



The Family Influence on Business: Czech Family Companies

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The aim of the paper and methods

The aim of the paper:

- to describe selected factors influencing socioemotional wealth (SEW) and to verify their existence in Czech family firms

Methods:

- qualitative and quantitative data obtained by a questionnaire survey
- descriptive statistical methods



Attention has been devoted to Czech family firms in recent years in connection with the ongoing first intergenerational changeover.

Introduction

- Family firms are associated with the pursuit of non-economic objectives that express themselves in the existence of SEW
- SEW is a driver of family firm behaviour (Vandekerckhof et al., 2015)

SEW:

The non-financial aspects associated with a family business that serve to satisfy the needs of the family, such as its identity and influence and the preservation of dynasty.



**Describing factors
supporting the existence
of SEW in the Czechia**

Assumptions

1. The majority of family firms in the Czech Republic are managed and owned by their founders.
2. A member of the family holds the position of director and the majority of the TMT is made up of family members in family firms.
3. The family generally holds a 100% share and plans to pass the concern on to members of the family.
4. Family firms have a low level of indebtedness and are unwilling to accept the entry of external investors.



1. The majority of family firms in the Czech Republic are managed and owned by their founders.



Generation of owners	Generation of managers				Total
	First	First and second	Second	Other	
First	26	6	6	0	38
First and second	0	1	1	0	2
Second	0	3	10	1	14
Other	0	0	1	2	3
Total	26	10	18	3	57

57

questionnaires
(respondents)

↓

SME
companies

- 63.2 % managed by the first or first and second generation
- 70.2 % owned by the first or first and second generation
- The management of the company is transferred first, and ownership only later.

2. A member of the family holds the position of director and the majority of the TMT is made up of family members in family firms.

Members of the family in the company management	≤ 50	> 50 %	100 %	total
Number of cases	12	14	31	57



- 78.9 % families have a majority in the TMT
- The director is usually the father
- Family business is characterised by an unwillingness on the part of the family to accept external managers.

3. The family generally holds a 100% share and plans to pass the concern on to members of the family.



The family is willing to accept the entry of a non-family investor	The family plans to pass the firm on to family members		Total
	No	Yes	
No	7	27	34
Yes	5	18	23
Total	12	45	57

- 45 owners plan to pass the company on to family members
 - 1 owners plan to put it in a trust fund to be administered by the family
 - 4 owners have no plans
- } 50 firms
- 80.7 % of families own share 100%

4. Family firms have a low level of indebtedness and are unwilling to accept the entry of external investors.

CZ-NACE	Number of family companies	Total liabilities/total assets		Bank credits/total assets	
		Family firms	Branch average	Family firms	Branch average
A: agriculture, forestry and fishing	1	28 %	> 9 %	7 %	> 3 %
C: manufacturing	23	47 %	> 43 %	20 %	> 9 %
F: construction	5	92 %	> 48 %	20 %	> 5 %
G-N: selected services	12	66 %	> 57 %	16 %	< 18 %
P-S: other services	6	56 %	> 55 %	14 %	< 19 %
Total	47				

- The assertion of lower indebtedness in family firms does not hold true.
- The accounting data of 47 family firms were used.
- 40 % of respondents is considering the entry the external investor.



Discussion and conclusion

- Member of the family – generally the founder – holds the position of director in a family firm.
- Members of the family form a majority in the management of the company
- The majority of family firms are owned and managed by their founder
- The members of the top management are exclusively members of the family in more than half the companies .
- An unwillingness to accept non-family investors was not confirmed.
- 46 of the 57 family firms are owned by a single family.
- The average degree of indebtedness in the companies we analysed is higher than the branch average in the majority of fields.

- Future research: to check the validity of our theoretical assumptions on a larger data sample.
- It is not yet possible to examine the impact of the change of generation of owners on the business and the creation of socioemotional wealth.



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**Thank you for
your attention**

