



VITALITY AND CONTINUITY OF FAMILY BUSINESSES

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Abstract. The article aims to explain the reasons and the methods for evaluating the vitality of the family businesses with a focus on a country where family businesses were violently interrupted by forty years of the socialist regime. The intention is to find out, in connection with the vitality of family businesses, whether it is possible to define the factors that enabled the subsequent continuity of this type of business, for instance, the sector that is relevant to the region. The authors draw on a resource-based view as well as the specifics of the family-owned business in an institutional context. They comment on the behaviour of family business from three perspectives – legal, managerial and economic. The intention of knowledge/evaluation system presented is to find the weaknesses in the family business structures in the Czech Republic, which opens the opportunity for the succession process and the subsequent professionalization of their solutions. The methodology is presented in ten case studies. The results of the evaluation showed considerable compliance with those assumptions defined in the literature on those family businesses that continued uninterrupted.

Keywords: family business, continuity, succession, resource-based view, adaptation, tradition, vitality.

JEL Classification: L26, L53, L60.

Introduction

In the transition economies after thirty years since the collapse of communism, family businesses (FB) face new challenges: handover and succession. Based on a review of the literature, it is found that research on the problem of family business interruption in these specific countries is lacking (Dana & Ramadani, 2014). The authors inquire whether the family businesses from transition economies face the same problems mentioned in the literature as in other developed countries.

This paper aims to present a developed knowledge system of typology and evaluation of the vitality of family businesses in the Czech environment, created about the identified research gap in the field of family business within the framework of published problems observed in the literature. The findings of the authors bring answers to the question: how to

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evaluate the vitality of FB. The reason for a focus on family businesses in the Czech Republic resulted from a challenge that arose based on their development and succession. The Czech Republic as representative of those countries where family businesses were historically a driving force of the economy up to the period before World War II. Examples include many well-known family names: Bata (shoes for all), Popper (luxury shoes), Petrof (grand and upright pianos), and many others.

The focus of the article relates to both structural and institutional changes, as well as innovation impulses that led to the development of institutionalism in the economic thinking of the second half of the 19th century. An example of a significant authority is T. B. Veblen with “The Theory of Business Enterprise” from 1904, with his argumentation and criticism of the neoclassical theory of a company and “for-profit” production (Veblen, 2003). In his view, there was a fundamental conflict between a new technological movement and the existing social order.

Corporate theory as such is associated with “The Nature of the Firm”, an article by R. H. Coase from 1937, as well as the influence of transaction costs. New institutional theories followed in the second half of the 20th century, along with polemics among economists of mainstream economics and proponents of the “Old Institutional Economics”, or better, the “Original Institutional Economics”, as stated by J. J. Parada (2001). In his analysis, Parada concluded that after the changes at the turn of the 20th and 21st centuries (for example demise of socialism in 1989), Veblen’s legacy shall be considered significant. He highlights that, according to Veblen, institutions are never in full alignment with the needs of the given society; they include elements of both social and psychological inertia (Parada, 2001, p. 49).

Economic entities of those territories occupied during World War II (which included the then Czechoslovak state) were forced to submit to managed war economics. After the end of World War II, the destruction of private enterprise deepened through the systems of managed socialistic economy. Practically, all firms were nationalized in the very short period between 1945 and 1948 and they lost their actual owners (Teichova, 2010; Rybka, 2017). The recovery to a market economy was only possible after 1989. Over that period, two generations that grew up in the Czech Republic lost their relationship to land, as well as responsibility towards private property and entrepreneurialism.

Based on this, the phenomenon that is taking place in countries with a post-1989 change in the economic system on a wider scale can be defined nowadays (the “twenties of the 21st century”) as “finding a way” for continuing family business through the first generation exchange. At the same time, the founders (first generation) have difficulty accessing the experience and knowledge of handing over the company from their environment (the private business gap between 1939 and 1989). Therefore, the authors of the article dealt with the question of the vitality of FB in the Czech Republic in terms of passing on to future generations.

The methodological procedure for assessing the vitality of FB was developed during the designing of the university knowledge portal. The knowledge portal is part of the research project realized in cooperation with the Association of small and medium enterprises in the Czech Republic. This project is motivated by the necessity to assist the process of generation

transfer and maintaining the continuity of the business in the region (Antlova et al., 2017). The benefit of this knowledge portal (see website <http://rodpod.tul.cz/>) for family businesses is to provide feedback consisting of an analysis of the current state of their processes and of assistance in finding appropriate strategies and methods to further improvement of their businesses. Here they can also find some online courses or learning materials for their improvement.

The first part of the article is a review of literature focusing on defining the specific characteristics of the FB in terms of the succession process and the continuity of the business. Specifically, the vitality of internal processes that allow a dynamic approach to change. The methodology for evaluating family business vitality is in the next section. A specific example of evaluating the vitality of FB is in the second part of the article, where are results – the evaluation of 34 family companies involved in the knowledge system. Part three of the article explains the research results of ten case studies of family companies that showed the highest values of vitality. The intention was to specify the factors that affect the continuity of the business. The discussion is in the last part.

1. Literature review

The theoretical framework is provided by the research of Fang et al. (2012, p. 12), focusing on the question of the succession and professionalization of private enterprise. The author discusses the institutional theory and resource-based view frameworks to study how the environment impacts the development of family enterprises. According to Fang (2012), the view of FB is based on the diversity of resources in the market – resource-based view (RBV). This RBV view suggests that competitive advantage and performance results are a consequence of firm-specific resources (Barney, 1991). Besides, the meta-analysis of 125 empirical studies of businesses provides strong evidence supporting a positive link between firm's possession of valuable, rare, and inimitable strategic resources and business performance (Crook et al., 2008).

Fang et al. (2012) use the definition by Chua et al. (1999, p. 25) to determine a FB as business governed and/or managed to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families'. Miller and Breton-Miller (2006) found in their research that it is the inclusion of next-generation members in the family business that can cause conflicts and outflow of family resources. Dalpiaz et al. (2014) perceives this transition as a significant part of the succession process from the 1st generation.

Although FBs are defined by a significant involvement of the family in ownership and management throughout their existence, they face a difficult situation when they consider succession and professionalization. Fang et al. define professionalization as a behaviour of a family firm where professional standards such as hierarchical governance, management structure, and human resource policies are established, although professionalization may carry undesirable effects, such as increased agenda costs, with the danger of loss of social and emotional wealth of the family.

1.1. Resource-based view approach

RBV theoreticians (Lee, 2019; Barney, 1991; Fang et al., 2012; and others) admit to a large degree that an interaction between the family unit, enterprise entity and individual family members may lead to competitive advantages in family businesses compared to the non-family-based competitors. They mainly see this advantage in developing economies rather than already developed economies. Nonetheless, this represents a costly and demanding process. The founders of FB and their successors play a significant role in the process of professionalization. Fang et al. (2012) conclude that such professionalization may also lie in the family raising their manager.

The RBV approach is a way to view the firm as a “bunch” of resources. These resources and their combination varied from one firm to another (Barney, 1991). The interaction between family members can also lead to competitive advantages – “familiness” (Chrisman et al., 2005b). However, it requires family businesses to be able to adapt and approach dynamically.

Hatum and Pettigrew (2004) studied the processes of organizational adaptation and competitiveness of a company. In their conclusions, they emphasize that the role of founder and strong identity based on a set of core values that are shared with previous generations has had a major impact on how flexible firms are developed. Another important factor was the need for gradual standardization of processes (e.g. decision making). This was related to the degree of professionalism and the ability of organizational flexibility. However, achieving this is a long-term process. Based on these findings, Duarte et al. (2018) expanded on the concept of RBV on dynamic capabilities approach (DCA). The ability of companies to adapt to environmental change (Teece et al., 1997) is understood as a dynamic ability of companies. As Teece (2018) states, the strength of a firm’s capabilities is manifested when changes in the business model translate into organizational transformation. DCA research in the context of the family business has been the subject of many authors (Duarte et al., 2018). E.g. Chirico and Nordquist (2010) point to the assumption of inertia in family business behaviour concerning set values (the name transgenerational value is used). This can stimulate but also inhibit the development of dynamic abilities.

The stewardship theory and the agency theory are also linked to RBV and have been applied in the family business by Westhead and Howorth (2006). In their study, they focused on the issues of ownership, management structure and objectives of family businesses. As they say, these three factors are closely interconnected and form the basic framework for defining the types of family businesses. The motives or intentions of business are most often interconnected with the family’s objectives, which may be keeping a family business continuously running, independence of ownership held by the family, transfer of ownership to the next generation, preservation of financial independence of the family and the company, as well as employment of family members, etc. As the authors state at the end of their study, those examining family businesses should bear in mind that if they do not properly distinguish between the types of FB, it can affect the validity and generalization of research findings. Therefore, a business entity cannot be generally referred to as a FAMILY one. This information about family nature does not necessarily show typical general features. It is more about

the behaviour and the perception of family businesses in society. It means that merely a quantitative analysis of family businesses is not an appropriate procedure for evaluating vitality. It is necessary to define the specifics of a family business that distinguish it from businesses conducted by other entities and to subsequently focus on making a qualitative evaluation of these specifics in family businesses.

For example, Kaplan's and Norton's Balanced Score Card (BSC) method from 1992 was considered, evaluates four basic perspectives for measuring the performance of an organization, namely financial, customer, process and learning (Norton & Kaplan, 1996). Another method was the Excellence Europe Foundation for Quality Management (EFQM) model based on nine criteria of business efficiency. It is said that each method has its advantages and that it is appropriate to use them to the needs of the phenomenon evaluated.

Another method was the evaluation of viability within the framework of crisis management according to Pollak (2003), who understands vitality as a business's viability. He then evaluates vitality by giving weighted points to individual characteristics based on his experience with restructuring businesses. The sum of the points is subsequently expressed as a percentage that defines the vitality of the given business. Other authors point out the significant influence of other determinants, such as the level of management and business processes, e.g. Anderson et al. (2012), Battisti and Iona (2009).

VITALITY is understood here as the concept of the future development of the company based on the RBV theory.

Therefore, it is necessary to accept that FBs are not a homogeneous group (with similar opinions and attitudes, activities, interests, value systems, tendencies), but are also influenced by their external environment. Other studies also point out this factor – e.g. Craig and Moores (2006), Craig and Dibrell (2006), and Tobak et al. (2018). The influence of the family business interruption in post-communist is only in one publication: Family Business in Transition from Dana and Ramadani (2015).

1.2. Success continuity of family business

The authors searched for the problems of interruption in the succession of FB in the literature (Corral & Rebori, 2019; Alayo et al., 2020). The keywords in the literature search were: long-term family management, knowledge sharing, planning intergenerational communication, personal interaction, increased communication and reflection competence, long-term strategy, multigenerational learning, overall quality management, closer customer interaction, socio-emotive wealth, internationalization process, the interaction between “district effect” and “family effect”, corporate culture, adaptation, tradition. The intention was to find a link to a situation where business was interrupted due to a change in the economic system (see Table 1).

It is seen from Table 1, that problem of continuity after the interruption is not very frequently discussed in the literature. Nevertheless, it is possible to observe, for example, the identified interaction between the “sectoral district effect” and the “family effect”. This is pointed out by Cucculelli and Storai (2015), in connection with the change of economy in Italy after World War II. They concluded that the existence of a family business in the “industrial district” has positive externalities based on a reduction in transaction costs based

on trust (referred to as reputational capital). For this reason, within the preparation of the methodological procedure of research into the vitality and continuity of FB, the sector, which is the main subject of the business of family companies in the context of important branches of the company's place of business, was also monitored.

All these above-mentioned findings led the authors to the issue of how to evaluate the management of a present-day FB from its further performance and development in the suc-

Table 1. Problems of interruption in family business continuity in literature

Success continuity – main factors	Problems with the interruption in the continuity	Authors
Long-term family management, sharing knowledge, planning	– not found	Tobak (2018), Cabrera-Suarez et al. (2018)
Inter-generally communications, personal interaction, an increase of communicative and reflexing competence	– not found	Leiss and Zehrer (2018), Frank et al. (2017)
Long- term orientation strategy,	– not found	Veider and Kallmuenzer (2016), Lumpkin and Brigham (2011)
Multi-general learning	– not found	Konopaski et al. (2015)
Total quality management	– not found	Tan et al. (2015), Hlavacka and Bek (2018).
Closer connections with customers	– not found	Miller et al. (2007)
Socio-emotional wealth	The listed issue with lack of financial resources, joining of foreign capital	Zehrer and Leiss (2020), Alayo et al. (2020), Corral and Rebori (2019), Campbell and Jerzemowska (2017)
	– not found	Naldi et al. (2013), Williams and Mullane (2019)
Internationalization process	– not found	Felzensztein et al. (2018), Cano-Rubio et al. (2017)
Interaction between the “district effect” and the “family effect”	The family business facilitates economic development after WWII.	Cucculelli and Storai (2015)
Firm's culture, adaptation, tradition	– not found	Alonso et al. (2018), De Massis et al. (2016)
Tradition, internationalization, quality management	Defining the challenges of addressing the widespread social and economic situations that take place in post-communist Eastern Europe: New economic and financial conditions, institutional reforms, financial risk, owner's age.	Dana and Ramadani (2014), Leiss and Zehrer (2018)

cession process. The intention is not to address the issues of financial health, but to evaluate the vitality of internal processes for further dynamic development. The results will help to a better understanding of family business weaknesses in transition economies, thus enabling them to identify their dynamic capabilities for further development. As Duarte et al. (2018) point out, literature provides a theoretical framework in the field of FB competitiveness. However, we need to focus on qualitative research in terms of the ability to adapt to the family business in a rapidly changing business environment.

2. Research methodology

Vitality is defined as the power the enterprise generates to ensure its success and future progress. This view was presented in the lectures by Kappel (1960, p. 3), who stated: "In building that strength, I believe, a business can create for itself a vitality that will profoundly affect each of many tomorrows, from a day to a generation in front of us, and that may well spell the difference between success and failure for the business, for the communities in which it works, and for the nation". When asked what builds the vitality of an enterprise, he answered that it is primarily in people. The same is apparent from the very essence of the word vitality, as an attribute of human beings with an inner need to do what is right and not merely what is necessary (Kappel, 1960). In his decade-long research executed within courses for managers in the loan and financial management (approximately 80 respondents annually), Kappel poses this question: "If you were an important investor in or a creditor of a particular business, and if you were interested in the maximum assurance of the long-run soundness of that business, what would you look at? What criteria would you use in making a judgment?" (1960, p. 61). The results of this research identified a list of fifteen criteria what Kappel grouped into three groups according to their significance (1960, pp. 61–68).

Based on Kappel's research (1960) criteria and a literature review (relevant to the vitality of a family business) the survey questions are grouped into three modules. The questionnaire is published in "Knowledge Portal" (Technická Univerzita v Liberci [TUL], 2018). Subsequently, the characteristics were included under the given modules that are specifically defined for the family business based on the previous researches. These are the following areas/modules:

- Legal – psychological (relationships, founding, succession, creating a family constitution);
- Managerial (management of the processes in a family business) and
- Economy (Economic and financial management of the company and family as a whole).

Subsequently, the characteristics were included under the given modules specifically defined for the family business based on the previous researches.

In the case of criteria evaluating the internal environment of a family business within the framework of each of the three modules or areas, a designation of 0 to 2 indicates a weakness of the given factor; a designation of 3 to 5 indicates a strength of the given factor (Lickert scale). The reason for the even scale (6 options) is to prevent the owner/manager of a family

business from selecting a mid-range neutral evaluation during the self-assessment process. The weights were determined based on an expert estimate in the survey. The evaluation (by questionnaire) was done individually for each of the three modules, so weights were assigned within three separate groups of 10 criteria. A scoring method was used to determine weights. The importance of the criterion was assessed by the respondents by assigning the number of points on a scale from 1 (min) to 5 (max), which is further referred to as the point value p_i . The weight of the i^{th} criterion v_i was determined according to formula (1), where p_i is a point value assigned by one respondent to the i^{th} criterion and the number of criteria is k .

$$v_i = \frac{p_i}{\sum_{i=1}^k p_i}. \quad (1)$$

Since the importance of the criterion was assessed by a group of n respondents, in (1) it was necessary to replace the expression p_i by the sum of the point values assigned by all respondents to the selected i^{th} criterion $\sum_{j=1}^n p_i$. The degree of vitality is evaluated for each module separately and then in aggregate. The aggregate (composite) index is the weighted sum of all 30 criteria. The knowledge system is supplemented with commentaries on the evaluation of vitality, e.g. that vitality is A-Excellent (strengths and the readiness of the family business to face given specifics prevail), B-Very good, etc. The evaluation will show the best-evaluated area/module and the worst evaluated area/module.

- I. Legal issues of succession and the formal setup of the organization (relations between family members, ownership, leadership, and succession, property settlement, etc.).
- II. Managerial, including data in the area of target-setting, strategy creation, and human resources management, along with complementary data defining the types of the family business (run by a parent, run by relatives, run by a spouse(s)).
- III. The economic evaluation focused on issues of management, financial resources of the family and company, as well as sources of financing (owner, third-party, etc.).

The above segmentation determines the original knowledge evaluation of family enterprise vitality in this article. The vitality of processes specific to a family business is discussed in the context of business performance (Saiz-Álvarez et al., 2019). The authors considered various methods to make it possible to evaluate the financial situation or health of a business by analysing accounting or tax record data, as well as more comprehensive methods providing a holistic view on business strategies.

To evaluate a FB's vitality, a knowledge system was prepared, available at the web portal. The methodological approach defines a two-stage approach when creating a knowledge system for registering family businesses and subsequently for evaluating their vitality. In the first stage, it is a typology of the economic entity using machine learning (it means that it connects data from a public register in the Czech Republic according to the entered identification number of the economic entity, ID No. (Administrativní registr ekonomických subjektů [ARES], 2018)). In this stage, information is obtained about the time when the company was founded, about the number of employees, focus of the business sector, family business specifications (Ministry of Industry and Trade [MPO], 2019), etc. Information also

includes an evaluation of the environment in the municipality (the external environment of the company) where the family has its business. A municipality is perceived in the wider context of municipalities based on the employees' commute to public facilities, work and educational facilities.

In the second stage, the vitality of the FB entity being studied (based on H. Pollak's model (2003), Kappel (1960)), is evaluated in three areas or modules (legal, managerial, economic, see chapter 4) of the entrepreneurial process (see Figure 1). These areas of the vitality were compared with the results of literature research (Zellweger, 2017; Beck et al. 2011; Chrisman et al., 2005a, 2005b; Feliu & Botero, 2016). To meet the goal of evaluating the vitality of a family business, a procedure based on Harry Pollak's (2003) method of diagnosing the vitalization of companies was chosen. This method involves a study of organizations and institutions, so the method of research case studies was chosen when searching for optimal behavioural patterns and the introduction of a certain type of management. Research case studies are used as an appropriate tool for verifying research models in specific organizations to capture the complexity of social phenomena based on qualitative data collection (Fox-Wolfgramm, 1997). The methodological process of creating a case study research includes the following steps (Strach, 2007; Maxwell, 2012): assessing the suitability of the chosen methodology; selecting the data collection method; determining the research sample; creating a case study report; contact with the research subject participants; processing the obtained data record; analysing and evaluating the obtained data; comparing the theoretical knowledge with the data found; performing a cross-case study analysis; creating one's case studies and deducing research intentions.

The collection of data connected to the creation of research case studies can be carried out by holding controlled interviews with participants, as well as observations made during visits to the examined subject and the collection of secondary data, etc. (Denzin & Lincoln, 1994; Perry, 1998).

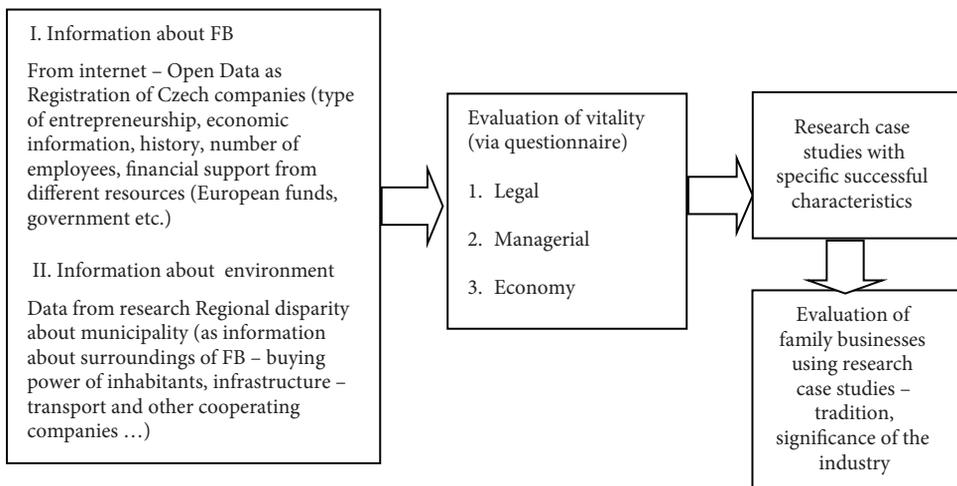


Figure 1. Scheme of the developed knowledge portal

3. Results

The vitality of a family business was evaluated for each of the three above mentioned modules separately and then in aggregate. The resulting values were split, with the option to aggregate data, into three zones (red, grey and green), see Table 2. The pilot version of the knowledge portal obtained at the beginning of the vitality evaluation has registered 40 companies. These companies are FB, and they were registered according to the procedure described above in Figure 1, 34 companies completed the entire evaluation of family business vitality. The rating of the individual family businesses by grades F (very poor vitality) to A (excellent vitality) is shown in Table 3. The rating is also marked with various colours (green meaning OK, while red means poor vitality).

Table 2. Family business vitality rating grades (source: authors' creation)

Family business vitality rating	Intervals (quantile division), %	Zones
A (excellent vitality)	(83.33 to 100>	"Green"
B (very good vitality)	(66.67 to 83.33>	
C (good vitality, in the course of planning)	(50 to 66.67>	"Grey"
D (good vitality but with the tendency to deteriorate if not addressed systematically)	(33.33 to 50>	
E (poor vitality)	(16.67 to 33.33>	"Red"
F (very poor vitality)	<0 to 16.67>	

Table 3. Number of companies within each business vitality rating grade

AREAS (frequency of occurrence)	"RED" ZONE			"GREY" ZONE			"GREEN" ZONE		
	F	E	SUM	D	C	SUM	B	A	SUM
module_I-LEGAL	1	5	6	10	11	21	6	1	7
module_II-MANAGERIAL	3	6	9	9	8	17	3	5	8
module_III-ECONOMIC	2	1	3	6	12	18	9	4	13
Total (I-III)	2	2	4	10	11	21	6	3	9

The data from Table 3 was further simplified to interpret results using a chart in three zones within the red zone (poor vitality), the grey zone (good vitality) and the green zone (strong vitality). The chart in Figure 2 illustrates that the weakest area in family business within the examined Czech economic entities was the legal area (most answers were in the area of the red and grey zones).

Within the framework of this area, respondents commented on the issue of documenting the setup of the relationships between family members, based on the type of family charter. Here, respondents received only 14% of all possible points, as only one company even mentioned the existence of such a document. These weaknesses included:

- defining the family council/assembly about the legal form of business to resolve conflict situations,
- holding open discussions and ties within the framework of ownership-leadership succession relationships,

- engaging in comprehensive preparation and education for succession in the family,
- addressing issues of succession in connection with management and ownership relations from the impact on family relationships and ties,
- legal aspects of the handover of the company to the next generation and
- presentation of the company with the status of a “family business”, etc.

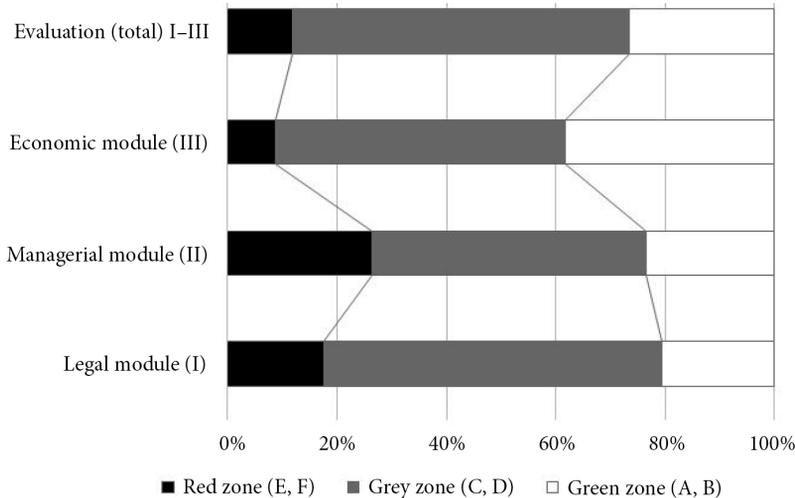


Figure 2. Frequency of companies based on their inclusion in three module

Research case studies were then prepared for those family businesses (10 companies) that showed specific purposeful processes in ten family businesses, i.e. companies that received a green zone rating (as mentioned above). These 10 companies were deeply analyzed including the identification of strong and weak factors of their vitality. Their evaluation structure was divided into four categories (see Table 4).

- 1) The family nature of the business and typology. Basic characteristics of those entities monitored. Data relating to these companies was taken from a public register (ARES, 2018) based on machine learning to characterize each economic entity and verify the family nature of the business (MPO, 2019). Source of data for producing the analysis was the knowledge system. Data had to be further examined according to the information contained on the company websites, or by phone interviews. The output of this part is data allowing classifications of FB. In addition to the basic characteristics, the legal form and industry focus, information on the participation of family members in the company business was addressed. Business owners are registered into the system based on their assessment of the family nature of their business. The issue of their perception of the phenomenon was thus examined with the possibility of verification, namely the definition of the family nature of the given business. The assumption was that the management and administration of property would be subject to majority control by the family. Further, at least two family members would be involved in the family business. Either those members were entrepreneurs, cooperating persons or

in the form of an employment relationship, or in the case of a legal entity by stating co-owners, or in connection with an already effected takeover of the company from the previous generation.

- 2) Information related to the municipality where the family business operates; data from the databases of these cities, towns and villages are used here in connection with CZSO (Czech statistical office). The source of data for implementing the analysis was the knowledge system of the authors of this study. The output of this system describes the place and simultaneous evaluation of the entrepreneurial environment, including whether the scope of business is related to an industry that is significant and traditional for that region. Thus there will be the ability to do future analyses in the area of industry clusters itself. From the long-term point of view, a tradition of the focus on the given business can be expected in the municipality. To generalize, it would be necessary in this case to get a larger number of economic entities; this will be a descriptive nature of the entrepreneurial environment of the municipality and region.
- 3) Evaluating the parameters of family business vitality in specific areas for this phenomenon, based on a questionnaire survey within the framework of the knowledge system. The output evaluates the level of vitality in the individual modules of law-management-economy as well as overall evaluation from the specific behaviour of family businesses. Complementary pieces of information include the best and worst parameter evaluated. Family business vitality parameters were assessed for entities with vitality in the green zone (A, B level evaluation).
- 4) Supplementary information about the business in the areas of philanthropy, implementation of innovation projects funded from public sources, etc. Data from the knowledge system was supplemented by other data available from the Internet, the company’s website, as well as a database of centrally registered projects in the Czech Republic, etc. The output identifies family businesses with the potential to interconnect their activities with the municipality in which they operate.

The design of the system for producing evaluations using case studies is based on a comparison of the situation identified and its theoretical assumptions. Based on theoretical knowledge, the following metrics that define categories of tracked information were monitored. In this area (behaviour of the company related to society), it is supposed the interest and involvement of the family business in the affairs of the municipality (with an inclination towards philanthropy). Company answers will be tracked within the framework of the knowledge system, along with supplementary information from the internet.

Table 4. Evaluation of family businesses using research case studies – by category

Category	Category definition	Evaluated factor (Comparison with the definition according to the theory)	Results
1)	Family nature verification	<i>Verification of the family nature of a business</i> (based on the definition of the family business), type of company according to Hlavacka and Bek (2018)	All evaluated vital companies meet the criterion of family business according to theory and further, at the time of the research they solved or have already solved the first

End of Table 4

Category	Category definition	Evaluated factor (Comparison with the definition according to the theory)	Results
		<p><i>Assumption of succession</i> (ownership and management in the family)</p> <p><i>Age of the company</i> (how long the company has been operating on the market/number of years)</p>	handover of their family business to the next generation. Before passing it on to the next generation, the two operated as a family business of a natural person. In terms of typology: 3 companies were a family business corporation of spouses, 5 parents and 2 relatives.
2)	Tradition, the significance of the industry	<p><i>The scope of business</i> of the company is in a significant/traditional industry for the region</p> <p>Assumption of the <i>tradition</i> of the industry in the region, historical connection</p> <p><i>The situation identified</i> whether the scope of business is in an industry which is significant for the district (the number of employees, the number of economic entities)</p>	Either most of the evaluated vital companies (9) with their subject of business participate in the development of a sector that is an important traditional branch of the region (the core of the branch cluster) or they provide services to the given branch. One company did not fulfil this evaluation, but the subject of its business is focused on the area of regional products, it can be perceived as a locally important small family business.
3)	Family business vitality	<p><i>Family business vitality parameters</i></p> <p>Module I-law: +/-</p> <p>Module II-management: +/-</p> <p>Module III-economy: +/-</p>	Within the overall vitality, three companies were rated grade A and 7 grade B. The weakest vitality results of the rated family companies are shown in module 1 – legal.
4)	The behaviour of the company when conducting business (self-evaluation by the company)	<p><i>Premise P1</i> The company has close ties to the municipality in the place/seat of its business</p> <p><i>Premise P2</i> The family business is a significant entity for the municipality (employer, it provides missing activities in the municipality, it creates a local community base, etc.).</p> <p><i>Premise P3</i> The company sponsors or otherwise supports selected leisure activities in the place of its business.</p>	A close connection of the family business to the municipality where the family lives and does business was assumed. From ten case studies of family companies with an evaluation of very good process vitality, it can be stated that a positive link to the municipality was found in 50% of companies

4. Discussion

As the research shows, the companies that are best prepared in the economic area also deal with the issue of family business property and the private property of family members. They are also ready for the creation of a financial plan and investment issues. The managerial area showed an even distribution of weaknesses and strengths, however, the most significant

weakness of family business lied in strategic planning, including the existence of a succession plan and the creation of a strategic financial plan (Dalpiaz et al., 2014; Tobak et al., 2018; Cabrera-Suarez et al., 2018).

When evaluating the strengths and weaknesses of family business vitality, it is necessary to view the given system as a whole. Individual information must be interconnected with the context of the age of the company, as well as its practices in the line of business, etc. The weakest results of the vitality of the evaluated family businesses are seen in module 1 – legal. It can be said that if the evaluated companies fail to consider it important to address the company's administration and management from family values and rules of behaviour, they will not have any prepared documents for a solution defining relationships between family members (e.g. the family charter) or “bodies” related to their legal form of business such as family assembly, family council, executive council, etc. The purpose is to set preventive measures in the area of possible legal disputes in connection with the development of family relationships.

Within the framework of module 2 – managerial, it can be emphasized that all companies strive for innovative development, with an effort to manage and maintain positive company and family relationships despite the changes related to innovation.

As for module 3 – economic, typically most companies use equity capital (patient capital) for financing, what creates a certain handicap in the area of tax optimization and where equity interest is not an eligible cost when calculating income tax. In the case of the evaluated companies, efforts have been made to separate company property from the family property and to set rules for financial management and profit distribution.

Following the first results of the knowledge system, theoretically defined specifics were examined using case studies on examples of 10 FB, where the prevailing vital processes (strengths) were evaluated in all three modules (I-legal, II-management and III-economic). The results of the evaluation using case studies showed a significant agreement with the assumptions defined in the literature on the topic of the family business. This means that family businesses, which started their business after the change in the economic system in the 1990s, now face similar phenomena to ensure business continuity as businesses after World War II. An important role in business continuity is played by the founders who must be able to set fixed values and share them with the next generation. Another important factor is the gradual standardization of processes and ensuring the necessary degree of professionalism and organizational flexibility. However, this is a long-term process and the link to industry traditions in the region can play an important role here.

Within qualitative research, the possibility of the existence of a relationship between the industrial district in the region and the existence of family businesses in the traditional sector of the region, which forms the core of this industry district, was expressed. This situation is referred to in Cucculelli and Storai (2015), which draw attention to the importance of tacit knowledge and values generated in industrial districts over a long period. Many experts in the field of localization theories deal with the region's specialization in a certain sector. At the turn of the 19th and 20th centuries, this effect was addressed by Marshall (1890/2013, pp. 225, § 3), who stated in his work on industrial districts that when an economic sector is significantly located in a particular region; it is likely to stay here a long time. The reasons

given are hereditary skill; growth of subsidiaries; use of highly specialized machines; the existence of a local labour market with special skills; industry leadership which stimulates business vitality; rapid introduction of innovations into the production process. The question of the relationship between the development of family business and industrial districts are offered for further authors' research development.

Conclusions

This article presents a project introducing an original concept for a vitality evaluation system of FB (based on the theoretical resource-based view). This evaluation system intends to find the weaknesses in FB in the Czech Republic which may complicate the succession process, the development of dynamic skills, open up space for subsequent professionalization and their further solutions.

Using an example of ten companies with high enterprise vitality evaluation, the development of these firms was monitored through case studies. The above-mentioned research points out, among other things, that most family businesses use equity capital when starting their business and implementing significant changes in development (the answer received 74% of all possible points). Here, the handicap associated with financing investments from equity capital should be noted. The cost (interest) of equity capital, unlike third-party capital, is not the tax-deductible item in the case of income tax. Simultaneously, it was found that profits made by family businesses are for the most part reinvested in their further development (the answer received altogether 80% of all possible points).

The vitality evaluation also included the topic of the relationships between the family business and the place/municipality in which the family lives and runs its business. The respondents were allowed to comment on selected issues of Corporate Social Responsibility. Only 12 of the 34 respondents took advantage of this opportunity, mostly with affirmative comments on the principles of social responsibility, sustainability or ethical business of their family company.

Furthermore, ties to the municipality were asked about within the framework of the individual examined areas of vitality (an agreement on cooperation concluded with the municipality, significance of the company as an employer in the municipality, sponsoring events in the municipality, etc.). No significant fluctuation was found here, as the respondents, combined, received approx. 60% of the possible points.

Following the first results of the knowledge system (34 family businesses), theoretically defined specifics were examined using case studies on the examples of 10 family businesses for which vital processes (strengths) were evaluated in all three modules (I-legal, II-managerial and III-economic). It can be said that the results of the evaluation using case studies showed significant consistency with the assumptions defined in the literature.

Although the tradition of FB was violently interrupted in communist countries, today all entrepreneurs share the same problems as in other developed countries where the tradition continues. Unlike in these countries, however, there is a lack of experience in the process of generational exchange of a family business where a large number of companies deal with a given situation in a given country. This raises questions towards the institutional support of

the process, e.g. in the legislative definition of the family business, specific forms of education, etc.

Limitation of this research: The presented research evaluating the vitality of the family business was a pilot test of vitality FB. Monitoring of factors and specifics of continuity of FB was subsequently carried out using case studies and 4 categories of phenomena. However, due to the possibility of generalizing the results, it was a small number of researched companies and it is necessary to continue with the research.

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