

## Family entrepreneurship in the Czech Republic on the verge of first generation handover

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**Abstract.** Family is an integral part of society in all cultures and time periods. Its mission is to raise the next generation, which will be able to continue and further develop knowledge and experience of the previous generation. The modern history of family entrepreneurship in Czech Republic restarted back in 1989, i.e., straight after the fall of the communist regime and restoration of the democratic system. People went into business with enthusiasm and the most successful ones among them now stand on the verge of generation handover. The literature review prepared using the desk-research method is mainly based on foreign professional sources – monographic publications, scientific articles published in professional magazines, accessed from Proquest, Web of Science, Ebsco, Scopus and some other databases. The objective of our quantitative research was to evaluate, based on parameter E (*Experience*), the generational representation of family members in relation to leadership and ownership of businesses. Quantitative research was based on the use of statistical and graphical data processing methods, including SPSS software, applied for the authors' own empirical investigation based on the international methodology of family company review through the F-PEC scale, the Experience parameter (Astrachan et al., 2002). It was shown that accumulation of business experience in business families is still mainly concentrated on the founding generation of entrepreneurs. In the conclusion of the paper, deduction and generalisation methods have been applied.

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## 1. INTRODUCTION

Market, business environment and entrepreneurship as such are now changing faster and less predictably due to a number of factors (globalisation, digitalisation, changes in shopping and communication habits of customers etc.). Achieving permanent success in this complex and dynamic environment has become very difficult, especially for small and medium-sized enterprises. Family businesses have a significant growth potential. If their owners and family members understand how to use their specific advantages most productively, especially the connection to the family's emotional environment, rational business environment, management of personal and business property, if they overcome the pitfalls of successor strategy, if they can communicate openly and prevent conflicts, if they adapt to digitalisation trends and requirements of the Industry 4.0, then they can become very successful economic entities in the future.

The phenomenon of family entrepreneurship has become a frequently discussed topic in the world and in Czech Republic over the past several years. The contemporary history of family entrepreneurship in Czech Republic restarted in 1989, after the fall of the communist regime. Property business relations were recovered and some family businesses, previously nationalised, were returned to the original owners and are still operating today. These mostly include famous brands such as PETROF company and the Petrof family accordingly: the company was established back in 1864, it is the largest manufacturer of acoustic pianos and upright pianos in Europe. Same with Podzimek a synové company and the Podzimek family: the company was established in 1896 as a construction and assembly company; or Springer family winery and the Springer family, the former being established bacj in 1807 as a producer of wines. Another example is VÁHALA company and the Váhala family, the company being established in 1933, this is a manufacturer and seller of meat and delicatessen. These companies have already undergone several generation handovers in their history. Unlike family enterprises with several successfully completed generation handovers, the family enterprises established soon after the so-called Velvet Revolution (that is, after 1989) are on the verge of their first generation handover now, thus, their successor strategy is actually being implemented these days. In their relatively short history, this is the process in which they have no personal experience. According to the research of the AMSP ČR (2016), the initial founders of family companies assume that 2/3 of their companies shall be handed over to family members. The rest of them count on the sale of the companies or their management by professional managements (n=400). These facts indicate the importance of this topic as such and the need to address the issue in the Czech environment also on a scientific basis.

Family business, which is in the hands of mainly small and medium-size enterprises, has become a dominant characteristic of Czech economy; the position of family enterprises at Czech market continues to strengthen and develop (Břečková, 2016). They play a significant role in the development of the endogenous potential of individual regions in Czech Republic, they are substantially integrated with the given region in terms of both business and social aspects, they form the regional business backbone, they are the foundation for regional infrastructure. For this reason, the authors consider it important that most of them should successfully be handed down between the generations for continuation of the family company-building tradition, so that family knowledge is handed down and being developed further, and at the same time this issue should be monitored and evaluated by the academic environment.

The research objective is based on the parameter E (Experience), which is a component in the evaluation of the family companies through the F-PEC scale as in (Astrachan et al., 2002). This parameter has been applied to evaluate the generation representation of family members participating in enterprise management and ownership. The following hypothesis was applied: regarding the relatively short recovery period of private enterprises after 1989 it is possible to assume that for the present generation relationship is not being asserted more significantly. The accumulation of business experience by business families today is mainly focused on the founder generation of entrepreneurs. The actual outputs of quantitative investigation in this regard are given in the part titled "Research Results" below.as possible, please keep the introduction comprehensible to scientists outside your particular field of research.

## 2. LITERATURE REVIEW

### 2.1. Family entrepreneurship

Despite more than a thousand years of family entrepreneurship, a single definition of it is still missing that would be transferable to the applicable legislation in the Czech Republic, the new Civil Code. There are a number of definitions in the literature. In foreign professional literature, we encounter many definitions. Astrachan and Shanker (2003) state that the criterion for the designation of a company as a family enterprise is the family's percentage share of the assets, strategic control, involvement of several generations and intent to retain family ownership of the enterprise over several generations. Davis (1983) sees family business as mutual interaction between the family and business, which forms the nature of the family enterprise and defines its uniqueness. According to Ayranci (2014), it is possible to consider a family company as one in which the family members control more than 50 % of the business decisions and hold more than 50 % of the capital. Barnes, Hershon (1989) are of the opinion that the family company is one in which full control is in the hands of a specific family. According to the Family Firm Institute, Inc., the family businesses are businesses with which a number of members of the same family are connected, whether simultaneously or over time. A family business is an economic grouping in which several family members partake as owners with the intention (internal commitment) of continuation of the business as a family one. A family business is a business managed and administered with the intention of fulfilling the vision of the business owned by a dominant coalition controlled by members of the same family or a small number of families, in a way which is sustainable throughout generations of the family or families. (Family Firm Institute, Inc., 2014) Sharma et al (1997) provided a comprehensive summary of literary sources and identified 34 various definitions of family entrepreneurship. Essentially, two approaches of experts can be specified:

**1. Component of involvement approach**, one which focuses on measurable assumptions which make family businesses different from non-family ones. The centre of attention is a combination of elements which only exist in a family business and reflect the engagement of the family in management and ownership of the business (the share of the family in the ownership, the intent of the family to hand over the business to another generation, the number of family members represented on the boards, etc.) (Klein, 2004). The advantage of these definitions is their operationalisation allowing for a clear specification of family and non-family businesses. However, the non-existence of a theoretical basis for the derivation of a definition remains a problem.

**2. Essence approach** – the authors of this approach focus on characteristic elements of behaviour of family businesses, family members. Davis (1983) looks at family businesses as a mutual interaction between a family and entrepreneurship, which constitutes the nature of a family business and defines its uniqueness. It is reflected in business management through a parallel process of strategic planning in the family and in business (Carlock, Ward, 2014). Behaviour is invoked by a specific influence of the family, family tradition, care for a family brand, declaring of family values, family integrity, intergenerational respect, transparency of relationships, helpful communication quality, creativity, entrepreneurial spirit, and social responsibility in relation to a long-term perspective, etc. (Tàpies, Fernández, 2011). Merging of systems of family and business will allow the use of internal resources which are difficult to replicate and which are referred to as “familiness”. The secret of success of family businesses is probably not hidden in what they produce, but in their flexibility and ability to operatively adapt to changing market conditions. Success is also tied to the way in which the family business manages the five specific resources, which it has at its disposal – i.e. human capital (continuous perfection of the skills of the various members of the family), social capital (networks and external relationships), persistent – patient capital (provision of assets and debt financing by family members), capital survival capability (willingness of family members to work for a lower wage, provision of credit in an emergency to prevent bankruptcy of the enterprise), lower controlling costs (family members mutually trust each other and there is no need to work on the basis of internal directives, consistently control management activities, and complicated approval of decisions). This viewpoint explains the capability of family businesses surviving even in a period of economic crisis and grow continuously. The problem again consists in the tautology present in the definition as well as in the missing operationalisation of the definition.

Both approaches equally divide businesses into family or non-family ones. The question remains whether this division is possible and meaningful to define the family influence on the business. It is often discussed how far the family influence is rather a continuous variable, which would mean that there are various degrees of family influence on the business. Astrachan, Klein and Smyrniotis (2002) developed, validated, and published an analytical technique measuring such influence, the F-PEC scale, which enables evaluation, using three parameters – Power, Experience, and Culture –, the extent and quality of family influence on the operation of a business. The Power pillar evaluates the possibility of a family to actively influence business management directly or indirectly through ownership, control, and management share. The Experience pillar focuses on the intergenerational growth in experience, which is given by every other generational renewal. It assumes that each following generation avoids past mistakes based on varied experience. The third pillar – Culture – evaluates through what particular steps a family influences the value system of the business. It is based on the assumption that strong commitment and loyalty of the family to the business may increase its influence on the entrepreneurial success. This methodology was partly used by the authors to prepare the empirical part.

In the Czech Republic, a creation of family entrepreneurship definition and its legislative embodiment has been initiated by the Association of Small and Medium-Sized Enterprises and Crafts of the Czech Republic together with the Association of Private Farming of the Czech Republic. So far, it is very difficult to tell what a family business actually is. No one knows exactly how many family members are expected to be involved in the business and what functions they should undertake. Consulting firm Ambruz & Dark Deloitte Legal, representatives of the academia from the University of Economics in Prague and from the Technical University of Liberec are also participating in the proposal for a definition. The proposal should include three basic forms, which are family entrepreneurship through a company, family business as a trade, and business of family farms. The key business parameters to be met should consider a family one are, in particular, ownership participation of the family in business activities, and engagement of family members in managerial decision-making (this takes into account the aforementioned Component of Involvement Approach). If a clear definition was anchored in law, family businesses and farms could reach for financial support from national and EU funds. The exact wording of the law should be intensively dealt with in 2017 (ČTK, 2016).

In the context of a free project titled Family Business, which is intended for founders and successors of family businesses, the Association of SMEs of the CR creates incentives for the development and generational handover of family entrepreneurship. This issue will be discussed at round tables of founders and their successors – some of the outcomes of the discussions will be mentioned at the end of this paper. The theoretical basis of succession strategy management will therefore be presented in the following text.

### **2.1.1. Succession strategy management**

Succession means a change, and it is an inevitable process in the life of all family businesses, including Czech ones. It is not true that generation change is an event that occurs when a business owner decides to retire. In fact, generation change is a process that starts at a time when potential successors are still children. (Kuratko, Hodgetts 1991) The method, form, and process of management handover of a family business, but also of ownership interests, is a very topical and much discussed topic in the Czech Republic. If we realise the general life stage of an entrepreneurial family – see Table 1 –, then founders of companies in business since 1989 are in the stage of “cooperation between generations” or “changing of the guard“. Within the framework of the student project titled Specifics of family business (identification number 7427/2017/4), a list of Czech family enterprises is being created. As at the end of April 2017, it contained 529 family company records. According to the date of incorporation/establishment of the company, it is possible to state that 13 % (69 reviewed companies) of the Czech entrepreneurs built on family tradition; the company has experience with inter-generation handover. Approximately 46 % (239 of the reviewed companies) were established in the period 1989 – 1999 (assumed stage of Changing of the guards and Cooperation between generations), approximately 20 % (107 family companies) were established in the period 2000 – 2010 (assumed stage of Cooperation between generations and Successors became independent), approximately 21 % (114 of the reviewed companies) were established in the period 2011 – 2017 (assumed stage of the Young entrepreneurial family).

Table 1

Stages of a life cycle of an entrepreneurial family  
All family company N= 529; Stage 1. = 114; Stage 2. = 107; Stage 3. = 239; Stage 4. = 69

Stage	Age of the older generation	Age of the younger generation	Stages of life and the problems associated with them
<b>1. Young entrepreneurial family</b>	Until 35 years	Non-existing or until 15 years	Building of a functioning marital enterprise, division of roles, responsibilities, competences. Defining the relationship between work and family, the share of family members in the upbringing of children. Continuous education of children associated with their natural exploring of the life of the company, non-violent education for entrepreneurial mindset.
<b>2. Successors become independent</b>	35–55 years	15–29 years	Transition of founders into middle age, their evaluation of past success. The oldest children leave the family home, looking for their own identity, choose and receive education, choose the direction of their future occupation. The younger generation is creating an idea about their employment in the system / outside the system of family entrepreneurship. Rivalry between siblings, sometimes under the influence of their current life partners.
<b>3. Cooperation between generations</b>	50–65 years	20–45 years	“Young adults” have their own lives. Knowledge and understanding of objectives and values, communication between generations. Introduction of functional conflict management through a family council or family constitution. Management of a family consisting of three generations.
<b>4. Changing of the guards</b>	60 years and over	35 years and over	The founder is in their late age that cannot be ignored; the cycle of physical and social ageing is under way. They deal how to cope with the loss of power, respect, and functional advantages. Existence/non-existence of an adequate successor(s) from the family. The process of handover of control and ownership interest.

Source: elaborated by the authors based on Gersick et al. (1997). *Generation to Generation – Life Cycles of the Family Business*. Cambridge: Harvard Business Review Press. 1997, ISBN 087584555X. p.74

Succession is a long-term process of planning and management which includes many activities designed to ensure the business continuity across generations. It includes factors of different natures, from exposing children to entrepreneurship, or better their engagement in the functioning of the business from their relatively young age, development of the ability to work in a team among siblings, preparation of one's own financial security of founders after the termination of active work, preparation of a succession plan, to the transfer of property shares (Servus, 2016). Preparation of succession includes both family members and the business as a whole. Strategic solution of succession in family businesses raises positive expectations and may contribute to the boosting of business development. The process of “changing of the guard“ involves the entire business. The implementation of succession must not become only a matter of senior management and boards. Fundamental requirements are involved: requirements of the market for changes in the business; wishes and requirements of the retiring entrepreneur; and expectations and requirements of the successor (Petrů & Havlíček, 2016).

In managing the succession strategy, one has to keep in mind the differences in personalities of the two main actors. The senior has a sense of duty, the junior a need for self-realisation and individuality. These two different personalities experience the process of generational change in several stages. First, the current owner experiences reluctance to hand over the business. If they wish that the family business continues successfully, they have to realise the necessity to entrust the business to the next generation. If they find a suitable successor, they hand over the family business and ideally completely separate from it. Their successor may initially feel reluctant to take over the business. This aversion may arise from their relationship with the current owner, from conflicts or a conflict of opinion regarding the future direction of the company. The successor overcomes it only when they realise that the senior trusts them and wants to transfer responsibility associated with the ownership and management of a family business to them (Rydvalová et al., 2015).

Leadership succession is defined as a transfer of the highest rank and the associated responsibility from a person in charge of that function so far to another person (regardless whether this is or is not a family member). Ownership succession is defined as a complete and irreversible transfer of property of one owner (or a group of owners) to another owner (or another group of owners). From a legal perspective, ownership succession can be considered more important than leadership succession because leaders can be dismissed and new ones can be hired, but getting back the property that has been already transferred is very complicated (Rouvinez & Ward, 2016).

Handover of a business can be considered successful if a successful existence and further growth of the given family business is ensured, if the existing jobs are maintained, if a successor with adequate professional and personal qualifications is found who will take over the family business, and if different interests in the family system have been respected.

### 3. METHODOLOGY

Quantitative research is used in the empirical part of this paper. It was based on statistical and graphical processing of data from our own empirical survey based on an international methodology of investigation of family involvement in companies using the Experience parameter of the F-PEC scale. The model was created in 2002 and validated and published by Astrachan, Klein and Smyrniotis. It is an analytical technique that addresses the dilemma of family entrepreneurship definition. The data analysis was based on the distribution of frequency of values for each monitored character (first-order sorting) using Microsoft Excel and graphical processing of the data being evaluated in SPSS. The E parameter in the F-PEC model applies to the evaluation of the structure and continuity of individual generations, number of family members involved in the business. It can be assumed that with each successful generational change there is significant gain of experience which eliminates errors in the next generation handover. The generations were defined for the needs of the research as follows:

- the first generation is considered to be the father/founder, mother/founder or original owners of a family business;
- the second generation is considered to be successors from family younger by one generation – daughter/son and their spouse;
- the third generation is the grandson or granddaughter of the father/founder, mother/founder, and their family. Active members of the family – they contribute significantly to business activities, they can hold official positions in the business as shareholders, members of the managing board employees, consultants.

For the purposes of this survey, a family business (family company) was specified as follows:

- a business owned by one or more families or family members of one, two or three generations,
- majority ownership, control and decision-making takes place in the family (e.g., spouses, children, their relatives to the third degree or persons who are in-laws to the second degree with spouses);
- one or more family members are involved in business management.

The research objective based on parameter E (*Experience*) is to evaluate the generation representation of the family members participating in the management of the enterprise and ownership of the enterprise. We worked with the following hypothesis: with regards to the relatively short period of restoration of

private entrepreneurship after 1989, it can be expected that generational continuity has not yet significantly taken place. Accumulation of business experience in business families is still mainly concentrated on the founding generation of entrepreneurs.

A total of 650 questionnaires were distributed, and the actual field survey was undertaken between October 2015 and April 2016. 12 questionnaires were excluded due to incompleteness. 196 validly completed questionnaires were evaluated after a check. The success rate for data collection was approximately 30%. The authors attribute this relatively low, but not unusual questionnaire return rate, to the following causes - the most common reason for not completing the questionnaire was failure to find a company that meets the given definition or refusal of completion by the company owner, who considered the questionnaire survey as inference into the private life of the entrepreneurial family. Some owners of family companies are overloaded with standard operational activities and do not consider the activities in the academic environment as important. The size of the surveyed sample does not allow us to draw conclusions about the whole statistical population of family businesses in the Czech Republic since given the absence of statistical data about family entrepreneurship, it is impossible to determine the size of the statistical population of family businesses in the division into sole traders, small, medium-sized and large enterprises.

#### 4. EMPIRICAL RESULTS AND DISCUSSION

The answer to the question which generation is the **owner** of the company is shown in Fig. 1. The percentage data in the figure shows that owners of some businesses are members of both generations. It is also apparent from the following Table 2, which better reflects the distribution of owners based on their belonging to individual generations.

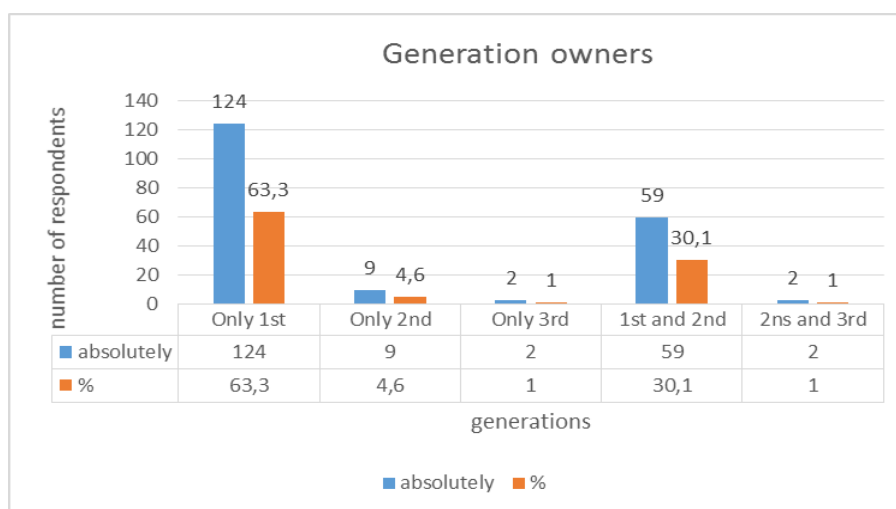


Figure 1. Answers to the question: Which generation is the owner of the business?

Source: Authors' results, outcome of SPSS programme, 2016

Table 2

Ownership of businesses according to generations

Generations	Absolutely	%	Cumulative %
Only 1st	124	63.3	63.3
Only 2nd	9	4.6	67.9
Only 3rd	2	1.0	68.9
1st and 2nd	59	30.1	99.0
1st and 2nd and 3rd	2	1.0	100.0
Total	196	100.0	

Source: Authors' results, outcome of SPSS programme, 2016

63.3% (124) of family businesses are owned by the first generation only, 30.1% (59) of businesses are jointly owned by the first and second generations. This suggests the process of handover of family businesses to successors is under way. 9 businesses are only owned by the second generation, and 2 businesses are only owned by the third generation. All three generations own 2% (4) of family businesses.

The following Table 3 clearly summarises the answers to the question: Which generation **manages** the family business? The share of each generation on management shows in detail that more generations are involved in this activity in the monitored businesses. As expected, businesses are most often managed by the first founder generation – 48.5% (95) of businesses. 33.7% (66) of the monitored businesses are jointly managed by the first and second generations, which again confirms that the succession process is under way. 15.8% (31) of businesses are already managed by the second generation – the succession process has been completed. The third generation manages only 2% of the enterprises (4).

Table 3

Answers to the question. Which generation manages the business?

Generations	In absolute terms	%	Cumulative %
Only 1st	95	48.5	48.5
Only 2nd	31	15.8	64.3
Only 3rd	4	2.0	66.3
1st and 2nd	66	33.7	100.0
Total	196	100.0	

Source: Authors' results, outcome of SPSS programme, 2016

Evaluation of the question: Which generation **is involved in the boards** of the business? is in Table 4.

Table 4

Representation of generations on the boards of the surveyed companies

Generations	In absolute terms	%	Cumulative %
Only 1	116	59.2	59.2
Only 2	35	17.9	77.0
Only 3	2	1.0	78.1
1st and 2nd	43	21.9	100.0
Total	196	100.0	

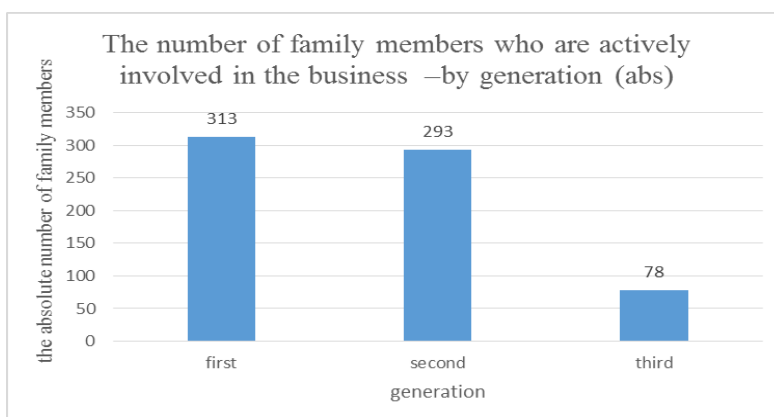
Source: Authors' results, outcome of SPSS programme, 2016

The first generation retains influence on the boards of the company as it is represented most frequently. In 35 cases, only the second generation is represented in these bodies – handover of ownership and leadership has probably taken place. The first and second generations sit on the boards simultaneously in 43 businesses. Representation of the 3rd generation is, with regards to 2 positive answers, insignificant in the survey.

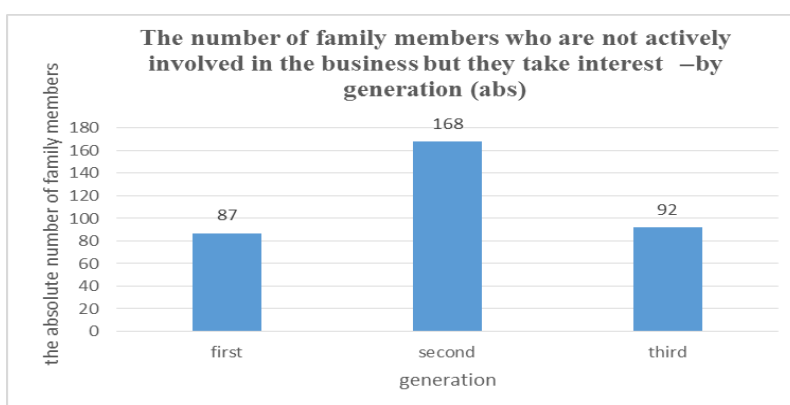
Other questions addressed: How many family members (except the founder) are actively involved in the business? How many family members are not actively involved (they have a different job, they study, etc.) but they are interested in the family business? How many family members do not (yet) show any interest at all in the family business? The answers for each generation are listed in the following Fig. 2, 3, 4. Fig. 2 shows the number of persons who are active in the monitored family businesses. This is a total of 684 people, which means, with 196 surveyed companies, that there are more than 3 family members (3.48) per company actively involved in the business. Fig. 3 shows the number of family members by generation who take interest in the family business although they do not work in it directly. This is a total of 347 family members, who represent certain potential the entrepreneurs may count on for the next period. Conversely, a further 154 family members, according to the answers of surveyed entrepreneurs, are not active and do not take interest in their family businesses – it is not surprising that these are mostly family members of the third generation, see Fig. 4. Since the size of the family is not known, or we do not know



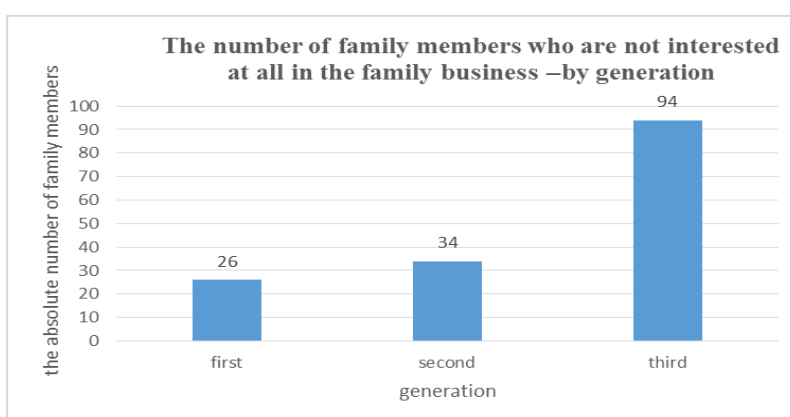
who the respondents include in their families, it is impossible to express the total family potential of a business more accurately.



**Figure 2. The number of family members who are actively involved in the business – by generation (abs)**  
*Source: Authors' results, outcome of SPSS programme, 2016*



**Figure 3. The number of family members who are not actively involved in the business, but they take interest – by generation (abs)**  
*Source: Authors' results, outcome of SPSS programme, 2016*



**Figure 4. The number of family members who are not interested at all in the family business – by generation**  
*Source: Authors' results, outcome of SPSS programme, 2016*

With regards to the relatively short period of restoration of private entrepreneurship after 1989, generational continuity has not yet significantly taken place. Accumulation of entrepreneurial experience in entrepreneurial families is still predominantly concentrated on the founder generation of entrepreneurs. **The objective has been met, the conclusions are in favour of validity of the hypothesis.** Cumulation of business experience within the scope of business families is for the present mainly focused on the founder generation of entrepreneurs.

## 5. DISCUSSION

Family enterprise is a proven, traditional form of business not only in developed economies, but also in the Czech Republic. It is perceived by the entrepreneurs themselves and the general public as stable, trustworthy and socially important. Apart from the economic security of the family, it strengthens family bonds and tenacity of the individual family members. Among other things, it motivates family members to better and more efficiently utilise their abilities, knowledge, skills, know-how – i.e. all their talent to develop the family and entrepreneurial activities. A significant aspect of the family company is trust. People within the families trust each other better, rely on each other, assume common responsibility and risks for each other and are more loyal to the company. An important aspect of the family enterprise is also focus on business ethics and morals. In the case of Czech family companies, it is not only an effort to build the good name of the company, but also an effort to build and promote the good name of the family. In the case of family enterprises, long-term relations with suppliers, employees and mainly the customers are an inevitable precondition for sustenance of the positive image of the family company before the broad neighbourhood, prosperity and constitute a condition for long-term intergenerational sustainability of the enterprise. This is conditional to the capability of the founders and successor generation to transfer and assimilate experience, knowledge, and traditions from generation to generation.

A historically significant stage in the life cycle of family companies is taking place in the Czech Republic – the first generational handover of management and subsequently also the handover/takeover of entire or partial ownership. It is necessary to respect that during and after succession, the family company must mainly function as a good business, which makes quality products, loyal customers, and satisfied employees. It is always necessary to primarily focus on this regardless of the specific stage life cycle of the family enterprise, ownership structure or legal form. Apart from this, problem-free/conflict-free family relations must be maintained.

The ability to relinquish control, stop “micro-management”, cope with the feeling that one no longer has an overview of every task and person in the company are difficult psychological barriers to succession strategy for the founders of modern Czech family enterprises. The critical point of succession strategy may also be a conflict between the parents and children due to the unwillingness of the founders to accept the innovative ideas of their children. A conflict may also arise between potential successors thanks to sibling rivalry, unwillingness of children to continue in the family business, their yearning to establish themselves in a different field. The spectrum of potential problems is endless. For this reason, the authors of this paper appeal to the necessity for review the given issue in the academic environment. Develop a new theory that is applicable to the Czech business environment based on the qualitative and quantitative research methods for the collection of data on the progress of succession and generalise the acquired experience of the founders and successors and create a general methodology for the management of succession strategies based on case studies done for scientific purposes. We are just at the beginning in this area – the universities have a unique chance to participate in this process. According to Radim Valenčík - the science shall assume its responsibility for knowledge of current reality, the more application of its methods, tools and historical background will reveal the events, context and solutions, the more the useful results of scientific knowledge shall spread to the normal awareness of the people (family companies), the lower the “transaction costs” (human suffering, sacrifices, which must be made, economic, moral and physical losses) of surmounting the bottlenecks encountered by our society, the greater the chance that the family companies shall overcome and survive this pitfall. (Valenčík et al, 2014)

## 6. CONCLUSION

Based on the above findings, it can be stated that most of the analysed family businesses continue to be **owned** by the first generation, and the first generation retains their influence on business management also through their participation on the boards. Their problem is that in most cases, the founder is the only one to have the greatest knowledge, and therefore they are indispensable for the company. This provides them with **control and power** over processes, over employees, over the next generation, a respected position in the family and the entire company. Founders consider abandoning control and power a great sacrifice, they do not trust in successors that they are able to work at least as well as the founders. To ensure continuity and vitality of businesses, owners should respect succession planning as one of their main obligations, and they should do everything to make it smooth, efficient and, if possible, without conflict. Their control and power must be reoriented somewhere else. Therefore, it is important to know what they will do in the next stage of their lives.

Based on informal discussions with owners of family businesses, the authors of the present paper may generalise the following claims and recommendations:

- Czech family businesses do not have any historical experience with handovers to the next generation. In building their business, founders have not had time to think about what will be next. They have been swallowed up by operational problems, they feel that they need to address completely different things; they postpone dealing with succession although they feel it must happen.
- In the Czech Republic, there is a lack of courses focused on education about family entrepreneurship for the current and coming generations. Since there is no system of education or preparation of founders and successors for the handover process, founders live with the idea that the company has to be managed exactly the way they have been managing it—which is not possible in current market conditions.
- A specific problem is nepotism—the desire of founders to successfully handover their business to their own children, which may cause ineffective distribution of managerial and control functions. The business founder should see people to whom they are handing over their business as foreigners. They should free themselves of emotions and family relations and evaluate their successors based on whether they are professionals, whether they possess the required knowledge and skills, whether they are good at communication, and whether they want to take over the business.
- If there are conflicts that have not been resolved within the family, help of an independent internal mediator has proven helpful.
- If all the stakeholders (founders, successors, employees, suppliers, customers, etc.) have information about the time horizon of handover/takeover, it is not appropriate for the founder to change (postpone) the date.
- Succession is like a relay race—the founder is the first one to run, at a certain point they hand over the baton to their successor and run together for some time, and subsequently it is up to the successor to finish themselves.
- The status of a family business, shared values, moral principles, the possibility of quick and flexible decision-making without the need of approval of intentions by various supreme bodies, long-term perspective and enthusiasm are considered a competitive advantage also in the case of succession strategy management.
- The basis of intergenerational communication is trust. The coming generation should not question the steps of the founders and they should respect that the founders made them at a specific time with specific resources.

Where children are not interested in the family business, one possible solution is the sale to an existing non-family management; and family members can continue to be involved on the boards.

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