

Family Relationships and its Influence on Family Wine Firms in the Czech Republic

Anastasia Murinova

Abstract

Purpose of the article: There are many a studies by universities and various companies regarding the phenomenon of family business. However, a clear interpretation of the family business does not exist. Thus, the purpose of this paper is clarify the question of family relationships existing within the family business in the Czech Republic.

Methodology/methods: As the wine family business is a bright representative of the oldest and traditional economic activities, it was decided to analyze the family relationships of 108 representatives of the wine family firms in the Czech Republic within the secondary research. For primary research the case study method was used. Representatives of wine family firms were interviewed to confirm the obtained results and add the details.

Scientific aim: The aim of scientific research is to improve the understanding of family firm's base from the perspective of family relationships.

Findings: Coming out of the definition by Arquer (1979) and taking the applicable Civil Code of the Czech Republic into account, the author has created a definition regarding the family business to be transferred to the next generation. Accordingly, there were identified four dominant groups of family relationships within the wine trading family business. A representative interviewed among others has confirmed the existence of traditional wine trading family business saying that it is not only a mere marketing tool for the customer acquisition. Besides that, case studies make clear beyond the veil the influence of family relationships on the firm's performance.

Conclusions: This study has contributed to the theoretical body of family business research providing an important first step to gaining insights into the understanding of family relationships of the family business influencing its effective functioning.

Keywords: family business, wine, wine firm, family relationships, management, succession

JEL Classification: D10, M50, R10

Introduction

It is worth mentioning that development of the family business theory and the theoretical researches devoted to definitions of family business are gaining a momentum. However, there are some key tendencies. For example, the results which were received in development of family business theoretical definition are significant. Besides that, the theoretical researches shed some light on how the family business can differ from the non-family one. Thereby, following questions are considered now: why the family business exists, what factors do it more or less successful in survival, growth, and creation of long-term economic values (González-Cruz, Cruz-Ros, 2016).

The real wealth of any nation consists of the developed sector of small and medium-sized firms, as evidenced by the experience of American, Asian and European countries. Unfortunately, the Czech Republic pays little attention to family business. The family business covers a wide range of companies in various sectors, ranging from individual entrepreneurs to big international companies and includes more than 60% of all European firms (Mandl, 2008). It is an interesting fact that the oldest companies in the world are family business firms, such as the Japanese construction company „Kongo Gumi“ which was founded in 578. The following families have more than 1,000 years' history of successful working in the family business: Hoshi Japan (hospitality), Marinelli family in Italy (casting of church bells) or Gulen de France family (wine trading). The modern European family business has foundations in all business sectors such as food production, trade, restaurants and hotels, construction and financial services (Karhu, 2015).

The definition of research object is the fundamental requirement for an advance in any area. Besides that, as it was previously noted, the theoretical definition of family business

has to begin with a question, what the family business is. The special literature shows that no unified definition exists for “family business” which is exclusively applied to all areas. This fact suggests that the debate on this topic is not exhausted (Zahra, 2016). For the understanding of this concept, it is necessary to display a determination and structure of family business relationships (European Commission, 2009).

1. Methodology and data collecting

The purpose of research is to define the family relationships within wine firms. The object of research was focused on the family wine firms in the Czech Republic, in particular in the region of South Moravia as an economical phenomenon. The subject of research was based on family relationships within the selected families as representatives of the family wine firms in the Czech Republic.

The article was prepared on the basis of general theoretical and empirical scientific methods, in particular analysis, synthesis, analogies, inductions, statistic, and graphical methods. For primary research we used a case studies to confirm the existence of family business, to define the structure of family relationships. The case studies were also necessary to find out whether the “family business” indication is used as a marketing tool for customer acquisition or not. For this we conducted the interviews with a representatives of the family wine firms.

To achieve the purpose of research, it was necessary to concern the different statistical data. The base of secondary research was expansion of previous research conducted in 2015 (Petlina, Korab, 2015). On the basis of information presented in the book “Wineries and Wine of the Czech Republic 2011”, 108 wine trading firms (having declared to be the representatives of family business) were analyzed in the Czech Republic, whereas most of them were residing in the South Moravia

(Wineries and Wine of the Czech Republic, 2011). The data were selected in accordance with reference to the text of family relationships inside the family wine trading business. Respectively, there were recorded 19 cases of family relationships within the family wine trading business in the Czech Republic, resp. in the South Moravia, see the pattern below.

1) Brothers; 2) Cousins; 3) Brothers + Granddaughters; 4) Spouses; 5) Father + Daughter; 6) Father + Posterity; 7) Father + Son; 8) Father + Son + Brother-in-law; 9) Father + Sons; 10) Grandfather + Son + Grandchild; 11) Parents + Posterity; 12) Parents + Son; 13) Parents + Son + Son-in-law; 14) Tradition for grandparents; 15) More than three generations; 16) Long-standing tradition (40+); 17) Help from family; 18) Founder with father-in-law; 19) Son-in-law + Father-in-law.

2 Scrutiny over family business in the Czech Republic

It is worth to noting that development of the family business theory and the theoretical researches devoted to definitions of family business are gaining an impulse. However, there are some key tendencies. For example, the results which were received in development of family business theoretical definition are considerable. Besides that, the theoretical researches shed some light on how the family business can differ from the non-family one. Thereby, following questions are consi-

dered now: why the family business exists, what factors do it more or less successful in survival, growth, and creation of long-term economic values (Debicki *et al.*, 2009). The definition of research object is the fundamental requirement for an advance in any area. Besides that, as it was previously noted, the theoretical definition of family business has to begin with a question, what the family business is.

The literature review shows that no unified definition exists for “family business” which is exclusively applied to all areas. This fact suggests that the debate on this topic is not exhausted.

To gain a clear picture of the family relationships structure within the family wine trading business in the Czech Republic, we must first penetrate deep into its essence. That means, we have to first focus ourselves on a detailed analysis of how the family relationships do interact with individual components contributing to the existence of this structure. If we look at this problem from the perspective point of view, we will find two systems in the family business layering at each other: the system of family and the one of firm, see the “Model of two circles”, Figure 1 (Mandl, 2008). An integral part of those worlds are the objectives, priorities and expectations of their own. The family world is characterized by a strong emotional aspect; the corporate world requires rationality and results.

Families are the cornerstones of human communities (Hodgets, Kuratko, 1992). They are of different sizes, but they often

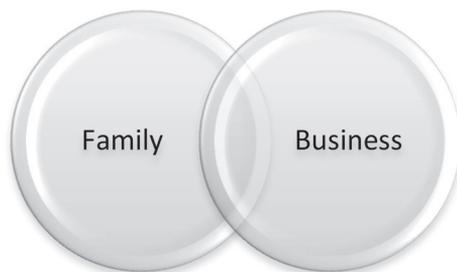


Figure 1. The Two-Circle Model of Family Business. Source: Mandl, 2008.

have rigid internal relations as a common feature. It is known that family business is a traditional method of business in the private sector. The goal of family firms is not to get rich as fast as possible, but rather to build something that will last and provide sustenance not only to the present generation but also to those of future. There is a great difference between the family and non-family business. It can be especially seen in the wine trading business. Family traditions and the maintenance thereof are a keystone of the effective work in the wine trading business. The family business as a specific model of business management has much strengths and also a lot of pitfalls (Wilson, 2011). Many family members can work in the family business, but the existing family relationships play a major role in the development of a family firm (Novotný, 2007).

According to the Civil Code of the Czech Republic (“Apparent Marriage and Invalidity of Marriage, Family Enterprise 2014”), the family business is considered as an establishment, where 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. Those of them who are constantly working for the family or family business are viewed as family members involved in the operation of family business. Consequently, it was decided to deal only with the first thirteen cases of family relationships in the research, because the other six cases did not correspond to the definition of family business in the Czech Republic.

The most probable foreign definition of the family business is that one by Arquer in 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“ (Arquer, 1979). This definition even allows an including of investigation focused on small-/micro-sized family business

firms, where the individuals in the Czech Republic are cooperating with family members.

Based on 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“ (Hanzelková, 2004). In this case, however, it is necessary to examine the types of family relationships.

3. Obtained Results

Based on conditions mentioned above, it was found out that greater percentage of the statistical sampling has shown the seventh family situation within the family wine trading business in the Czech Republic (“Father + Sons”, 25%). The “Spouses” as the main managers of the family business ranked second; this kind of family relationships has got 20.2%. The third place is shared by the first and twelfth types of family relationships within the family wine firms or, there are situations, where managers of business are brothers and parents with a son relatively; those have got 11.9% each. The fourth position belongs to the type of family relationship, where the managing of family wine firms is shared by father and his sons. The rest of family relationships within the family wine firms have shown the values as follows: the family relationship “Grandfather + Son + Grandchild” has got 6% of the statistical sampling; the family relationship “Father + Posterity” has got 4.8%; the family relationship “Parents + Posterity” has got 3.6%; the family relationships “Brothers + Granddaughter”, “Cousins”, “Father + Daughter”, “Father + Son + Brother-in-law”, “Parents + Son + Son-in-law” have got each the same value equaling to 1.2% of the statistical sampling related to

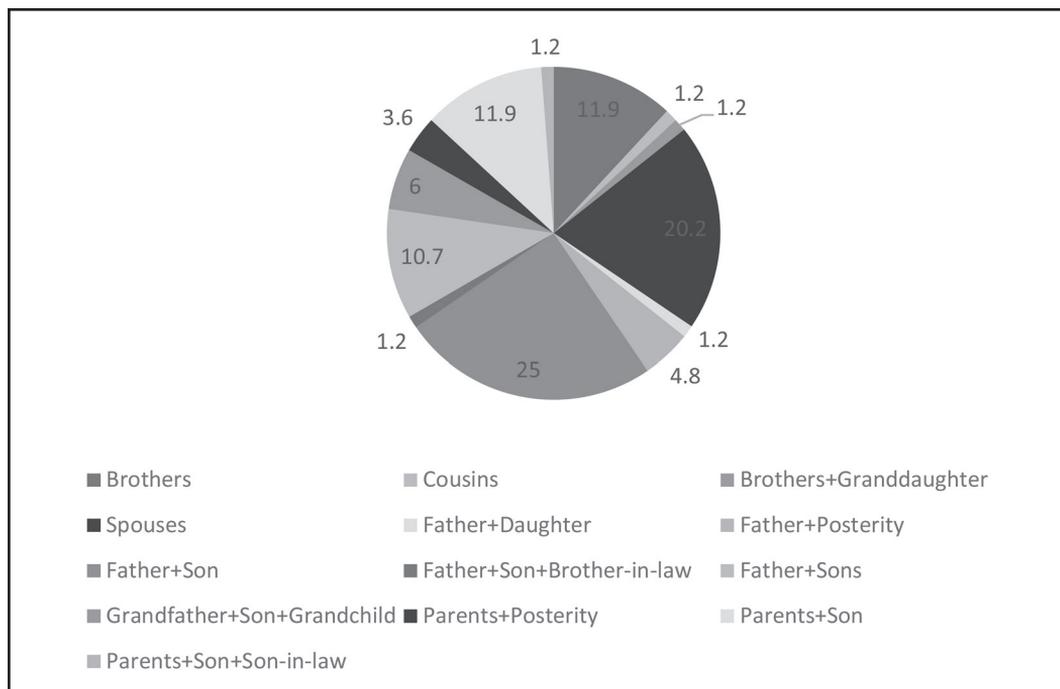


Figure 2. The Structure of Family Relationships within the Family Wine Firms in the Czech Republic.

Source: Own elaboration based on obtained data.

family relationships within the family wine firms.

All the values were rounded to the nearest tenths. For analysis the graphical analysis was used. Those highest cases (25% of the data) are as follows: “Brothers” (11.9%), “Parents + Son” (11.9%), “Spouses” (20.2%), “Father + Son” (25%) (see Figure 2).

It can be argued that the family business is a cornerstone of many national economies all over the world, inclusively the Czech Republic (Gallucci et al, 2015). In this country, the definition of family firm according to the local civil law and previous researches was detected as follows: “Family firm is a firm 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” (Koráb, 2012; Petlina, Koráb, 2015).

4. Discussions

On the basis of obtained results of research, it was decided to verify the received information by conducting the interviews with a representatives of the family wine trading business, where the “Parents and Son” family relationship had a dominant position.

Thereby, first interview confirmed that first respondent was the representative of family wine firm in the Czech Republic, region South Moravia, the village Viničné Šumice. He has reported to have run his business since 2003, but their family tradition of wine production and sale has already been supported by five generations. In the course of interview it was found out that managers of the firm are parents and their son. The owner of business is mother who is engaged in accounting and strategic planning, and in the

firm production too. The Father is then the main wine grower and cellar man. The son is in charge of marketing and communication with the exterior, graphic design and printing of labels and leaflets and he manages the projects of “Svatomartinské” (wine) and “Vinné želé” (wine jelly). During the intensive period of vintage and various actions, the whole family and many a close and distant relatives are helping with development of their family wine business.

The second interview was conducted with the representative of family wine firm in the Czech Republic, region South Moravia, the village Velké Pavlovice. That business was run since 2002, but the tradition of wine making is passed from generation to generation for at least 50 years. The respondent made some interesting note that his understanding of family business is based on family management of the business and wine cellar. He said that the family business must necessarily be received from the previous generation and be passed on to the next one. That means firms that proclaim themselves to be family firms in the first generation without transmission planning, such firms do not have the right to be called family from his point of view. The firm of respondent belongs to the one of the biggest pattern of wine family’s relationships in the Czech Republic, to “Parents + Son”. The respondent said that the firm’s owner is he and his parents (50/50). He and his father focus on manual work which requires manual strength. His mother works at the farm, and everyone (him, his father and mother, his girlfriend) simultaneously works in the vineyard. Although, the respondent mentioned about decision making process in their firm. The decision making gradually passes from his parents to him, it is also reflected in the creation of new ideas and their implementation in the business. The respondent notes the important role of family relationships on the firm’s performance. At the time when the company’s management passed partly to a respondent

(a representative of the younger generation), there was a change in their business. This concerns the successful division of roles and responsibilities in the firm, decision-making and implementation of various modern technologies in production and marketing. He also emphasizes that the wine business is based on the collaboration of several generations’ forces is stronger. In his opinion the pattern of wine family’s relationships which based on relationships between parents and son in play a more successful role the wine business. He explains this by the fact that this type of business requires „men’ power“, it is usually difficult for women to take part in vineries.

Thus, the interviews have confirmed that the family wine business exists and it is not only a mere marketing tool for customer acquisition.

5. Conclusion

This paper presenting the results of scientific research can be a base for the future investigation within the theme of family wine firms. One note should be said regarding the materials related to family relationships within the family business, where the mentioned member, the “Son”, has emphasized to prefer rather a family business in which a son or the sons are engaged. It can be the result of a phenomenon when the son is associated with the next generation and business succession.

In conclusion, the research has shown that there are dominant family relationships within the family wine firms in the Czech Republic, particularly in the South Moravia, in cases where the parents and son(s) do manage the family business. See also the family relationships within the family wine trading business: brothers; spouses; father and son. To confirm those conclusions, it is to be said that the interviews were conducted with dominant research group representatives of family relationships within the

family wine trading business in the Czech Republic. The interviews have confirmed the existence of family business having a long tradition in wine production and sale in the Czech Republic.

References

- Arquer, J. (1979). *La empresa familiar*. Ediciones Universidad de Navarra S.A., Navarra.
- Debicki, B. J., Matherne, C.F., Kellermanns, F. W., Chrisman, J. J. (2009). Family business research in the new millennium an overview of the who, the where, the what, and the why. [Online]. *Family Business Review*, 22(2), pp. 151–166.
- Wineries and Wine of the Czech Republic. (2011). Bratislava: DonauMedia.
- European Commission (2009). Overview of Family–Business–Relevant Issues: Research, Networks, Policy Measures and Existing Studies: Final Report of the Expert Group. [Online]. Retrieved from: <http://ec.europa.eu/firm/policies/sme/promoting-entrepreneurship/family-business/family_business_expert_group_report_en.pdf>.
- Gallucci, C., Santulli, R., Calabrò, A. (2015). Does family involvement foster or hinder firm performance? The missing role of family-based branding strategies [Online]. *Journal of Family Business Strategy*, 6(3), pp. 155–165. DOI: <https://doi.org/10.1016/j.jfbs.2015.07.003>.
- González-Cruz, T. F., Cruz-Ros, S. (2016). When does family involvement produce superior performance in SME family business? [Online]. *Journal of Business Research*, 69(4), pp. 1452–1457. DOI: <https://doi.org/10.1016/j.jbusres.2015.10.124>.
- Hanzelková, A., (2004). Re-Establishing Traditional Czech Family Businesses: a Multiple Case Study of the Present Challenges. University of Jyväskylä, Finland.
- Hodgets, M., Kuratko, F. (1992). *Effective Small Business Management*. 4th ed. Dryden Press, United States of America.
- Koráb, V. (2012). Determinants of Development and Patterns of Family-Owned Companies Behaviour in Rural Space [in Czech]. [Online]. *Aktuálne problémy podnikovej sféry*, pp. 229–234.
- Mandl, I. (2008). Overview of Family Business Relevant Issues, European Commission. [Online]. Retrieved from: <http://ec.europa.eu/firm/policies/sme/files/craft/family_business/doc/familybusiness_study_en.pdf>.
- Novotný, M. (2007). *Vinárstva a vína Slovenskej republiky*, Beroun: Newsletter Czech Republic.
- Petlina, A., Koráb, V. (2015). The Structure of Family Relationships within the Family Wine Trading Business in the Czech Republic. *Enometrics XXII, Peer-Reviewed Conference Proceedings*. 1. Brno. s. 52–58.
- Karhu, S. (2015). The parallels of family business research and cooperative studies [Online]. *Journal of Co-Operative Organization and Management*, 3(2), pp. 94–95. DOI: <https://doi.org/10.1016/j.jcom.2015.11.004>.
- Wilson, M. (2011). Five characteristics of an entrepreneurial family business. *Tandem Partners*. [Online]. Retrieved from: <<http://www.tandem-partners.com/five-characteristics-of-an-entrepreneurial-family-business/>>.
- Zahra, S. A. (2016). Developing theory-grounded family business research: Some suggestions [Online]. *Journal of Family Business Strategy*, 7(1), pp. 3–7. <https://doi.org/10.1016/j.jfbs.2015.10.004>.
- Apparent Marriage and Invalidity of Marriage, Family Enterprise [in Czech]. (2014). Civil Code of the Czech Republic. (Act No. 89/2012 Sb., §§ 700/707). [Online]. Retrieved from: <<http://www.czechlegislation.com/89-2012-sb>>.

Acknowledgment

This paper was supported by project No. FP-J-17-4154 “Innovation Management Performance of in SME”.

Received: 11. 8. 2017

Reviewed: 8. 9. 2017

Accepted: 5. 10. 2017

Mgr. Anastasia Murínová

Brno university of Technology
Faculty of Business and Management

Department of management

Kolejní 2906/4. 612 00 Brno

Czech Republic

E-mail: Petlina@fbm.vutbr.cz