Family business in rural area

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Abstract

This study deals with family business and entrepreneurship in country. It justifies the importance of the union of these two aspects of business. In this study there are listed searches from publications on the subject. Furthermore, this paper discusses the results of qualitative investigation which was carried out using semi-structured interview with 15 companies in the Jihomoravský kraj (Southmoravian country, region). This investigation will serve to establish hypotheses in the dissertation thesis entitled Family businesses in the context of business in the country, which will be verified using quantitative methods.

Key words

family business, entrepreneurship, business, entrepreneur, rural, country, municipality

Introduction

The theme of family businesses in our country in modern history is relatively new. In family businesses there is hidden vast potential, therefore it deserves large attention. Entrepreneurship in the country is also quite an interesting topic. As is generally known, people often commute to jobs from country to cities. In some cases, the deterioration of position of country or depopulation. If we connect the family business to business in rural, there may be an interesting situation that could have a positive impact, if not to our entire economy, so at least to the quality of rural life.
**Used methods**

- Documentary analysis based on secondary data
- Collecting primary data using semi-structured qualitative interview
- Paired method analysis - synthesis

**Research**

**Family business**

In the Czech Republic there already exists a considerable number of studies dealing with the family business. However, there is a lack of any accurate statistic that would say how many companies like this are in our country. It follows that the family business in our country is relatively poorly mapped.

Czech Statistical Office does not monitored a separate category of family businesses. In the register it has only companies where family members help, which is not the same as a family business. This is probably due to the fact that the companies are not set up right from the beginning as a family businesses, what is a common practice in many European countries. (Odehnalová, 2009)

Family business has its special place in many years of Czech history. We can say that the activity of noble families who, after many generations, have cared for their estate and hired workers to work on them, was also a kind of family business. The fact that most of such „businesses“ failed, was due to poor management and non-reinvestement acquired funds. At that time, manufactures production ran for centuries, during the Industrial Revolution it went into the factory production. In the 19th century a lot fo family businesses were found and some of them have survived to this day. An example is company Tylex Letovice, Baťa, První Vizovická pálenice Karla Singera, Petrof, Becher, ZON and many others. (Odehnalová, 2009)

Although there are no accurate statistics, expert estimates are that up to 30 % of businesses in the Czech Republic could be a family character. These days are also a turning point, when some companies which were reated after the revolution, are prepared to be given to the next generation. According to the International Enterpreise Research Academy there is up to 85 % business of European Union of business family. In countries such as France, Germany, Spain and Portugal there are family businesses involved in the gross domestic product more than 50 % and also significantly contribute to employment. As shown in some studies, family businesses are aimed on the future rather than on short-term profit, and therefore they are willing to invest a grater portion of profit to keep running another development of the company. (Koráb, Hanzelková, Mihalisko, 2008)

The problem is to determine the extent of family business. In different countries are used different methods of determination, but the concept F-PEC scale allows in any company „measure“ the degree of family business. This model assumes that family influence is growing with each generation. It is quite suitable tool to determine the effect of family on the family business. (Koráb, Hanzelková, Mihalisko, 2008)

Because the family businesses in the Czech Republic are not thoroughly mapped and only now is time for handover to next generation and in research it could be difficult and time consuming for owners of companies to want them to include in this specific model, I prefer to use a definition created by Professor Koráb: „The family business is an enterprise owned or
controlled by the family/families, or selected family/families members, assuming that the company will be handed over to the next generation." (Koráb, 2011)

By this definition, respondents can be easily classified. There can be placed microcompanies or sole trades, which helps a family member such as accountancy, working in the workshop etc. Because in these days the first transmission of these businesses to the next generation start and a few years this first transmission will take a few years, the important part in the definition is assuming transmission to the next generation. Sometimes this transfer is not possible or not appropriate and it is better to sell the company.

**Entrepreneurship in rural**

Rural and its problems are now engaged in countless studies, operational programmes, grantees and educational programmes, etc. The biggest stumbling block is defining the appropriate notion rural. Each of us can sort of imagine what rural is. The most general definition is that the country is everything except city. However, support should not be targeted like this should not have the desired effect, because this division would produce a lot of communities that do not behave as rural and do not need this support. So there would be an inefficient allocation of funds.

Czech Statistical Office published in 2008 publication: *Variants of defining rural and display them in the statistical indicators form 2000 to 2006.* (ČSÚ) States 8 variants of the definition of rural, including how the concept of areas defined in national documents (National Strategic Rural Development Plan of the Czech Republic, a rural development program of the Czech Republic for the period 2007 – 2013, etc.) and in the document at the regional level (regional operational programs, regional concepts, strategies of regions, etc.). As the first characteristic in this study is shown that the rural area is area of all municipalities with sizes up to 2000 inhabitants. This definition is used by the methodology of the OECD, which was taken to the National Strategic Rural Development Plan for the Czech Republic. Also, it is used by a lot of organizations that deal with the rural, its development and problems. For example, GaREP Company, Ltd. used it in the project solved the Ministry of Agriculture designated QH82249 „SYNERGY in the approach to rural development.”. Furthermore, in a research such as a state of SME’s in rural, who carried out Mr. Svoboda. (Svoboda) Or in the research which was carried out by University of South Bohemia in České Budějovice – Recovery of small and medium enterprises in the rural. (Součková, 2005)

After looking at international databases I found out that family companies are monitored more in the business of agriculture and tourism, what is largely associated with rural areas.

However, such Litao Zhao conducted the study in China in 1996 (*FROM CADRE MANAGERS TO PRIVATE ENTREPRENEURS: ENTRY INTO FAMILY BUSINESS IN RURAL CHINA*), of a representative sample of 3,003 family companies in the rural. Respondents were asked about their domestic economic activity from the growth of crops, agricultural production associated to non-agricultural related production. It states that 640 family businesses (21 %) dealt with the non-agricultural activities and have the lowest barriers to entry into the business. The small businesses also include those that have no employees. Of the 640 companies it was 553. The remainder had one or more employees. (Zhao, 2002)
In the United Kingdom and Ireland was carried out another survey, which focused on the perception of a family business of people from the city and from rural areas, however, was not focused on family firms in the rural or in town. One recommendation was that the researchers focused on the positive aspects of family firms within different communities. In this work it is said that more than 60% of all companies of most countries is classified as a family. The uniqueness of family firms is given by the relationship and dynamics between family and business. Many authors have come to the conclusion that family businesses have specific advantages in building relationships with customers and with broad groups of stakeholders. Many family businesses long-term care for an open, mutually beneficial relationship with business partners, customers and large companies – rural communities can come here. The importance of the family business underlines the statement of the European Commission that family businesses play an important role in stimulating business culture. European family businesses provide nearly 80% of employment in Europe. According to this survey is given little attention to the role of family businesses for the community in which they are or for customers, and that may be relevant to the rural. In interviews with respondents very often repeated assertion that family businesses are one component of the "glue" that holds together the community and urban and rural areas. Some of the respondents believe in the importance of social responsibility, because family businesses are investing in the community and support it. This corresponds partly with the aim of my research show the importance of family businesses. (Carrigan, Buckley, 2009)

As stated by Donald Getz and Jack Carlsen in their study Characteristics and goals of family and owner-operated businesses in the rural tourism and hospitality sectors, so in some small towns in Australia between 1991 and 1996 the population increased by 100%. This increase was due to industrial growth, such as the viticulture and tourism, the provision of accommodation and tourist things around for the most part just run family businesses in the rural. Also state that financial assistance may be crucial for these businesses to survive, and that agencies dealing with economic development, tourist industry and agricultural sector should be interested in creating training programs for small family businesses, and interested in their specific goals and needs. Also, this research confirms the suitability of research that I want to make. (Gezt, Carlsen, 2000)

The publication Determinants of rural and urban family firm resilience at the very beginning to talk about the welfare of rural communities and citizens are very closely linked to the health of local family businesses. In 1997 was conducted research on data from the National Family Business Panel and it was found that rural agricultural businesses brought about 50% of income over non-rural of the same size. In contrast, non-agricultural companies generated more than half of the revenues than non-rural companies. Furthermore, this article mentions that rural firms exhibit a greater relationship to the community than those cities. Social capital in rural communities currently collect more resources from the rural trades. (Getz, 2000)

Publications Enterpreneurial human capital accumultaion and the growth of rural business … talking about the importance of entrepreneurial human capital. Here is human capital not only understood as the ability to find a tradesman economic opportunities, but also effectively used to build the business. This survey was conducted in four countries of the European Union in the mountainous and underdeveloped areas. He says that the importance of human capital has been confirmed as one of the main factors influencing the set-up and growth of successful business in the rural. Small businesses operating in the EU's outermost regions form an integral part of rural areas and the main alternative to agricultural
employment, and thus is creating and promoting entrepreneurship in the rural regarded as a primary strategy for survival and holistic development of this area. According to this article are also many rural businesses more difficult access and implementing training programs, which is characterized by a number of factors such as: geographic dispersion, small size rural enterprises, insufficient transports resources, high levels of self-employment and the fact that training agencies are located in urban regions. Consequently, this article talks about the importance of family businesses for business human capital and family business background that increases the probability of a successful business settings. (Skuras, 2005)

Primary research – semi-structured qualitative interview

Primary research was conducted in 6 municipalities in the South Moravian region. Specifically, it was a municipalities Šebetov, Vísky, Cetkovice (county Blansko), Vrbovec (county Žnojmo), Křenovice u Slavkova (county Vyškov), Zaječí (county Břeclav). Within these municipalities there were visited 15 companies with the following distribution between the business section:

Section A – Agriculture, forestry and fisheries industry – Anna Adámková - Bílý sklep, Stanislav Drápal – zemědělská výroba, Jaroslav Rosenberg – agriculture production

Section C – Manufacturing industry – Jiří Přísař - Přísařův sklep, Oldřich Spáčil – Stolařství, Fukasa Josef – truhlářství, stolařství, Cukrárna u Bílků, Obhlídal – truhlářství, Dřevos, s.r.o., Velecký, s.r.o.

Section F – Building industries – ELBET, s.r.o.

Section I – Accommodation, catering and hospitality industry – Orelio, s.r.o. Agrocentrum Ohrada

Information in enterprises were obtained by using semi-structured qualitative questionnaire, where at the beginnings there were collected general information about the company, then information about cultural events in the municipality and business attitude to these actions, the financial contribution of businesses to the municipality in the form of rent or property taxes, business approach to further developments in the village.

RESEARCH RESULTS

The research literature shows that both the family business and entrepreneurship in the rural has its own specifics. However, the both areas are overlaping. If some expert estimate is that up to 85 % of businesses could be family, then the share of companies in the rural will be 85 % too. If the European Commission says that 80 % of employment in Europe cater to family businesses, then the more these companies will be in the rural, the lower the unemployment rate will be, which is one of the great problems of today's rural.

The correctness of connection between family businesses and rural demonstrates research of South Bohemia University in České Budějovice, which in one of the chapters of the publication Restoring small and medium enterprises in rural states a recommendations for development of handicrafts in the rural to continue on the history of crafts in the region, consultancy in the country to focus on economic stability entrepreneurs etc. (Součková, 2005) Building on the assumptions listed in the publication Family business (Koráb, Hanzelková, Mihalisko, 2008) that family businesses are often based on tradition, rather than the economic
benefits they are focused on long-standing and often use internal sources of financing, then just a family business can help solve some rural problems.

The research conducted in these companies showed that only 90% of businesses in the rural can really be a family business. Although some companies do not represent themselves as a family - family are. Almost 67% of respondents were trades and the rest of companies with limited liability. Micro-businesses, up to 10 employees, was 75% and the rest were businesses up to 50 employees, it means that they fall into the category of small businesses. Most companies are involved in local festivals and cultural events with a financial donation of an average of 5,000 CZK. A smaller part is involved in providing a tangible gift, and the smallest part organizes these actions and sells its products. Only about 10% of businesses lease property from the municipality, which brings money into the municipal budget. Most of the companies for their business mainly use their houses, which the municipal budget through property taxes do not contribute much more than other citizens. The exception are the companies dealing with agricultural production and winery, which use more real estate (land) for their businesses, and therefore the budgets of municipalities bring more money. Businesses that do not use for their business only family house, in most cases use any old building, which would otherwise most likely deteriorated and disrupted the appearance of the character of the village or neighborhood safety. All family businesses are trying to preserve the traditional character of the village by maintenance of their properties so as to retain the rural appearance, and almost all are trying to preserve tradition in the village either financial support or organizing these events.

DISCUSSION

Pitfalls of study of family businesses is that in the Czech Republic it is based only on expert estimates or forecasts of international institutions, which are related to the entire European Union. Another stumbling block is that in different EU countries are various models used to determine whether a family business or not. In this work there is used the definition of family business, which is not used in any other country for their identification number, and therefore can not compare the amount of family firms according to this definition in the Czech Republic and other states.

The advantage of defining rural as described in section 2.2, is the simplicity and accuracy of the subsequent selection of municipalities within rural areas. The disadvantage is that this boundary is essentially artificial creation, and may not correspond to reality. It is, however, pitfalls, whichever simplified definition.

Results from semi-structured interviews can not be considered absolute, because the research sample was small. As stated at the beginning, these results are used for determining the hypotheses to be tested quantitatively - a questionnaire survey on a larger number of firms. However, it seems that they might confirm some educated guesses about the number of family farms in the Czech Republic.
CONCLUSION

As can be seen from passing chapter, the research encounters to some problems, but these are not insurmountable. International studies suggest exploration of family businesses in the rural, which means that the focus of the dissertation Family business in the context of enterprises in the rural is correct.

If they could prove that family businesses have a different or more important sense for rural than businesses of non-family type, it could lead to better targeting of support to family firms and rural areas.

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