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ABSTRACT

The purpose of this research paper is to analyze the phenomenon of family businesses in the Czech Republic, including the past and current situation, and the important effects that family businesses have on the local Czech economy, as well as the EU as a whole. The history of the Czech Republic is a complex one, and the nature of communist rule in the nation hindered the growth of many sectors, family entrepreneurship included. Since 1989, there has been significant growth in this sector, which has resulted in the business landscape of the present day, with all of its current complexities and limitations, some of which include challenges this inquiry seeks to provide solutions to. Therefore, this paper will move into discussing how other countries have implemented family business policies, and how these policies compare to those of the Czech Republic. Following, will be a policy analysis portion to assess if any of these policies would ameliorate the domain of family enterprise in the Czech Republic.

FAMILY BUSINESSES, DEFINED

When one imagines the role of a family-run business, it can often be limited to imagining the mom-and-pop coffee shop that most people have experienced in their hometown, but family businesses can range from small shops to fortune-500 firms. Actually, family businesses make up a huge segment of the market, at around 80-90% of all firms worldwide (“The surprising stats,” n.d., para.1). This shocking statistic perfectly demonstrates the scope and breadth that family-run businesses have. A family-run business is defined on the web as a business that is owned by two or more family members, and the family maintains majority control and ownership over this business (Westen, 2018, para.1). One of the key issues that will be expanded upon further in this paper is the absence of a formal definition of what qualifies as a family business in European legislation, which includes the Czech Republic. Therefore, this definition is a general ‘working definition’ for the purpose of this comparative study rather than officially defining what they are for specific analysis. Different literature defines family entrepreneurship according to several variables. Some of these variables include the family’s percentage share of assets, amount of strategic control, involvement of generations of family members, or intention to remain family owned (Petrů & Havlíček, 2017). The “variety of definition[s] and criteria for determining a genuine family business” (Machová, 2018, p.49) causes large problems. Throughout researching different articles, many use dissimilar definitions of what qualifies as a family business. This inconsistency can lead to methodological problems, particularly when researchers are attempting to compare statistics on family businesses with other countries in the world, or within the European Union (Machová, 2018). Moreover, it is essential to gain a common and accepted definition of what a family firm is if the exchange and comparison of information is to be used accurately (Report on family businesses in Europe, 2009). The EU Commission found that as of 2009, there were over 90 different definitions of a family business in the EU (Report on family business in Europe, 2015). This is a significant, yet unnecessary amount of definitions that makes it extremely complicated to compare features within and between countries.

IMPACT OF FAMILY BUSINESSES ON THE ECONOMY

Family firms play an important role in economies in general, and very much so in Europe as well. They play an important role with impacts on regional and national economies; particularly contributing significantly to GDP due to their large presence. Odehnalová and Pirožek even go so far as to state that family businesses form the “backbone of [the] European economy” (2013). Referring to a 2015 KPMG study, over 14 million family firms provide over 60 million jobs, solely looking at the private sector (European family business trends, 2015, p. 3). The effect and proportion of family businesses throughout Europe varies from country to country, but they are certainly present in all sizes of business. For example, in France and Germany 40% of the 250 largest companies are family owned (European family business trends, 2015, p.3). The largest share of family businesses in the European Union (EU) is in Italy, where 95% of firms are family owned (Odehnalová & Pirožek, 2013); however, Spain, Austria, Italy, Germany, Switzerland, Norway, and the UK are typical EU countries with a high level of family business (Koráb & Petlina, 2015). For another specific example, the majority of the German economy is made up of small and medium sized firms called “German Mittelstand” which generate 52% of total economic output and employ 60% of employees in Germany (Basco & Bartkevičiūte, 2016). See Figure 1 for a useful chart that demonstrates the makeup of family vs non-family business in these regions.

There are certain characteristics that family businesses leverage in order to achieve great success. An important note on family businesses’ effect on the economy is the crucial role they can play in addressing financial and economic crisis, and ability to “revive” the economy (Report on family businesses in Europe, 2015, p.12). European family businesses demonstrate great business confidence and stable growth. During times of economic downturn, over half of family businesses interviewed expressed a positive outlook (European family business trends, 2015, p.4). Family businesses, by the nature of their culture and defining traits, have a better chance to survive recession and in the long-term, which is a main factor that makes them “driving motors of national economies” (Koráb & Petlina, 2015, p.1). Why is this? Some reasons for their superior ability to survive is that family firms are capable of quickly adapting and being nimble to environmental changes than their competitors. This allows them to maintain the flexibility that is vital for long-term survival. For family businesses, they do not see their future solely about survival, but they seek sustainable growth (European family business trends, 2015, p.4). Family businesses are more often perceived as stable and trustworthy, as well as being socially important especially for local communities (“The surprising stats,” n.d., para.2). This fact is confirmed in a study where the main advantage of family businesses was their flexibility (Breckova, 2016). PWC conducts an annual family business survey, and in their survey from 2018 which interviewed nearly 3,000 executives worldwide, it was stated that family businesses hold the competitive advantage of strong core values linked with a strong purpose that drives their operations in a way that non-family businesses often seek and cannot achieve to the same degree (“Global family business survey,” 2019, p.15). To summarize, the role and effect that family firms have is huge, and should not be overlooked.

HISTORY OF CZECHOSLOVAKIA AND TRANSITION TO CZECH REPUBLIC

In order to understand the current business climate, it is necessary to understand the complex history of the Czech economy. The history starts in 1918 when the independent Czechoslovak state was established, following the collapse of the Austro-Hungarian empire at the end of WWI (Martínek, 2010). At this time, the regions were named Slovakia, and Bohemia and Moravia (present-day Czech Republic). Additionally, during these times Slovakia was lagging behind the more developed regions of Bohemia and Moravia; however, the two regions were very closely related, especially under the realms of language, religion, and

culture (Martínek, 2010). By 1939 and continuing throughout the Second World War, the region of Czechoslovakia underwent a forced incorporation into Nazi Germany (Martínek, 2010). All of Bohemia and Moravia were controlled by Germany, and Slovakia was still dominated by Germany but they received a nominal autonomy, so experienced greater freedom (Martínek, 2010). Towards the end of WWII, the eventual liberalization of Czechoslovakia helped to boost the communist party. The Soviet Union was able to support the regions with the intention of cleverly maneuvering and staging a virtual coup in 1948 when a people's republic was formed (Martínek, 2010). From this year until 1990, Czechoslovakia was under a command economy as a part of the eastern bloc (Martínek, 2010). Throughout these years where Czechoslovakia was under communist rule, there were many defining historical events that took place. One of them was Prague Spring, which was a brief period of liberalization for the region including greater freedom of expression, rehabilitation for victims of political purges, a sweeping declaration for reform including more autonomy, and plans for democratization of the government (Prague Spring, 2018). This liberalized period came to an end in August 1968 when Soviet forces invaded Czechoslovakia and occupied it promptly. From the 1970s to the end of the 1980s, this region was actually one of the most successful and prosperous, but at the same time it was one of the most repressed regions in Eastern Europe. Similar to how Prague Spring came into effect, in 1989 there was a second wave of democratization that brought many very large demonstrations and protests in Prague demanding reform. Eventually, in 1990 free elections were held, which resulted in a non-communist government winning the majority (Czech Republic, 2018). This signified the end of communist rule in Czechoslovakia, and was coined the Velvet Revolution. As democracy had re-emerged, disagreements between the two halves (Czech Republic and Slovakia) of the united region also re-emerged, and separatism escalated promptly. Specifically, the Czech's preferred privatization and the Slovak's heavily resisted. Named the Velvet Divorce, shortly after the Czech and Slovak leaders discussed peaceful dissolution of the Czechoslovak federation and in 1993, two new countries – Czech Republic and Slovakia – were formed (Czechoslovakia, 2018). The independent country of Czech Republic experienced certain domestic troubles that were mitigated by acceptance into NATO and the EU. The Czech Republic applied for membership to the EU in 1996, and was accepted as a member in 2004 (Czech Republic, 2018).

HISTORY OF FAMILY BUSINESSES IN THE CZECH REPUBLIC

Breckova (2016) states that before 1938, family businesses flourished. A large reason was because during the post-revolutionary period it was more financially accessible for families to start a business, rather than individuals. Following this time, due to the history in the Czech Republic previously discussed, there was little attention paid to family businesses until 1989. Many family businesses were erased or disrupted completely during the war and communist period, and just began to be re-introduced after the Czech Republic was free from communist rule (Koráb & Petlina, 2015). A large number of current small and medium businesses throughout the Czech Republic also were only established after 1989. In fact, modern history of family businesses in the Czech Republic essentially restarted following 1989. At this time, democracy was being re-integrated into the economy and much of the Czech population was optimistic about the future and enthusiastic about starting new businesses or re-vitalizing old businesses (Petrů & Havlíček, 2017). Many family-run businesses that had been nationalized under communist rule were returned to the original owners, some were recovered, and others were opened brand new (Petrů & Havlíček, 2017). An example of such a family-run business in the Czech Republic is PETROF company and the Petrof family, who established business in 1864 and were the largest manufacturers of acoustic pianos and upright pianos in Europe (Petrů & Havlíček, 2017). Another example of a family business in the Czech Republic that is extremely popular is Kofola, which is a soft drink similar to Coca-Cola and is owned by the Samara family.

CURRENT SITUATION IN THE CZECH REPUBLIC

Although there are no formal and precise statistics about family businesses in the Czech Republic due to the lapse of a legislative definition of what qualifies as a family business, the small and medium Czech business sector comprises 99.84% of the total number of active Czech businesses (Koráb & Petlina, 2015). There is evidence that a very large number of small and medium enterprises are family companies. Family businesses have become a defining characteristic of the Czech economy due to the sheer number of family businesses, but also the position and potential they have in being able to withhold economic turmoil, and their large strength and development potential (Petrů & Havlíček, 2017). Petrů and Havlíček (2017) state that Czech family enterprises are specifically important for the development of the endogenous, or local growth of individual regions in the Czech Republic.

Czech family entrepreneurship history lagged behind when compared to other democratic economies, and this is because of the political history and turbulent changes in business environment (Breckova, 2016). Due to the history of many family businesses only starting up post-1989, currently most of the successful family businesses that have survived are on the verge of generational turnover (Petrů & Havlíček, 2017). This is where the successors, which are often children or other younger family members, take over the family business that their parents or elder family members created. Succession is inevitable in the lifecycle of any family business because of the nature of family businesses themselves. All primary owners will eventually pass away or decide to exit the ownership or managerial role; therefore, it is unavoidable to have a change in the ownership and control. Since the history of the independent Czech Republic is so limited, Czech family businesses do not have any historical record or experience with generational handovers (Petrů & Havlíček, 2017). A study by Petrů and Havlíček uses quantitative research to evaluate the generational representation of family businesses to analyze succession plans. For this specific study, a family business was defined as a business owned by one or multiple family members that have majority control over the business, and hold primary control and decision-making between these family members (Petrů & Havlíček, 2017). 650 questionnaires were distributed, and results found that 63.3% of family businesses are owned by the first generation. This number decreases to only 30.1% jointly owned by first- and second-generation family members, which are the top two categories of ownership (Petrů & Havlíček, 2017). These statistics confirm that due to the timing of the fall of communism, there are few companies that have successfully completed a generational turnover and most continue to be owned by the first generation. This is historically significant for the Czech economy, because this stage of transfer for family businesses is vital in the life cycles of the company if they are going to survive long-term. This trend is not specific to the Czech Republic; an article states that only 30% of family firms successfully pass on to the second generation, and this figure drops to 10-15% to third generation, and further to 3-5% for fourth generation handovers ("The surprising stats," n.d., para.4). Succession isn't like the passing of a baton. A successful family business develops its new owners over a period of mentoring, leadership training, and ongoing guidance.

Present day, the Czech Republic has the opportunity to become the eleventh country in the European Union to enact formal legislation regarding family businesses and their operations (Petrů, Havlíček & Tomášková, 2018). In January of 2018, the government started drafting up a bill to do with small and medium enterprises, which includes plans to create a formal definition of family business in the Czech Republic. One of the officials was quoted saying his "goal is to make family businesses... mainstream [and that] intergenerational responsibility transfer is the foundation of a stable economy and that maintaining a family business balances the influence of multinational companies..." (Petrů, Havlíček & Tomášková, 2018, p.139).

FAMILY BUSINESSES IN OTHER COUNTRIES

A recent article published by KPMG reveals recent legislative changes in the UK that affect family businesses in a positive way. In the UK, there were some changes and reforms to the tax system which result in family businesses having more tax relief ("UK tax regime," 2018). In general, the UK has one of the most favourable tax systems when it comes to tax rules for family businesses, and this is especially true when considering generational transfers ("UK tax regime," 2018). As stated in previous sections of this paper, companies undergo significant costs often when transferring ownership. What the tax reforms in the UK aim to do is offer tax breaks for family business owners that are transferring ownership. What this does is allows families to leave more wealth for the future business owners, which creates prosperity for these businesses and leaves their chances of future success greater. In turn, this creates a thriving family business sector which can contribute to a booming and vibrant economy. The UK inheritance tax system actually ranks above France, Spain, The Netherlands, and the United States in that they charge lower taxes when transferring ("UK tax regime," 2018). One of the main reasons that the UK is implementing this tax system is to create a more prosperous entrepreneurial sector in glooming times of Brexit to minimize negative effects and set the economy up in a more advantageous position ("UK tax regime," 2018). Setting up different policy and law changes, such as to the tax system, is an optimal way to help these sectors.

An interesting note about a personal experience encountered in Ireland was during a visit to Dublin. During a tour of the Guinness factory, it was revealed that in 1769 the first export of Guinness took place, and since then seven generations of the Guinness family have been at the heart of the company, making it a family-run, owned, and controlled enterprise (Siggins, 1997). If the Czech Republic had been home to the Guinness family business, over two and a half centuries of progress would not have played out the same way due to disruptions of free enterprise. For example, the free market in Ireland provided a framework for a competitive business, including policies and regulations that were not cultivated and ultimately illegal under communist rule.

Another example of a country that has posted legislation pertaining to family businesses in particular is Malta. Recently, a minister created the Family Business Act in Malta, which is the first country to create a specific family business act in Europe (Malta enacts family business legislation, n.d.). For some background information, 70% of Maltese businesses are family businesses, and the minister described Malta's family businesses as "its beating heart" (Malta enacts family business legislation, n.d., para.2). Due to the important role that family firms play in this economy, the government thought that family firms deserve government support. According to the minister, this legislation will support these firms through the successions, as only 30% of Maltese companies make it through. This framework includes laws that regulate investing and financing of the firms, and following this the firms will be eligible for different kinds of benefits such as grants. In addition to this, the act will be a legal framework for family firms to plan and receive guidance and consultation formally to assist with their business operations (Malta enacts family business legislation, n.d.). This legislation overall encourages family firms to operate effectively and succeed in the long-term.

COMPARISON

The Czech Republic has experienced a disruptive history, a dynamic not unique to this country. Many of the Eastern European regions also experienced this and as a result are not as developed as other non-Eastern European regions. The Eastern European countries analyzed were Estonia, Latvia, Lithuania,

Bulgaria, Poland, Romania, Czech Republic, Slovenia, Slovakia, Croatia, Serbia, Macedonia, and Kosovo; these are all countries that were under former communist rule, but are now independent regions (Güldenkoh & Silber, 2019). Güldenkoh and Silber's study compared the characteristics of Eastern European regions with several other regions. The comparative regions are Anglo (Australia, New Zealand, Canada, US, UK), Germanic (Germany, Netherlands, Austria, Switzerland), and Nordic (Finland, Sweden, Denmark, Norway, Iceland) clusters. This variety of regions was used to provide recommendations for family business development in the Eastern parts. Much of the family business research that has been conducted to date has been in Western countries (Güldenkoh & Silber, 2019). This study shows the diverse relationship that members of a family business have through the model of the three circles, which are management/business, ownership, and family (see Figure 4). The authors state that a member can be in any of the seven quadrants, and this is a contributing factor to what makes the categorization and relationship between members of a family business so complex (Güldenkoh & Silber, 2019). Using the three circles model to classify members will help specify the roles and break down interactions simply and transparently.

The GLOBE framework was used to understand the differences in cultural context between all of these different clusters. Some significant findings of this research is that Anglo clusters have the highest degree of boundary between family and business, Nordic clusters have the lowest, and Germanic clusters are somewhere in the middle (Güldenkoh & Silber, 2019). A few specific policy examples discovered are that in Poland, there are institutions that gather family business members in a platform to exchange experiences as a base for research (Güldenkoh & Silber, 2019, p.11). Similarly, Estonia has several organizations that have successfully made the generational transfer. In general, the public sector in Eastern European countries has greatly reduced the amount of administrative burdens on the private sector, in the form of tax breaks and electronic document submission for example, which has streamlined the business process for family businesses.

IMPACT OF EU SUPPORT

When analyzing the strategies and policies that the EU could implement as a whole, rather than country specific policy, once can see that even though family businesses play such a significant role in the European economy, for the most part they are omitted from public policy. An important factor to analyze regarding this topic is the use of European Union support funds towards the family business sector. An article published by Halasi, Schwarcz, Mura and Roháčiková (2019) evaluated the impact of EU support funds on family business enterprises mainly in Slovakia. Slovakia, similar to the Czech Republic and many other European countries, also lacks a formal definition and legal framework for family business governance. The two hypotheses that Halasi et al. analyzed is firstly if there is a significant relationship between subjective success of family businesses and active use of EU funds, and secondly if there is a significant relationship between the presence of a support system and consultation and success of a generational change (2019). It was found that hypothesis number one was accepted after statistical comparison and analysis, and hypothesis number two was recognized to have a relationship and impact, however it was not strong enough to be fully accepted (Halasi et al., 2019). The general findings confirmed that EU funds do seem to play an important role for family businesses. Some additional findings were that family businesses who had been supported by EU funding have developed faster and more steadily in the last three years than family businesses who had not received funding (Halasi et al., 2019). The primary take-away from this study is that external support and consultancy, as well as financial support, are very necessary for organizations and if these factors are present early in the business life cycle, they will bring success to the company. The Treaty of Lisbon that was developed in 2007 had the goal to make the

European Union the most competitive and dynamic economy in the world. With this goal, it brings a large responsibility to create a prosperous small and medium enterprise sector, seeing as this category of business is a main economic driver and needs support (Halasi et al., 2019). The EU has recognized this over the last several years, and has spent more than 450 million Euros on this initiative to create a booming small and medium enterprise sector (Halasi et al., 2019). The EU plans to continue this investment into this sector of the economy with European structural and investment funds.

Another article by Basco and Bartkevičiūte discusses the potential to integrate these subjects into the EU 2020 strategy. One of the main policies in the EU 2020 strategy is the cohesion policy, which closely supports entrepreneurship and small and medium enterprise growth, both which family firms fall under (Basco & Bartkevičiūte, 2016). The EU strategy needs to refine regional policy to accelerate changes in regional performance of this sector. Policies should be brought in that enhance the positive effects and minimize negative effects. Tailored policies are necessary according to different firms' requirements and needs. Figure 5 displays the variety of different types of family firms. For example, tax policies for a small café versus a large international firm with subsidiary branches will be different, and policy should reflect these individual needs (Basco & Bartkevičiūte, 2016). A specific example of tailored policy is in Italy. Italian family firms require face-to-face social interactions and relations for survival and success; therefore, public policy should promote "clustering strategies" that will increase collaboration, cooperation, and a social environment (Basco & Bartkevičiūte, 2016). Another primary concern of family firms that EU strategy can assist with is financing. Family firms are often more risk averse and want to keep control within the family more. In turn, this affects the sort of financing options that they will be more enthusiastic or reluctant to take part in. Public policy should make alternative funding sources available for these firms so that they are able to receive financing without giving up their control. An example of this is non-voting stocks, which were introduced in Norway and Spain (Basco & Bartkevičiūte, 2016). As an overview, research on family business up until recently has had a lot of gaps and has failed to explain thoroughly the effect that family businesses have on regional and economic growth, which explains the deficiency of public policy regarding these topics (Basco & Bartkevičiūte, 2016). Failing to integrate new policies currently will hinder the EU's diversity and economic growth.

PRACTICAL PROBLEMS

One of the main problems of family businesses in the Czech Republic, but in turn one of the biggest prospects for development, is the degree, or lack thereof, of professionalism. If family businesses can become more professional with the introduction of strategic management policies that will balance out innovation with tradition, this could be a large turning point for many family businesses that up until this point have only been getting strategic advice from internal sources (Koráb & Petlina, 2015). A factor in this is the weakness that family businesses possess of conservative decision making and high conflict potential between decision makers in the company. Introducing an external consultant or strategic partner could help with both these issues. Additionally, family enterprises can be reluctant to take external financing which is also an issue (Koráb & Petlina, 2015).

The lack of designing succession plans and having a roadmap has been identified in several sources of literature as a key impediment to longevity in family businesses. Through the combination of limited support, insufficient entrepreneurial frameworks and approaches that are taken at the last minute to transition, generational transfers often fail. According to Machová (2018), having more support and formal steps for success required would allow more businesses to make a successful transfer. In a survey

conducted amongst 505 small and medium family enterprises in the Czech Republic, 90% agreed that the company handover should occur while the owner is still alive (Breckova, 2016).

A report conducted by Europa analyzed the 27 countries in the EU as well as the European Economic Area (EEA) countries to provide an overview of family businesses and the challenges they face. A practical concept that was used to model family businesses was the three-circle model of family business. This model separates the challenges that family businesses face under three categories; the categories are: challenges that arise from family business environment, challenges as a consequence of family firms' internal matters, and challenges that are related to educational aspects (Report on family businesses in Europe, 2009). Policy changes that can be implemented at a government-wide level are mostly related to the first and third level, as internal matters can only be addressed by the family members themselves. Family businesses themselves also have a role in overcoming challenges that they are facing, however the following section will be focusing on policies that can externally be implemented to assist.

ORGANIZATIONAL DEVELOPMENT

A useful concept when analyzing family businesses is Greiner's theory of organizational growth. Family businesses in one particular study were analyzed according to this framework. The three stages are creative management, crisis of leadership, and professional direction (Odenhnalová, 2014). Different family firms were examined according to this framework, which were all founded between 1991 and 1998, and were all medium sized firm owned by the original family and existed for ten years at the point of the survey. All businesses analyzed were found to be within the first two stages of the framework (Odenhnalová, 2014). The first stage, creative management, is how a business starts with its innovative roots in creative leadership. The following stage is crisis of leadership, where the growth of the business requires a more formal operational approach, which can cause a dilemma for firms (Odenhnalová, 2014). Professional direction is the final stage, where few family businesses reside, and this is where there are formal procedures and direction in place to run the business operations. Figure 2 shows an interesting table outlining the differences between family and non-family firms according to the creative (first) stage. All of the companies in this survey were in the first two stages, signifying that none of them had decentralized decision making. Each of the owners of these companies hoped and believed that their companies would be passed on successfully to the next generation, however their unwillingness to progress into the third stage and gain professional direction is a contributing factor to unsuccessful succession transfers (Odenhnalová, 2014). Greiner's theory can be applied to family businesses in the Czech Republic to analyze their stage and determine the best next course of action for them.

REGULATIONS/POLICIES THAT CAN BE IMPLEMENTED

Although policy and laws regarding family businesses vary depending on the country, policies from other countries can be transferred and implemented into the Czech economy. National governments should consider creating more favourable family business law due to the abundance of positive effects family businesses have on economies - large contribution to GDP, stability, local support, and strong values to name a few. Often policy makers can be unaware of effects that family businesses have and this leads to a lack of strong policies regarding family businesses, or an absence of these policies altogether (Report on family businesses in Europe, 2009). However, as there is more general awareness and more research being done on this topic, this has been changing. Possessing "good governance structures and processes" is consistently at the top of the list of most important factors driving success of family businesses, and in

this particular study was reported by 85% of respondents (European family business trends, 2015, p.9-10). Policies favouring family businesses can be implemented in many different forms. Some examples are taxation, company law, succession/transfer plans, research, education, creating a family business contact point in national administration, and family governance. A project was undertaken with the objective to find successful practices that are being implemented to support family businesses, of which more than 100 were identified and ten best practices were selected. Below will dive deeper into the relevant policy changes for the Czech Republic.

Czech family small and medium enterprises appear to have a relatively positive future with high growth and success potential and with the proper adaptation to the changing business landscape and organizational transfers they will be able to guarantee solvency and long-term success (Koráb & Petlina, 2015). A potential resource that family businesses need that could be offered is a family business office network, that serves as a form of support for local family businesses to network and communicate with each other in an organized manner. Moreover, having a family business contact point in the European Commission and at government levels is an important change that would promote better communication between the family business sector and the government (Report on family businesses in Europe, 2009).

Another major issue, as argued previously, is that despite the vital role Czech family businesses play in the economy, there is still no formal definition of what a family business means in legislature, therefore there is no benchmark or uniform way for companies to keep track (Petrů & Havlíček, 2017). A universal definition of what a family business is would help overcome many of the challenges stated in this paper, primarily by having reliable information and statistics to collect and compare (Report on family businesses in Europe, 2009). To go along with introducing a common EU definition of family businesses, it would be important to implement a national statistics office that collects and regulates data on family businesses to analyze their effect, what can be improved and what is going well (Report on family businesses in Europe, 2009). If the European Commission continues to promote exchange and sharing of information between EU member states, existing policies will be better able to be shared between countries.

In addition, there is a lack of educational resources informing people about family entrepreneurship, or the handover process in Czech Republic (Petrů & Havlíček, 2017). It is crucial that succession be handled as a process and planned adequately in advance. The government can create tools available for the transfer, such as planning tools and early preparation education - which certain countries worldwide have already implemented effectively (Report on family businesses in Europe, 2009). Promoting education early can help mitigate these issues as well. National governments have the possibility to work with educational institutions with the common goal of providing information and even going as far to develop courses that have curriculum specific to family business challenges (Report on family businesses in Europe, 2009). In particular, family businesses “represent the largest pool of entrepreneurial potential and are natural incubators for future entrepreneurs” (Report on family businesses in Europe, 2015, p.16-17). Given this information, promotion of entrepreneurial information in school curriculum could be very helpful.

In a 2019 family business survey conducted by Deloitte that interviewed 791 executives from 58 different countries, retaining family ownership within a family enterprise was outlined as a common long-term goal (“Deloitte survey,” 2019). Family governance that would assist this concern could range from provisions or subsidies to cover consulting services, or even developing a standardized text with solutions that family businesses can use for recurring problems they face.

Further, financial aspects are important for policy makers to consider. Similar to any company, family businesses face financial issues. Especially important for family businesses is that many countries' tax system favours debt financing over equity in terms of interest. This means in the corporate system, interest is not taxed, but equity interest is taxed which poses a large challenge (Report on family businesses in Europe, 2009). An article published by Europa says that "family businesses often have a significantly higher equity ratio than non-family businesses and this high equity ratio results in economic stability" (Report on family businesses in Europe, 2015, p.6). Although Europa points this out as a positive aspect - as it is - it is also a disadvantage when linked up with tax systems that disadvantage equity financing. For family businesses in these countries, they are at a large disadvantage; therefore, what governments can do is implement regulations regarding grant and financial assistance to combat the unfavourable tax rules. The national government could also consider re-designing the tax system, or lowering inheritance and/or gift tax to address succession planning.

A final section of policy change that relates more broadly to businesses in general, and not only family businesses are the steps required for business start-up. Some basic conditions, such as permits, licences, and regulations that are necessary to start a business or expand a business are lagging in the Czech Republic and can cause poor performance (Hamplová & Provazníková, 2014). Hamplová and Provazníková express that "these causes are certainly related to a weak and unstable legislative support" (2014, p.1229). Figure 3 shows a graph demonstrating the position of the Czech Republic ranked according to ease of doing business.

CONCLUSION

This paper began with introducing family businesses and their importance for economies. It then moved into the history of the former Czechoslovakia and present-day Czech Republic. The current and past state of family business in this region, was analyzed and compared to other regions to highlight strengths, weaknesses, historical factors and potential solutions for future improvements. Since business does not exist in a vacuum, it stands to reason that political, cultural, governmental systems and structures play an enormous role in the cultivation of family-business friendly environments. Should some of the limitations identified in this paper be addressed, there could be significant future competitive potential available to the sector, generally defined, of family business in the Czech Republic.

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APPENDIX

Figure 1.

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.

Figure 2.

Table 1: Creative stage

Family business	Non-family business	Source
Directive leadership focused on a positive relationship with staff	Directive leadership focused on a neutral relationship with staff	Sundaramurthy, 2008
Investment in staff	Smaller investment in staff	Pricewaterhouse Coopers, 2007
Aversion to risk	Inclination towards risk	Donckels, Fröhlich, 1991, Naldi et al. 2007
Orientation towards maintaining the company	Orientation towards profit	Donckels, Fröhlich, 1991, Sundaramurthy, 2008, Donckels, Fröhlich, 1991
Family financing	Credit financing	Lussier, 2004
Emphasis on quality	Lesser emphasis on quality	Koráb et al., 2008, Taguiry and Davis, 1996

Figure 3.

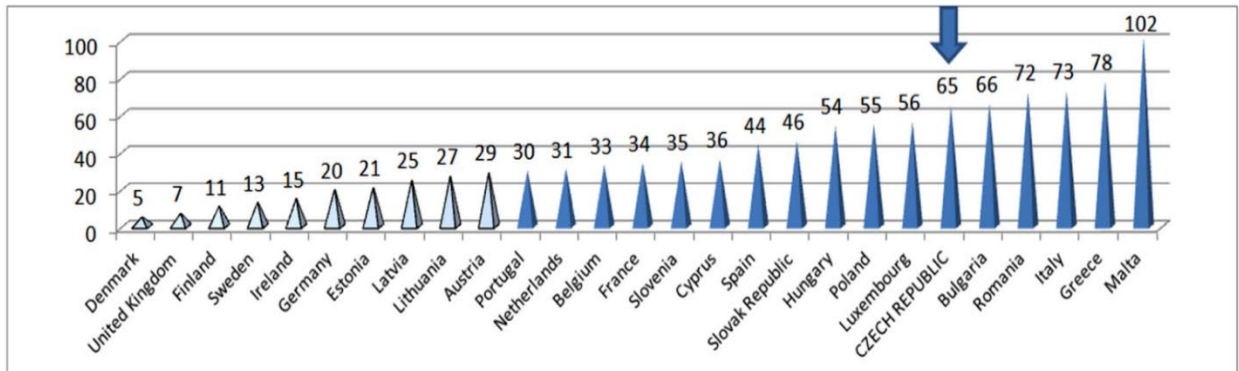


Figure 4.

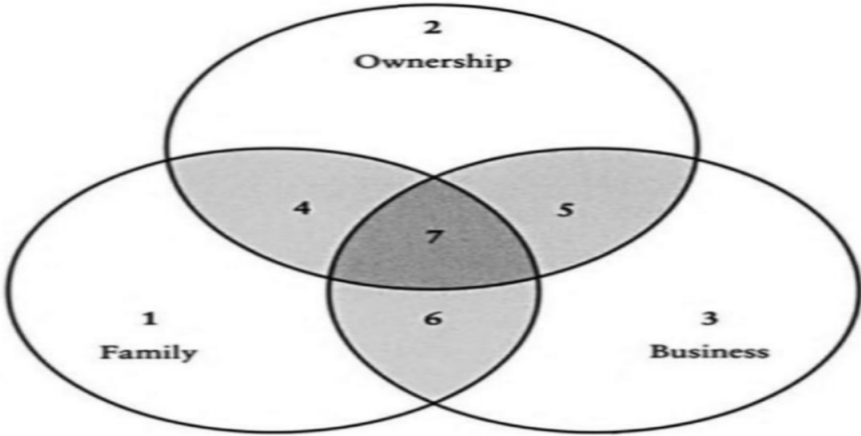


Figure 5.

