-family business enterprises (Situace rodinných firem, 2014). This reflects in less than 50% of the expected increase in revenues; one tenth of the Czech family SMEs expects a decline in revenues (Situace rodinných firem, 2014). Many companies thereby incline to paying of a major attention to increase in efficiency and personnel development. Two thirds of the Czech family SMEs perceive the firm functioning on the family base and on benefits. The decline in revenues can be explained by different opinion of the future two generations. Despite of this, two-thirds of Czech family SMEs plan to pass on the baton to the next generation. A half of them has already started

Table 2. Distribution of Family Business within the Individual Categories in the Czech Republic.

Categories of enterprise sizes	Representation of family business
Micro-enterprises up to 10 employees	70–80%
Micro-enterprises from 11 to 50 employees	30–40%
Medium-sized enterprises 51 to 250 employees	20–30%
Big enterprises >250	up to 11%

Source: Koráb *et al.*, 2008.

Table 3. Types of Family Businesses in the Czech Republic.

		The history of family business	
		Long-Time	Short-Time
Sizes of the family business	Small	Smaller restituted business enterprises – smaller trades and crafts	New, small and medium-sized enterprises established after 1989
	Large	Large, respectively medium-sized business enterprises of the First Republic	New large companies founded/occurred after 1989

Source: Koráb *et al.*, 2008.

that process, nevertheless, it should be taken into account that such process can take a long time within a family firm (Situace rodinných firem, 2014).

For the analysis of big Czech enterprises, it was decided to use the secondary data by Forbes.cz (Mašek *et al.*, 2015). Here, there were used rating data of the greatest Czech family enterprises. Only the firms managed or owned by at least two generations of one or more families could be included into the identification of representatives. Also the sibling business was taken into account. On the contrary, the married couples in business were eliminated due to the absence of followers within the family entrepreneurship. For the ranking calculation within the list of firms, the family revenues and the EBITDA data were compared (Mašek *et al.*, 2015). In other words, this comparison included the operating profit increased by depreciations measuring the company's ability to generate free ready money and the profit. It was decided to use those two criteria for the ranking methodology, because they are most suitable for measuring of the company's size and performance and simultaneously, they are open to public. The same weight was added to the both criteria; and, as the one-year period may be influenced by various one-off events, the average of both observed values was used for determination of the last three years or hours, if such data were available. The resulting order of firms is a combination of how the company has ranked in the revenues list and in the same of EBITDA. Here, the Metalimex Company is the leader; it ranks the first position in both categories. In case, the both rankings (the data of revenues and EBITDA) gave together indecisive results, other auxiliary criteria of profitability were added, namely the ratio of revenues and EBITDA. Respectively, the higher is the company's profit margin, the better is its position. The research included a total number

of the 65 biggest Czech family companies. The cumulative sales of those selected 65 firms amount to 229 billion Czech crowns and the margin amounts to 6.1 percent (Mašek *et al.*, 2015). Thus, the Czech family big business 2015 is represented by 62 male establishers, 8 female establishers, 72 sons, 20 daughters and 5 siblings. The Top-10 are the firms, where the "founding fathers" became senators (Table 4). A detailed investigation has shown an interesting cognition, namely the fact that the majority of founders of those 65 biggest Czech family enterprises are still holding the firms together with their sons. Only 16% of family firms are independently managed (or better owned) by the next generation (Figure 1) (Mašek *et al.*, 2015). A good example of such successful business is the Siko Company ranking the 18th rating position. The establisher of this biggest Czech manufacturer of bathrooms and kitchens is Jaroslava Valová, who has transferred the business to her two sons. Less than one quarter of the represented companies handover the business to the next generation (Mašek *et al.*, 2015). An example of such situation

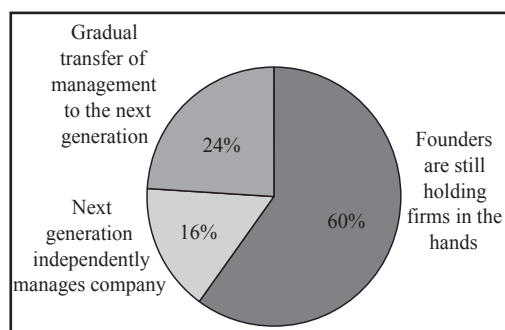


Figure 1. Actual Situation in Business Succession of the Biggest Czech Family Firms in 2015.

Source: Mašek *et al.*, 2015.

Table 4. TOP 10 Czech Family Firms in 2015.

No.	Name of company	Family ties	Revenue	EBITDA
1	Metalimex	Father+Son+Daughter	26.2 mld. CZK	978 mil. CZK
2	Synot Holding	Father+Brother+Sister+Nephew	12.4 mld. CZK	809 mil. CZK
3	Juta	Father+Son	6.1 mld. CZK	657 mil. CZK
4	Kofola	Father+Son	6.2 mld. CZK	536 mil. CZK
5	Safichem Group	Father+ Son	5.6 mld. CZK	545 mil. CZK
6	DEK	Father+ Son	7.9 mld. CZK	420 mil. CZK
7	Agrostroj Pelhřimov	Father+Brother+Daughter+Son-in-law+	5.3 mld CZK	528 mil. CZK
8	Hruška	Son+other 2 families	8.0 mld. CZK	298 mil. CZK
9	Hopi	Father+Son+Son	9.7 mld. CZK	279 mil. CZK
10	Promet Czech	Father+Wife+Son+Daughter	4.6 mld. CZK	441 mil. CZK

Source: Mašek *et al.*, 2015.

is the Flosman firm which is managed by Marcela and Pavel Flosmans, the establishers, together with their five children (Mašek *et al.*, 2015). This family business is considered as the biggest one as to the manifold composition of family members. They all together are running the premises including the wholesales and 346 retail stores under the brands of Flosman and Potraviny CZ. All the said statistics show that the establishers, rather tightening their business positions, are in no hurry to retire. This issue can have several causes: a lack of decent business receivers; a difficulty in choosing a successor; the heirs are not ready to ascend the throne or, they have not enough experience and skill (Mašek *et al.*, 2015).

Thereby it can be accounted that the approximate average of family business could be presented as firms, where family ties are represented by one father-establisher, 1.1 of sons and 0.3 of daughters, and where the revenue equals to 3.53 mld. CZK, the EBITDA equals to 225 mil. CZK and the margin is equal to 6.3% (Mašek *et al.*, 2015).

3. Definition of Family Business

Foreign sources, mainly those of Switzerland, Germany, Austria and Spain, were used during the search process of definitions and evaluations of the family business. This type of business is very developed in those countries and, furthermore, it has a long tradition there. However, most of these family business' definitions are based on the measurement of the so-called "rigid categories", *i.e.*, it is usually determined by the representation of family members in statutory bodies in proportion to the authorized capital of family enterprises. The same definitions may be applied for defining of the family business in the Czech Republic, as here, there are also legal entities with the authorized capital. And what about the individuals or tradesmen, for instance the winemakers employing family members, where the firm is strongly connected with family and has all attributes of the family business? Should those companies not to be qualified as the family business enterprises? So, it is necessary to do an operation which is almost not distinguished in the Czech environment, namely to separate the ownership from power. This is very important for both the definition of an individual family business and the successful management succession. Here, we can see just a few of the many "pitfalls" in defining of the family business (Wilson, 2011).

The most plausible foreign definition of family business is that one by Arquera 1979. This definition can be interpreted as follows: „The family business

is that one being in hands of a group of people in a family relationship“ (Arquera, 1979). This definition even allows an including of investigation focused on small / micro-sized family business enterprises, where the individuals in the Czech Republic are cooperating with family members. In this case, however, it is necessary to examine the type of family ties. On the basis of the authors' experience and previous research, it is possible to define three main family ties within the family business enterprises in the Czech Republic (Koráb, 2012; Petlina, Koráb, 2015):

- 1) Husband versus wife.
- 2) Mother or father, or both parents versus one or several children.
- 3) Both parents or one of them versus a child or more children or, a relationship to grandparent(s).

Contrary to the research expectations, the family ties "sibling versus sibling" were statistically not significantly represented, when taking into account the relationships to the distant family members.

On the basis of reviews regarding the family business definitions and taking into account the conditions in the Czech Republic under including the authors' experience, the definition of family business may be determined as follows: „Family business is a company owned and controlled by the family or selected members thereof on the assumption that the company will be handed over to the next generation in future“. According to the Civil Code of the Czech Republic (Občanský zákoník České republiky, 2014), the family business is considered as an establishment, where the spouses, or at least one of them, are working together and where the other relatives up to the third degree or those related to husbands and connected via brothers-in-law up to the second stage are working, and where some of those people are the owners of such establishment (Tagiuri, Davis, 1996). Those of them who are constantly working for the family or family business are viewed as family members involved in the family business operation.

The Czech legislation has no an explicit definition for the family. The main attribute of a family definition is the wedlock. Therefore, the authors have tried to define the family as „a group of people bound to each other not only by wedlock but also by sharing the common way of life“.

4. Difficulties Faced By Family Business Enterprises

When trying to define the difficulties encountered within the family business, we must at first penetrate deep into the essence of the whole problem. It me-

ans, it is firstly necessary to focus our interest on a detailed analysis of how the individual components interact with contribution to the own existence. When looking at this problem from the perspective point of view, we will find out that there are two systems colliding in the family business, namely the system of family and the one of the firm. Those two systems are very tightly connected with each other. They are, so to say, tied by an umbilical cord. Each of those different systems is based on a varied foundation. The integral parts of those systems are their own objectives, priorities and expectations. Thus, if two different systems are connected in this way, it is clear that a conflict zone occurs. This scheme of two systems can be further extended and complemented by the element of ownership. This scheme shows interdependence between three systems: family, ownership and management (Tagiuri, Davis, 1992).

The strengths and weaknesses of the Czech family business are not much different from those of family business in the Western economies (Tagiuri, Davis, 1992).

4.1 Strengths of Family Business

The strengths of family business which may increase the competitiveness, follows from its own essence (Pistrui, Welsch and Wintermantel, 2000; Koráb, 2012). Those strengths are: a) A mutual agreement between the individuals sharing common interests arising among family members working in the family business on one hand and interests of owners on the other; b) Commitment leading to the fact that all family members striving to achieve a mutual benefit are ready to submit themselves to the given demands under the certain personal sacrifices. A family considers the business as its „own“ creation; c) Flexibility regarding the work, time and money: a family enterprise can devote all its time that is necessary for a successful company development; d) Long-term plans allowing to reduce the risks and making it easier to cope with unforeseen circumstances. Family business enterprises tend to planning of long-term visions; e) Stable corporate culture: the corporate culture of family business is still compared with other non-family companies. Managers are holding the office for a relatively long time being intrinsically involved in the business success. This also applies to non-family managers; f) Speed in decision-making: certain powers of family members are clearly defined. This is a typical feature for family business considered as a great advantage; g) Pride and confidence: a strong foundation and commitment of family members within the family business are evident in the relationship to clients; h)

Efficiency: the family business is able to effectively and successfully utilize the resources being at its disposal (Tagiuri, Davis, 1996; Koráb *et al.*, 1998).

4.2 Weaknesses of Family Businesses

There is a tight link between the phenomenon of weaknesses and strengths of the family business. The weaknesses of family business are as follows: a) Strong ties within a family: a decision-making within the family business is usually fast, but the family ties make the family business more conservative in relation to the risks (Hodgetts, Kuratko, 1992); b) Reluctance to external sources of financing: a strong responsibility to the family can be the reason of reluctance to external financial sources. Consequently, the family business enterprises use to have a motto: “I will buy only under supposition of earning.” This can be compared with mistrust in return on equity in non-family business companies; c) Necessity of high-quality communication channels functioning between the family and family business: It can be claimed that one of the key to succession will be a communication between the company and family; d) High potential for conflicts: Various conflicts may occur within the family business, such as those between generations or founder(s) and successor(s), interfamily conflicts, those between siblings, family and employees, family and managers, no family employees, conflicts connected with professionalization of the family business, conflicts between non-family manager and family employees; e) Reduced ability to respond to global opportunities: family business enterprises belong to the category of lower-sized (local) enterprises rather than to the global ones (Kets de Vries, 1996; Levinson, 1971; Fock *et al.*; 1998).

4.3 SWOT Analysis of Family Business

On the basis of analyses and previous research performed by the authors (inclusively the interviews of family business representatives), there was compiled a final SWOT analysis identifying the strengths and weaknesses of family business enterprises including various internal factors and opportunities as well as threats based on external factors (Neuber *et al.*, 1998). Those analyses resulted in Table 5 showing the strengths and weaknesses together with opportunities and threats in comparison with non-family business enterprises. Each aspect has a rating and weight assigned. The strengths and opportunities were evaluated by using of a positive scale from 1 to 5, where the 5 means the highest rating and the 1 represents a value of the lowest importance. As to the weaknesses and threats, there was used a ne-

Table 5. SWOT Analysis of Family Business Summary.

SWOT analysis							
STRENGTHS	Weight	Rating		WEAKNESSES	Weight	Rating	
<i>Mutual agreement between the individuals</i>	0.03	4	0.12	<i>Strong ties in the family</i>	0.19	-3	-0.57
<i>Commitment</i>	0.14	5	0.7	Shortage of skilled labor in the family	0.051	-1	-0.051
Typical knowledge for own activities (family secret technologies)	0.054	5	0.27	Existent or ineffective motivate system	0.021	-1	-0.021
<i>Flexibility regarding the work, time and money</i>	0.21	5	1.05	<i>Necessity of high-quality channels of communication between the family and family business</i>	0.065	-3	-0.195
<i>Long-term plan</i>	0.045	4	0.18	<i>Absence/difficulty of choosing a successor</i>	0.23	-2	-0.46
<i>Stable corporate culture</i>	0.021	3	0.063	Consolidation of ownership structure	0.01	-2	-0.02
<i>Speed in decision-making</i>	0.04	4	0.16	Problem of double and unclear roles in the family and family business	0.02	-1	-0.02
Teamwork	0.03	4	0.12	Tendency of authoritarianism among the older generation	0.21	-3	-0.63
<i>Pride and confidence</i>	0.23	5	1.15	Lack of own funds for further development	0.02	-4	-0.08
Productivity (intensity of capital per employee)	0.03	5	0.15	Complexity of the production renovation	0.005	-5	-0.025
<i>Efficiency (using of resources at the own disposal)</i>	0.09	4	0.36	Resistance to change employees	0.01	-1	-0.01
Socially responsible behavior	0.02	3	0.06	Neglect of systematic management of marketing and sales	0.007	-2	0.014
Optimistic attitude to the problems of firm	0.03	4	0.12	Distrust in business advice by a consultancy agency	0.001	-2	-0.002
Using of internal financing	0.03	4	0.12	Owner's lack of business and managerial skill	0.002	-2	-0.004
				<i>Struggle to cope high stress load</i>	0.001	-3	-0.003
				<i>Reduced ability to respond to global opportunities</i>	0.09	-2	-0.18
				<i>High potential for conflicts</i>	0.04	-3	-0.12
				<i>Reluctance to external sources of financing</i>	0.045	-2	-0.09
Total	1		4.473	Total	1		-2.495
OPPORTUNITIES				THREATS			
Proximity of local markets	0.21	5	1.05	Lack of market information	0.11	-3	-0.33
Creation of jobs	0.16	3	0.48	<i>Obstacle to obtaining external investor</i>	0.27	-4	-1.08
Focus on quality	0.22	5	0.66	Strained relations between the company and local community (envy etc.)	0.4	-2	-0.8
High customer confidence in the product/service of family business	0.2	5	1	Lack of local resources	0.2	-3	-0.6
Tax benefits in certain sectors of the economy (agriculture ect.)	0.11	1	0.11	<i>Low competitiveness against corporations (price, advertising etc.)</i>	0.33	-5	-1.65
Benefits for lending in certain sectors of the economy	0.1	2	0.2	Greening of obsolete operation means requiring costly investments	0.14	-4	-0.56
Total	1		3.5	Total	1		-5.02
Internal factors	1.978						
External factors	-1.52						
Total	0.45						

Source: Author's own study.

gative scale from -1 (lowest dissatisfaction) to -5 (highest dissatisfaction).

Then, there was rated / assessed each item of the analysis. The rating is 5 means the authors' satisfaction with the item and it is not necessary to change anything. The rating 1, on the other hand, means the opposite, *i.e.* the item has to be considered and improved. There was also assigned the weight or importance to each item of the SWOT analysis within the given categories of strengths, weaknesses, opportunities and threats. The sum of weights in the category must be equal to 1. Then higher is the number, then greater the importance of the item in the category.

Then, the weight of each item was multiplied by the rating and the values for each category were summed up. The so calculated values for each category were aggregated to give the internal part (strengths and weaknesses) and the external part (opportunities and threats) of the SWOT analysis. Then, the final balance was calculated to identify the opportunities for improvement or focus. If the resulting value is 0, it is necessary to work on improvements. In case of a negative result, it is necessary to consider seriously the reasons. In case of a positive result, following scheme applies: the higher outcome, the better situation of family business sector in the market.

The total result of the SWOT analysis (0.45) is quite positive but there are still items in the analysis which can be improved. This regards the items with high weight but lower satisfaction, marked in italic in the table. Coincidentally, those items relate to basic features and they can be processed in the proposal part.

The carried out analyses suggest that the family business as an economic phenomena is healthy, economically stable and in the phase of growth. The family business has a number of strengths and there are many opportunities providing a potential for further growth. The great asset of family business is the team of long-term-employed family members with knowledge and experience in the given field and the efforts to keep family traditions of high-quality production or service. The family business has always focused on meeting of customers' needs. It is reflected in the flexibility in work, time and money of family members as employees, and also the pride and confidence in the own business and its outputs. The result thereof is recognition and confidence in the family business products by local customers.

The weaknesses of family business can be divided into internal and external parts. Internal pressures emanate from the very nature of these institutions (Frank *et al.*, 2011). As it can be seen from the Table

4 above, the major internal pressures are divided into the emotional and managing parts. The course thereof is "engagement" of family in the business system. The emotional problems can paralyze all the fields of business spoiling the interpenetration between the family / enterprise systems. Thereby the main weaknesses of family business are considered to exist and the family business has no direct influence thereon, although sometimes, it may be controlled indirectly. Such weaknesses do negatively affect the competitive position in the business market. In this context, we can mention three main areas of weaknesses (Table 5): public opinion attitude, investment institutions and fiscal matters. Another challenge for family business is its growth (Friedman *et al.*, 1991). The authors of this paper are convinced that an important instrument for family business lies in overcoming of such obstacles by means of quality education, counseling and research in this area (Sorenson, 1999).

5. Prospects for Development of Family Business Enterprises in the Czech Republic

In accordance with statement by the European Economic and Social Committee 2015, the family business in Europe was defined as a resource of future growth and better working places (European Economic and Social Committee, 2015). The family business has better ability to survive various difficult periods of recession and stagnation and it is also able to withstand and to operate for a long time, because, in contrast to others, the family business bases on the sense of responsibility for a good name of business.

It can be said that family business enterprises are not so much visible in the mass media now, but despite thereof they are driving motors of many national economies. What future they have today? It is assumed that the position of family business will remain at least the same in future. Even in the Czech Republic, we can expect further significant strengthening of family business enterprises position in the market and we believe in alignment with other market economies within the next ten or fifteen years. On the other hand, it should be noted that this forecast assumes an ability of the family business enterprises to cope with many competitive pressures, globalization and the coming wave of intergenerational transmission. A necessary step is to make the family business enterprises more professional with high-quality implementation of strategic

management and finding of the right balance between the tradition and innovation (Sorenson, 1999; Leach and Harvey-Jones, 1994).

Conclusion

A limitation of the current study was the small number of respondents who were interviewed for confirmation of the research results regarding the strengths and weaknesses of family business in the Czech Republic. A further research is supposed to check the obtained results through consultations with a larger number of family business representatives.

The main results of research should include the issue of widespread family business reflected in modern economic markets. Independently, the issue of family business is taught at many universities and includes many targeted research programs. The family business represents more than 60% of all-sized enterprises in Europe and offers 40 or 50 % of all the working places. In the vast majority of economics, the largest share belongs to small, micro- or medium-sized enterprises, therefore the majority of family business enterprises belongs to this sector. It can be argued that the family business is a cornerstone of many national economies all over the world, inclusively the Czech Republic. In this country, there were defined the three main family ties within the family business: 1/ husband versus wife; 2/ mother or father or both parents versus one or more children; 3/ two parents or one of them and one child or more children versus grandparent(s) (Petlina, Koráb, 2015). On the basis of those facts and with respect to analyses of foreign publications in this area, as well as under the consideration of national laws, a definition of the family as „a group of people bound to each other not only by wedlock but also by sharing the common way of life“, was created (Koráb *et al.*, 2008).

From the total number of active Czech business entities, the small and medium-sized enterprises amounted to 99.84% (Ministerstvo průmyslu a obchodu, 2011). According to Eurostat, the statistical indicators and Czech Statistical Office (CSO), small and medium-sized enterprises create an important part of the modern economy. Thanks to them, competition on the market increases and thus prevents the formation of monopolies. Also the SMEs are able to adapt themselves better to the turbulent market environment and to utilize more efficiently the scarce resources of raw materials and energy (Kotlářová, 2011). As reported by some expert estimates, a large number of SMEs (especially the small and

micro-sized ones) are family companies. Actually, the situation in Czech family SMEs is relatively positive in comparison with non-family business. This may result from the fact that less than 50% of Czech family SMEs expect an increase in revenues, whereas one tenth of the Czech family SMEs expects a decline in revenues. Despite of this, two-thirds of Czech family SMEs plan to pass on the baton to the next generation. A half of them is in succession process, but this may take rather a long time (Kotlářová, 2011).

For the analysis of big Czech family companies, it was decided to use the rating of the most successful family firms in the Czech Republic, as evaluated by the Forbes.cz journal (Mašek *et al.*, 2015). The main criteria were: at least two generations in business and clear financial data for the last 3 years. Therefore 65 of family firms were included as the result of research. It was interesting to ascertain that 60% of father-establishers in those firms are holding the business and they are in no hurry to retire (Mašek *et al.*, 2015). In 16% of the cases, the next generation manages the family business and 24% are in the succession process. This research has shown an approximate average of family business which may be presented as firms, where family ties are represented by one father-establisher, 1.1 of sons and 0.3 of daughters, and where the revenue equals to 3.53 mld. CZK, the EBITDA equals to 225 mill. CZK and the margin is equal to 6.3% (Mašek *et al.*, 2015). In addition, it was proved that the Czech family business is actively cooperating with foreign companies, when supplying products for export and operating in foreign markets. A good example herefor is the Synot Holding ranking the second position in the rating (Mašek *et al.*, 2015). This company operates in 13 countries in the world (especially expanding in the Balkans) and simultaneously, it is the biggest hazard company in the Czech Republic. Another evidence of the fact that the Czech family business is strong enough to face the international competitiveness is that hardly any country can compete with Coca-Cola or Pepsi soft drinks like the Kofola succeeds it in the Czech Republic. This alternative licorice product of Kofola exists since 1960 and the manufacturer is not slaking in further development focused on still new innovative products (Mašek *et al.*, 2015).

Hence, we can see that the family business is a motor of the national economy in the Czech Republic and, so to say a potential tool of the economic development enhancing the competitiveness on the world market.

For better understanding of the family business phenomenon it was necessary to dismantle the

strengths and weaknesses and then to make assumptions about the future development of this business type. For that purpose the SWOT analysis was used. The result of that analysis is a great amount of benefits which can rise the competitiveness. The strengths facilitate certain situations in the family business at the time when being forced to respond to problems (Hanzelková, 2004). The weaknesses of family business, however, represent the problems to be removed. The main strengths of family business are defined as mutual agreement between the family members; commitment; flexibility in work, time and money; the long-term working plan; stable business culture; the speed of decision-making; pride and confidence; effectiveness (Sorenson, 1999). It was also found out that the main weaknesses of family business are the strong family ties; the necessity of high-quality channels of communication within the family and family business; reluctance to external sources of financing; the high potential for conflicts; the reduced ability to respond to global opportunities (Levinson, 1971). The main contribution of family businesses is their long-term perspective, specific values that shape their unique corporate culture

References

- Arquer, J. (1979). *La empresa familiar*. Navarra, NC: Ediciones Universidad de Navarra S.A.
- European Commission (2009). *Overview of Family-Business-Relevant Issues: Research, Networks, Policy Measures and Existing Studies: Final Report of the Expert Group*. 175 pp. Retrieved from: http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/family-business/family_business_expert_group_report_en.pdf.
- European Economic and Social Committee (2015). *Rodinné podniky v Evropě jako zdroj budoucího růstu a lepších pracovních míst*. 9 pp. Retrieved from: <http://www.eesc.europa.eu>.
- Fock, S., Wessel, S., Hardwick, J. (1998). The Impact of Family Conflicts on the Development of the Chinese Entrepreneurially Managed Family Business: The Yeo Hiap Seng Case in Singapore. *Journal of Small Business*, 19(1), pp. 1–19.
- Frank, H., Kessler, A., Nosé, L., Suchy, D., McKee, D., Madden, T., Eddleston, K. (2011). Conflicts in family firms: state of the art and perspectives for future research. *Journal of Family Business Management*, 1(2), pp. 514–528.
- Friedman, S., Dunn, J., Cicirelli, V., Weisner, T. (1991). Sibling Relationships and Intergenerational Succession in Family Firms. *Family Business Review*, 4(1), pp. 11–25.
- and involvement in local communities (European Economic and Social Committee, 2015).
- Thereby, to solve those problems and potential threats, it is purposeful to make the small and medium-sized family business enterprises more professional by means of high quality education for family members and the potential receivers of business, quality implementation of strategic management and finding of the right balance between the tradition of family business and innovation that is necessary for progressive development and competitiveness. Moreover, the counseling and research in this area will help the family business to make constructive analyses of problems and search for possible solutions. Summing up, it is a real fact that the family business is no phenomenon of the present time. It was, is and will always be here as a backbone of the Czech economy.

Acknowledgements

This paper was supported by Project “Výzvy managementu: teorie a praxe” [nr. FP-S-15-2627].

- Leach, P., Harvey-Jones, F. (1994). *The Stoy Hayward Guide To The Family Business*. 2nd ed. London, GB: Stoy Hayward.
- Levinson, H. (1971). Conflicts that lague the family business. *Harvard Business Review*, 49, pp. 90–98.
- Mašek, J., Nadoba, J., Krajičková, Y., Mareš, M. (2015). *Forbes*. 2015(05), pp. 154.
- Neuber, F., Lank, A., Shanker, M., Astrachan, J. (1998). Family business. *IFERA*. Retrieved from: www.ifera.org.
- Občanský zákoník České republiky (2014). *Zdánlivé manželství a neplatnost manželství. Rodinný závod*. (Act No. 89/2012 Sb., §§ 700–707). Retrieved from: <http://www.czechlegislation.com/89-2012-sb>.
- Owens, R. (1994). The state of family business in various countries around the world. *F.B.N Newsletter*, 9, pp. 3–7.
- Petlina, A., Koráb, V. (2015). *The Structure of Family Ties within the Family Wine Trading Business in the Czech Republic. Enometrics XXII, Peer-Reviewed Conference Proceedings*. 1. Brno: 2015. pp. 52–58.
- Pistruí, D., Welsch, H. P., Wintermantel, O., Liao, J., Pohl, H. (2000). Entrepreneurial orientation and family forces in the New Germany: Similarities and Differences Between East and West German entrepreneurs. *Family Business Review*, 13(3), pp. 251–263.
- Situace rodinných firem (2014). *Výsledky průzkumu č. 26 AMSP ČR*, 4 pp. Retrieved from: http://www.amspace.cz/uploads/Pruzkumy/Vysledky_26_pruzkumu_AMSP_CR.pdf.
- Sorenson, R. (1999). Conflict Management Strategies Used in Successful Family Businesses. *Family Business Review*, 12(2), pp. 133–146.
- Tagiuri, R., Davis, J. (1992). On the goals of successful family companies. *Family Business Review*, 5(1), pp. 43–62.
- Tagiuri, R., Davis, J. (1996). Bivalent attributes of the family firm. *Family Business Review*, 9(2), pp. 199–209.
- Ministerstvo průmyslu a obchodu (2011). *Zpráva o vývoji malého a středního podnikání a jeho podpoře v roce 2010*. Retrieved from: <http://www.mpo.cz/dokument90013.html>.
- Wilson, M. (2011). Five Characteristics of an Entrepreneurial Family Business. *Tandem Partners*. Retrieved from: <http://www.tandem-partners.com/five-characteristics-of-an-entrepreneurial-family-business/>.

Received: 8. 9. 2015

Reviewed: 20. 9. 2015

Accepted: 22. 9. 2015

Mgr. Anastasia Petlina

Brno University of Technology
Faculty of Business and Management
Department of Management
Kolejní 2906/4, 612 00 Brno
Czech Republic
Tel.: +420 54114 2762
E-mail: Petlina@fbm.vutbr.cz

Prof. Ing. Vojtěch Koráb, Dr., MBA

Brno University of Technology
Faculty of Business and Management
Department of Management
Kolejní 2906/4, 612 00 Brno
Czech Republic
Tel.: +420 54114 2704
E-mail: Korab@fbm.vutbr.cz