THE ROLE OF RESPONSIBLE OWNERSHIP AND FAMILY IN PRIVATELY HELD FIRMS WITH MULTIPLE OWNERS: PRELIMINARY FINDINGS FROM THE CZECH REPUBLIC

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Abstract

In privately held firms, owners are a social group of people who are aware of, interact with, and influence each other. There are dynamic relationships between them and potential clashes between self- and collective interests. At the same time, the management literature suggests that family firms behave differently than non-family firms and follow a different set of goals. This paper introduces a research framework, sample and initial findings of the Responsible Ownership Project, which aims to contribute to our understanding of how attitudes and behaviours of owners in privately held firms may influence the economic and non-economic outcomes of their firms. The goals of the paper are to explore the role of family businesses among Czech private firms and to test whether the family plays a significant role in responsible ownership behaviours in private firms. Our descriptive statistics suggest that family businesses play a non-negligible role in the Czech economy. Using Student’s t-test for mean differences, we find a higher level of responsible ownership for family-owned vs non-family-owned firms. Finally, we present directions for future research and the expected contributions of the research project.

Keywords: Responsible ownership; small and medium-sized enterprise; family business

JEL Classification: L26, M14

Introduction

Traditionally, corporate governance literature has examined large, publicly held firms, which are typical of the existence of dispersed ownership, separation of ownership from management, and professionalisation. Previous research in this area mainly concentrated on the role of boards of directors or other governance mechanisms designed to protect shareholder interests (Aguilera et al., 2016).
However, in the vast majority of privately held firms, the boards either do not exist or play a negligible role, with owners typically having full responsibility for overseeing their firms. As such, there is a need to gain better understanding of the role of owners in the private firm, especially when two or more owners share responsibility for the firm’s success, a concept we examine more closely and refer to in this paper as “responsible ownership” (Uhlaner et al., 2007; Uhlaner, 2016; Williams, 1992). For the purpose of the present paper, we adopt the definition of responsible ownership as those owner attitudes and behaviours serving the collective good of the ownership group as well as the firm (Uhlaner et al., 2007).

While business-owning groups (i.e. a group of two or more owners) are relatively commonplace, especially among small and medium-sized enterprises (Uhlaner, 2008), the challenges faced by such groups are not well understood and thus deserving of academic attention. While they have the potential to perform better than a similar set of unrelated individuals (Schultze et al., 2012), group dynamics among the owners can also create tensions and conflicts that result in divisiveness and diminished performance. A rapidly expanding literature in the family business field has drawn our attention to such groups, especially in the family firm context. However, business-owning groups in nonfamily firms can also face serious challenges. Nevertheless, research of such firms has been largely ignored and thus, we include them in the present research.

The Czech Republic is among those countries in transition from a centrally planned economy to a democratic system and a market economy (Wright et al., 2005). Prior to World War II, Czechoslovakia (which includes modern day Slovakia and the Czech Republic), had a well-developed private sector with well-respected entrepreneurs and advanced industries (Lukeš, 2017). However, 1948 marked the start of the Communist regime, which almost entirely nationalised former private ownership (Hanzelkova, 2004). The fall of the communist regime in 1989 began a period of private ownership renewal through restitution (partial returning of businesses to their former owners in the forties), privatisation (selling government-owned businesses to new private owners) and the foundation of new firms.

This ownership transformation created unique conditions for economic research, especially in the fields of small and medium-sized companies and family businesses. Today, Czech companies are mostly those of the first generation, i.e. the generation of founders. 2019 marks the thirtieth anniversary of the ‘Velvet Revolution’ and provides the opportunity to explore firm-level and family-level consequences of responsible ownership.

To better understand corporate governance and responsible ownership in Czech privately-held firms, the Czech Science Foundation supported a three-year research project, titled “Privately-held firms with multiple owners: The role of family and responsible ownership,” henceforth referred to as the “Responsible Ownership project.” The project, carried out at the University of Economics, Prague (Vysoká škola ekonomická v Praze), was directed by Prof. Jiří Hnilica. The overall goal of the project is to explore the antecedents and consequences of responsible ownership in privately held family and nonfamily firms with multiple owners in the Czech Republic. A related aim is to examine whether family-owned firms differ from nonfamily firms for such antecedents and outcomes.

Family-owned enterprises play a powerful role in the world economy (Kachaner et al., 2012), and on a global level, research on family firms has increased rapidly over the past
few decades. However, research on family-owned firms in the Czech Republic remains quite limited, with a few exceptions (Hanzelková, 2004; Koráb et al., 2008; Machek and Hnilica, 2015; Odehnalová and Olševičová, 2009).

We see two major research gaps in the current literature. First, there is a need for shedding further light on the overall role of family businesses in the Czech economy. Second, since family businesses follow different goals and have been found to be empirically different from non-family firms (Berrone et al., 2012), we also aim to test the differences between family and non-family firms in terms of responsible ownership behaviours.

The remainder of this article proceeds as follows. First, we introduce the concept of responsible ownership, together with the theoretical framework and key variables used in the Responsible Ownership project. Next, we provide further details of the data collection procedure, the sample and its composition, including representation by sector and size compared to the overall Czech private firm population. Then, we present some initial results, including data on representation of family businesses in the Czech Republic. We also test a hypothesis regarding the differences between family and nonfamily firms with respect to responsible ownership. In the last section, we briefly discuss the results, summarise the contributions and suggest the implications for future research.

1 Theoretical background

1.1 Responsible ownership

Historically, owners’ responsibilities were viewed as having a fairly limited role, their main duty being to supply the business with financial resources in exchange for equity (and thus potential return on investment) (Milgrom and Roberts, 1992; Shleifer and Vishny, 1997). While this view has shifted over the past few decades, with respect to public companies to broader obligations toward stakeholders, such a narrow view was probably never an accurate picture for privately-owned firms. The typical owner of a private enterprise may play a major role in the success of the enterprise. However, when there are two or more owners, and especially when some owners may not have day-to-day responsibilities managing the business, defining the appropriate role of an owner vs management can be confusing.

The notion of responsible ownership has come to include attitudes and behaviours (including decisions and actions) by one or more members of the owning group, which contribute positively to one or more stakeholders (including other owners, the business itself, the owners’ family, employees, and others outside the firm), without harming the other stakeholders (Uhlaner, 2016). The responsible owner must go beyond his or her own interests to consider those of other owners, the business and, typically, external stakeholders (Aragón Amonarriz and Iturrioz Landart, 2016; Berent-Braun and Uhlaner 2012; Koeberle-Schmid et al., 2014; Lambrecht and Uhlaner, 2005; Uhlaner, 2016).

One of the challenges in applying the responsible ownership definition, as with stakeholder models in general, is addressing the interests of different stakeholder groups that may come into conflict with one another. In recognition of this need to balance various stakeholder interests, one of the first of these is to balance the rights and privileges of the individual owner, such as wealth and power, with the collective interests of the owning group and the firm as a whole (Aminoff et al., 2004; Uhlaner, 2016). Lambrecht and Uhlaner
(2005, p. 8) conclude that responsible ownership is “an active and long-term commitment to the family, the business and the community, and balancing these commitments with each other.”

Past research points to some of the most important elements of responsible ownership contributing to an effective firm, including good working relationships, trust and a shared vision among owners (Uhlaner et al., 2015). Other research suggests that mobilisation of owner networks for the benefit of the firm can lead to more innovative outputs, especially in the small and medium enterprise (SME) (Uhlaner, 2016).

Finally, the context may matter in determining which behaviours influence firm outcomes. For example, in larger and older family firms, owner professionalism, i.e. “the extent that owners fulfil their assigned roles and commitments in relationship to each other and the firm,” can be quite important in assuring firm profitability. Ironically, the monitoring of management by owners (often referred to as ‘active governance’) may have a neutral or even negative effect on firm performance (Berent-Braun and Uhlaner, 2012).

In SMEs, where overlap between ownership and management is pervasive, monitoring may lack meaning altogether (implying that owners can somehow monitor themselves). Therefore, the research to date suggests that in order to understand the role of the owner in the private firm, we cannot simply substitute what we know about governance in large, public companies, but must consider differences in firm context. Furthermore, whereas previous findings suggest a positive effect of responsible ownership on a firm’s innovativeness and financial performance, much less is known about its effect on noneconomic outcomes affecting various stakeholders within and outside the firm. Some of these latter aspects are also a focus of the Responsible Ownership project.

1.2 The special case of the family firms

Business-owning families are a special case of the business-owning group, where two or more owners are related to one another, and together own the majority of the company (Uhlaner, 2008). Based on one international study of eight countries, as many as three-quarters of business-owning groups have two relatives together owning the firm (Reynolds et al., 2002). Williams (1992), one of the earliest academic proponents of the notion of responsible ownership, argues that, especially in the family firm, responsibilities go beyond those strictly defined by the law, encompassing the ‘spirit of ownership’ (Williams 1992, p.32). As a responsible owner, each member of the business-owning family must exercise his or her role for the benefit not only of the family and business but also the broader community (Williams, 1992).

The intention of a large proportion of family business owners is to preserve the family inheritance for its transmission to the following generations. However, the long-term orientation (LTO) of owners is not unique to family firms; even owners in nonfamily firms differ in their LTO and affect risk-aversion or innovativeness of the whole firm (Chrisman et al., 2012). Similarly, family commitment to the firm (e.g. Carlock and Ward, 2001; Chrisman et al., 2012) remains one of the less researched and less well-understood topics (Uhlaner et al., 2007). While a growing body of research suggests that family ownership may matter, the role of family ownership versus multiple ownership more generally has not always been carefully controlled for. One of the long-term goals of the Responsible Ownership project will be to tease apart family versus business-owning group effects.
So what is a family firm? Family business literature traditionally defines the family business using two groups of criteria (Chrisman et al., 2012): the “involvement” criterion (such as the involvement of family in ownership) and the “essence” criterion (behavioural traits such as self-identification as a family firm). Chrisman et al. (2012) argue that family involvement in ownership or management is a necessary but not a sufficient condition for the existence of a family business. This paper uses a simple dichotomy to distinguish family from nonfamily-owned firms sampling from these two dimensions of family involvement and family essence (two or more owners related to one another that own a majority of the firm and describe the firm as a family business). However, in further research based on data from the research project, a more nuanced approach will also be taken, which captures the heterogeneity of family firms (Memili and Dibrell, 2019).

In an attempt to explain the distinguishing behaviours of family firms, family business scholars have frequently used the concept of socioemotional wealth (SEW). SEW is defined as the affective endowment of family owners such as reputation, status and family harmony that families derive from business ownership (Gomez-Mejia et al., 2011; Berrone et al., 2012). Socioemotional wealth theory provides a plausible argument to explain why family owners may be more proactive in assisting the firm, including the creation and mobilisation of networks, providing entrepreneurial input, and taking a long-term view of the firm. A number of these aspects relate to the concept of responsible ownership. We thus hypothesise in the present paper that, due to this difference in socio-emotional wealth, owners in family businesses are expected to demonstrate more responsible ownership than their counterparts in non-family businesses. We thus posit:

**Hypothesis 1**: Amongst privately-owned Czech firms, family firms will demonstrate a higher level of responsible ownership characteristics than nonfamily firms.

### 1.3 Research Framework of the Responsible Ownership Project

Figure 1 presents an overview of the framework used in the Responsible Ownership project. The left-hand column represents antecedent variables divided into three main categories, including ownership, business and family variables. The first category of **Ownership variables** represents the core focus of the project, that of responsible ownership and other ownership characteristics, including ownership structure and owner human capital. We draw upon the past literature on ownership social capital and responsible ownership (Berent-Braun and Uhlaner, 2012; Uhlaner et al., 2015; Uhlaner, 2016), family social capital (Eddleston and Kellermanns, 2007; Eddleston, et al., 2012) and the organisation social capital literature (Leana and Van Buren, 1999).

We include four responsible ownership constructs, including **collective commitment** of the owning group to the firm (including their professional behaviour, shared vision of the firm and long-term orientation), the role of the **owner as entrepreneur** (providing innovative ideas, opportunities and making business contacts in behalf of the firm), perceived trust among the owners within the business-owning group, and **network mobilisation** (the extent to which the firm has actually used owner contacts to benefit the firm). In order to better understand the effects of responsible ownership attitudes and behaviours, we also include ownership human capital variables, which address the work experience and education of both the CEO and other owners in the firm. Finally, we include a variety of variables to better understand the ownership structure, including the overlap of ownership and
management, whether shares are evenly divided or if there is a dominant partner, how influence is distributed amongst the owners and whether the firm remains founder-led.

The second category of *Business-related variables* includes, first, the importance that the CEO attaches to a variety of firm goals, including both economic and non-economic goals. Much of the past research on responsible ownership examined firm financial performance but overlooked other potential non-economic outcomes (Berent-Braun and Uhlaner, 2012). The research framework also includes variables to control for the business context, including growth aspirations, innovativeness, and other firm characteristics such as company age, sector and size. Business-related variables further include recent performance with respect to innovation outputs and the firm’s financial performance. Environmental dynamism, that is, the extent to which innovations are coming out in the firm’s industry, and the location of the firm were also included within the framework.

The last category on the left hand side of the framework, *Family variables*, includes certain variables asked of all firms and others more specific to identifying heterogeneity within the family firm. Variables asked of all firms included aspects of family firm identity, including whether two or more owners are related, whether the name of the firm includes the family name, how much of the ownership is in the hands of one family (vs one individual), and whether the firm describes itself as a family firm.

Other questions were asked only of a subset of firms with a majority ownership in one family and describing themselves as a family business. These included a series of questions on the importance of several family-centred (noneconomic) goals, including preservation of family control and independence, minimisation of family conflicts, family reputation (in contrast to a firm’s reputation), successful business transfer to the next generation, and provision of work to family members. Family firms were also uniquely asked how much influence the family had on the business and which generation was in charge.

The right-hand column presents various outcomes that serve as dependent variables for our project. Both firm-level and family consequences are considered as outcomes. The primary outcome variables measured in the first wave of data collection include satisfaction with economic, noneconomic, and family-centred goals, internationalisation (Dabić et al., 2019; Fernández and Nieto, 2006) and work-family balance, which examines the degree to which the business creates tension in the family (Carr and Hmielski, 2015). While baseline data was also collected for innovativeness and innovation outputs (De Massis et al., 2015) and firm financial performance, testing for these effects would ideally require collection after an elapsed period of time in future research in order to test for lagged effects.
Figure 1 | Research Framework

Ownership variables

- Collective commitment to the firm
- Owner professionalism
- Shared vision
- Long term orientation
- Owner as entrepreneur
- Trust
- Network mobilization

Ownership structure

- Ownership stake
- Distribution of Shares
- Owner/manager decision making
- Owner-manager overlap
- Founder-led (owner/manager)
- Proportion of ownership by one family

Ownership Human Capital

- Owning group
  - experience: work/industry/managerial
  - specialization of owners
- CEO
  - education: business specific, general
  - experience: work/industry/managerial
  - age
  - gender

Business variables

- Economic goals
- Non-economic goals

Importance of firm goals

Innovativeness
- Growth projections
- Company
  - age
  - sector
  - size

Past business performance
- Innovation output
- Financial performance

Industry context
- Environmental dynamism
- Location: big city, rural

Family variables (other than family ownership)

- Family firm identity
- Importance of family-centred goals
- The generation in charge

Outcomes (from Wave 1)

Firm-level consequences
- Satisfaction with economic goals
- Satisfaction with noneconomic goals
- Internationalization

Family-level consequences
- Satisfaction with family-centred goals
- Work-family balance

Outcomes (future waves)

Firm-level consequences
- Innovation output
- Financial performance

Family-level consequences
- Satisfaction with family-centred goals
2 Method

2.1 Survey development

Measures for each of the variables shown in Figure 1 were developed based on a review of the existing literature, modified as needed for the study, or in some cases developed when suitable items in previous indices were not available. Due to the need to keep the survey at an acceptable length, some scales derived from previous research were shortened. Since nearly all items were derived from the English language scholarly literature, they were first translated into Czech, back-translated by a translation service, and then rechecked by project staff to make sure that the original meanings were not altered. Furthermore, some wording required modification due to differences in usage in the Czech and English languages, but as much as possible, items and scales were used that had been validated in previous research.

Given the major changes required due to language and/or adaptation to the ownership context, all constructs to be used in the study were revalidated using exploratory factor analysis after which confirmatory factor analysis was carried out using the AMOS Structural Equation Modeling software, to assure adequate reliability, convergent and divergent validity for each construct used.

2.2 Sampling and data collection procedures

The Responsible Ownership project focuses on privately held firms with multiple owners operating within the Czech Republic. The project employed Bureau van Dijk’s Amadeus database to identify the population of firms. First, firms were screened to include either joint-stock or limited liability companies with two or more owners. Selected firms also had to have individuals or families as owners and Czech owners had to hold the majority of shares. The search, which was performed in 2017, resulted in a sample of 11,440 firms, out of which 11,417 were still active in 2018.

In the first phase (March 2018-December 2018), a much longer version of the survey was initially used (140 questions, and approximately 40 minutes to complete), which adversely affected the overall response rate. Originally, the protocol also called for only including firms agreeing to at least two interviews. However, due to the very low response rate, this requirement was dropped and questions revised so that one key informant could answer them. In the initial phase, only telephone interviews were used as a means to collect data. In total, 48 responses of this lengthier interview were obtained from 1,400 randomly selected firms, resulting in a 3.4% response rate, making use of student assistants as well as a professional data collection agency.

In the second data collection phase (January-May 2019), several changes were made to improve the response rate, including 1) shortening the questionnaire; 2) allowing respondents to fill the questionnaire online (CAWI method) after refusing to participate in the phone survey, and 3) adding incentives to participate. These incentives included the following: a) The promise of an individualised report, i.e. the position of the company vis-à-vis the rest of the sample (30 said “yes”); b) free conference invitation (90 said “yes”); and c) a financial reward of 250 Czech crowns, which could either be sent to the respondent’s bank account (3 said “yes”) or to the charitable society SOS Vesničky (74 said “yes”).
Overall, the interviewers managed to reach 4,748 contacts, out of which 330 agreed to participate in the survey. Due to the above incentives and the offer of internet survey, the response rate improved to an overall 6.95% including the original interviews collected. After sorting out those respondents who were not CEOs, we ended up with the final sample of 323 CEOs, most of whom (92.6%) were also owners.

In this paper, for sample comparisons (to the population and between family and nonfamily firms), we include all 323 cases. However, we further restrict the sample to small and medium-sized enterprises (SMEs) using the European definition of 250 employees or less, resulting in a sample size of 319 cases for the remaining analyses.

### 2.3 Sample composition compared to the population of Czech private firms

In this section, we first compare the firms in the sample according to sector and size to test for how well they represent the overall population of Czech firms. To test non-response bias, we performed chi-square tests of independence related to industry affiliation ($\chi^2 = 31.676, p = 0.016$) and number of employees ($\chi^2 = 2.692, p = 0.952$). Two-sample $z$-tests for proportions were used to show that, at the 0.05 statistical significance level, the sample contains significantly more firms in 2 out of 18 industries, namely in the NACE sections C (Manufacturing), and N (Administrative and support service), and fewer firms in sections G (Wholesale and retail) and I (Accommodation and food service activities).

#### Table 1 | Industry affiliation and employee number: sample vs population

<table>
<thead>
<tr>
<th>Industry affiliation</th>
<th>Sample [%]</th>
<th>Population [%]</th>
<th>z-statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Agriculture, forestry and fishing</td>
<td>3.41</td>
<td>3.35</td>
<td>0.050</td>
</tr>
<tr>
<td>B. Mining and quarrying</td>
<td>0.00</td>
<td>0.17</td>
<td>-0.744</td>
</tr>
<tr>
<td>C. Manufacturing</td>
<td>37.46</td>
<td>28.86</td>
<td>3.354*</td>
</tr>
<tr>
<td>D. Electricity, gas, steam and air conditioning supply</td>
<td>0.31</td>
<td>0.25</td>
<td>0.201</td>
</tr>
<tr>
<td>E. Water supply; sewerage, waste management and remediation activities</td>
<td>0.62</td>
<td>0.78</td>
<td>-0.316</td>
</tr>
<tr>
<td>F. Construction</td>
<td>12.69</td>
<td>12.99</td>
<td>-0.156</td>
</tr>
<tr>
<td>G. Wholesale and retail trade; repair of motor vehicles and motorcycles</td>
<td>14.24</td>
<td>20.01</td>
<td>-2.563*</td>
</tr>
<tr>
<td>H. Transportation and storage</td>
<td>3.41</td>
<td>5.50</td>
<td>-1.635</td>
</tr>
<tr>
<td>I. Accommodation and food service activities</td>
<td>4.64</td>
<td>7.61</td>
<td>-1.991*</td>
</tr>
<tr>
<td>J. Information and communication</td>
<td>3.72</td>
<td>3.57</td>
<td>0.139</td>
</tr>
<tr>
<td>K. Financial and insurance activities</td>
<td>0.00</td>
<td>0.19</td>
<td>-0.783</td>
</tr>
<tr>
<td>L. Real estate activities</td>
<td>1.24</td>
<td>1.06</td>
<td>0.301</td>
</tr>
<tr>
<td>M. Professional, scientific and technical activities</td>
<td>8.05</td>
<td>6.21</td>
<td>1.345</td>
</tr>
<tr>
<td>N. Administrative and support service activities</td>
<td>6.50</td>
<td>3.78</td>
<td>2.508*</td>
</tr>
<tr>
<td>P. Education</td>
<td>1.24</td>
<td>1.32</td>
<td>-0.121</td>
</tr>
<tr>
<td>Q. Human health and social work activities</td>
<td>1.24</td>
<td>3.06</td>
<td>-1.886</td>
</tr>
<tr>
<td>NACE section</td>
<td>Sample [%]</td>
<td>Population [%]</td>
<td>z-statistics</td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>------------</td>
<td>----------------</td>
<td>--------------</td>
</tr>
<tr>
<td>R. Arts, entertainment and recreation</td>
<td>0.62</td>
<td>0.39</td>
<td>0.655</td>
</tr>
<tr>
<td>S. Other service activities</td>
<td>0.62</td>
<td>0.79</td>
<td>−0.349</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of employees</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employee number range</strong></td>
<td><strong>Sample [%]</strong></td>
<td><strong>Population [%]</strong></td>
<td><strong>z-statistics</strong></td>
</tr>
<tr>
<td>0 to 20</td>
<td>46.75</td>
<td>49.83</td>
<td>−1.091</td>
</tr>
<tr>
<td>21 to 30</td>
<td>13.31</td>
<td>12.33</td>
<td>0.528</td>
</tr>
<tr>
<td>31 to 40</td>
<td>17.65</td>
<td>16.94</td>
<td>0.335</td>
</tr>
<tr>
<td>41 to 50</td>
<td>0.93</td>
<td>1.33</td>
<td>−0.617</td>
</tr>
<tr>
<td>51 to 100</td>
<td>7.74</td>
<td>8.37</td>
<td>−0.406</td>
</tr>
<tr>
<td>101 to 250</td>
<td>3.41</td>
<td>3.77</td>
<td>−0.337</td>
</tr>
<tr>
<td>251 to 1,000</td>
<td>0.62</td>
<td>0.85</td>
<td>−0.442</td>
</tr>
</tbody>
</table>

Note: * - significant at 0.05.
Source: authors

There were no significant differences in the number of employees. With these exceptions, we consider our sample representative of the total population of Czech private firms. Table 1 displays the observed frequencies in terms of industry affiliation and number of employees.

3 Comparing Czech family and nonfamily firms within the sample

Past research has cautioned that differences between family and nonfamily firms may be artefacts of demographic differences such as sector and size (Westhead and Cowling, 1998). In a large study of U.K. firms, Westhead and Cowling (1998) found support for this argument. For this reason, we made a comparison of our family and nonfamily firm subsamples with respect to sector and size. For the purpose of this analysis and also for testing Hypothesis 1, we classified firms either as a family or nonfamily firm. A firm was classified as a family firm when 1) ownership in the hands of the dominant family was more than 50 per cent, and 2) a respondent self-identified a business as a family business. Overall, the sample contains 128 family firms and 165 non-family firms. Hence, family businesses account for 43.69% of the sample.

Using a two-sample Z test for proportions, Table 2 shows a comparison with respect to industry and size between Czech family and non-family firms in the study sample. Differences are relatively minor with respect to industry, with Czech family businesses less present in the agricultural sector (p < 0.1), information and communication (p < 0.1), professional, scientific and technical activities (p < 0.05), and human health and social work activities (p < 0.1).

On the other hand, Czech family firms seem to be more engaged in accommodation and food service activities (p < 0.1). These findings are largely consistent with previous preliminary findings based on a convenience sampling method (see Hnilica et al., 2014).
Interestingly, in contrast to conclusions from the Westhead and Cowling (1998) study, we find no difference in company size between Czech family and non-family as measured by the number of employees. This may be due to our sampling procedure, which requires comparisons only of firms with at least two owners, and a stricter definition of family ownership.

Overall, the similarities between the two subsamples would suggest that if differences in other analyses are found between family and nonfamily businesses, they are not likely to be artefacts of differences in these two demographic variables.

Table 2 | Industry affiliation and employee number: family vs non-family businesses

<table>
<thead>
<tr>
<th>Industry affiliation</th>
<th>Family firms [%]</th>
<th>Non-family firms [%]</th>
<th>z-statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Agriculture, forestry and fishing</td>
<td>1.48</td>
<td>4.89</td>
<td>-1.649†</td>
</tr>
<tr>
<td>C. Manufacturing</td>
<td>42.22</td>
<td>34.24</td>
<td>1.454</td>
</tr>
<tr>
<td>D. Electricity, gas, steam and air conditioning supply</td>
<td>0.00</td>
<td>0.54</td>
<td>-0.858</td>
</tr>
<tr>
<td>E. Water supply; sewerage, waste management and remediation activities</td>
<td>0.74</td>
<td>0.54</td>
<td>0.221</td>
</tr>
<tr>
<td>F. Construction</td>
<td>12.59</td>
<td>13.04</td>
<td>-0.119</td>
</tr>
<tr>
<td>G. Wholesale and retail trade; repair of motor vehicles and motorcycles</td>
<td>14.81</td>
<td>13.59</td>
<td>0.311</td>
</tr>
<tr>
<td>H. Transportation and storage</td>
<td>4.44</td>
<td>2.17</td>
<td>1.150</td>
</tr>
<tr>
<td>I. Accommodation and food service activities</td>
<td>7.41</td>
<td>2.72</td>
<td>1.955†</td>
</tr>
<tr>
<td>J. Information and communication</td>
<td>1.48</td>
<td>5.43</td>
<td>-1.833†</td>
</tr>
<tr>
<td>L. Real estate activities</td>
<td>1.48</td>
<td>1.09</td>
<td>0.313</td>
</tr>
<tr>
<td>M. Professional, scientific and technical activities</td>
<td>4.44</td>
<td>10.87</td>
<td>-2.072*</td>
</tr>
<tr>
<td>N. Administrative and support service activities</td>
<td>6.67</td>
<td>5.98</td>
<td>0.251</td>
</tr>
<tr>
<td>P. Education</td>
<td>1.48</td>
<td>1.09</td>
<td>0.313</td>
</tr>
<tr>
<td>Q. Human health and social work activities</td>
<td>0.00</td>
<td>2.17</td>
<td>-1.724†</td>
</tr>
<tr>
<td>R. Arts, entertainment and recreation</td>
<td>0.00</td>
<td>1.09</td>
<td>-1.215</td>
</tr>
<tr>
<td>S. Other service activities</td>
<td>0.74</td>
<td>0.54</td>
<td>0.221</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of employees</th>
<th>Employee number range</th>
<th>Family firms [%]</th>
<th>Non-family firms [%]</th>
<th>z-statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 to 20</td>
<td>44.53</td>
<td>47.88</td>
<td>-0.570</td>
<td></td>
</tr>
<tr>
<td>21 to 30</td>
<td>20.31</td>
<td>21.82</td>
<td>-0.313</td>
<td></td>
</tr>
<tr>
<td>31 to 40</td>
<td>12.50</td>
<td>9.70</td>
<td>0.763</td>
<td></td>
</tr>
<tr>
<td>41 to 50</td>
<td>6.25</td>
<td>7.27</td>
<td>-0.344</td>
<td></td>
</tr>
<tr>
<td>51 to 100</td>
<td>12.50</td>
<td>8.48</td>
<td>1.124</td>
<td></td>
</tr>
<tr>
<td>101 to 250</td>
<td>3.91</td>
<td>4.85</td>
<td>-0.388</td>
<td></td>
</tr>
</tbody>
</table>

Note: †: p< .10, * :p< 0.05. Source: authors
4 Responsible Ownership Behaviours: Are Family Firms Different?

One of the central foci of the Responsible Ownership project is to gain a better understanding of the impact of family ownership in SMEs. In Hypothesis 1, we posit that family firms will demonstrate stronger responsible ownership than nonfamily firms. To test our hypothesis, we examine whether family and nonfamily-owned firms differ in four aspects of responsible ownership, including: 1) Collective commitment, 2) Owner as entrepreneur, 3) Trust and 4) Network mobilisation, described in the research framework.¹

All the constructs were measured using a 5-point Likert-type scale. For the first three constructs, the following scale was used: from 1=totally disagree to 5=total agree (3 being neither agree nor disagree). For network mobilisation, an extent scale was used where 1=not at all; 3=moderately; and 5=to an extremely large extent. Two independent samples t-test statistics were used to test whether there are differences between family and nonfamily firms for each construct.

The first construct, Collective commitment of the owning group was based on seven items and measured owners’ commitment to the firm and its goals, items adapted from previous research by Berent-Braun and Uhlaner (2012); Eddleston et al. (2012); Uhlaner, et al., (2015); Wang and Bansal (2012). Respondents were asked whether they agreed or disagreed with several statements reflecting their commitment to the owning group. These included, for example, “The owners are clear about intentions regarding their future investments in the business,” “The owners generally emphasise long-term goals and strategies” or “The owners of this business have a commitment to managing wealth as a group rather than as individuals” (Cronbach’s Alpha = .88).

The construct Owner as entrepreneur, with items derived from Eddleston and Kellermanns (2007) and Uhlaner, et al. (2015) measured whether owners assist in seeking out new business opportunities or contacts. Using four items, respondents were asked whether they agreed or disagreed with statements such as “Owners often make innovative suggestions to improve our business.” or “Owners seek out or create new opportunities for the business” (Cronbach’s Alpha = .85).

To measure trust, items were adapted for the study from Gillespie and Mann (2004) and McAllister (1995). Respondents were asked whether they agreed or disagreed with four statements including, for example, “I can discuss with all the owner(s) work-related problems or difficulties that could potentially be used to disadvantage me.” or “I can confide in all the owner(s) about personal issues that are affecting my work” (Cronbach’s Alpha = .89).

Finally, Network mobilisation, based on four items developed for the current research, measured the extent to which the firm used owner external contacts to assist the firm in a variety of dimensions, such as “expansion of the firm’s customer basis” or “development of new products and services” (Cronbach’s Alpha = .82).

¹ All four constructs were also tested for convergent and discriminant validity using confirmatory factor analysis in AMOS.
As can be seen in Table 3, the independent samples t-test was associated with statistically significant effects in all four constructs such that the subsample of family firms was associated with a statistically significantly higher means than the nonfamily firm subsample. This included a higher score for collective commitment of the owners \((t = -2.07, df = 316, p = 0.040)\), higher scores for owner as entrepreneur \((t = -2.98, df = 316, p = 0.003)\), higher scores for trust \((t = -2.57, df = 316, p = 0.011)\) and finally, greater network mobilization \((t = -2.39, df = 315, p = 0.017)\) relative to the subsample of nonfamily firms. Overall, we find support for our hypothesis.

### Table 3 | Responsible ownership in family vs nonfamily firms

<table>
<thead>
<tr>
<th>Construct</th>
<th>Type of business</th>
<th>95% CI for mean difference</th>
<th>(t)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nonfamily firms</td>
<td>Family firms</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(M)</td>
<td>(SD)</td>
<td>(N)</td>
</tr>
<tr>
<td>Collective commitment</td>
<td>4.05</td>
<td>0.58</td>
<td>184</td>
</tr>
<tr>
<td>Owner as a resource</td>
<td>3.96</td>
<td>0.73</td>
<td>184</td>
</tr>
<tr>
<td>Trust</td>
<td>3.87</td>
<td>0.84</td>
<td>184</td>
</tr>
<tr>
<td>Network mobilization</td>
<td>2.89</td>
<td>0.78</td>
<td>183</td>
</tr>
</tbody>
</table>

Note: ** - significant at the 0.01 level, * - significant at the 0.05 level

Source: authors

### 5 Discussion

#### 5.1 Discussion of initial results

This paper presents a research framework to examine the topic of responsible ownership in a sample of family and nonfamily-owned Czech private firms. Preliminary results suggest that the participants for this study are fairly representative of the broader population of Czech private firms, providing a means for generalising current and subsequent findings to that population. Furthermore, while there are some differences between the sample and overall population, the family and nonfamily subsamples are quite similar in sector and size (which is consistent with the findings of Hnilica et al., 2014), ruling out those exogenous factors as an explanation for differences between family and nonfamily-owned firms. The differences in responsible ownership behaviours may be related to binding social ties, identification of family members with the firms and other components of the socioemotional wealth of family firms (Berrone et al., 2012).

Future research will add additional controls however, to confirm the independent effects of family ownership on responsible ownership and other variables examined in the research framework. Initial findings also with respect to responsible ownership constructs, which reflect significant differences in the family and nonfamily subsamples, provide encouragement for future, more in-depth analyses. The fact that the sample consists of
both family and non-family firms allows us to separate the influence of the family versus the owning group and to explore ownership behaviour in the context of the business-owning group. In this sense, we intend to build on the recent studies, which call for exploring the relationship between social capital (both bonding and bridging social capital) and human capital (Uhlaner et al., 2015) or more detailed contextualisation of the relationship between the ownership attitudes and behaviours and outcome variables (both family and firm) (Uhlaner, 2016).

5.2 Implications for theory and practice
The main contribution of this paper is the comparison of private family and non-family firms. Our findings suggest that the role of family firms among Czech private firms is non-negligible. While they do not seem to be significantly different in terms of industry affiliation and number of employees, they have found to be empirically different in terms of responsible ownership behaviours. The family business literature suggests that only one-third of family firms survive into the second generation (Kellermanns and Eddleston, 2004). Understanding Czech family firms, their specifics and the need for support could help reduce their failure rate.

Our understanding of family businesses and responsible ownership is based largely on research from larger family firms (Berent-Braun and Uhlaner, 2012), and from West European and US samples (Benavides-Velasco et al., 2013). The present study, while in its early stages, holds promise to provide insights both for Czech private firms and for family and nonfamily private firms, especially SMEs, in other countries. While upper echelon theory and other management theories largely draw upon an understanding of the top management team, business-owning groups in private firms play an important role in influencing the direction of the firm. In the same time, as we found, family influences behaviours of these business-owning groups. Obtaining the sample of Czech firms for the current research will provide insights on how such groups can best relate to their firms, and by their collective commitment, mutual trust, entrepreneurial contributions and mobilisation of their networks to help the firm to enhance its performance. Understanding how owners should behave towards each other and act with respect to their firms may help prevent costly conflicts of interest and role conflicts. However, further research is needed in order to draw stronger conclusions about the constructs that we have identified as aspects of responsible ownership.

5.3 Limitations and future research
The current paper is aimed primarily at presentation of a research framework, sample characteristics, and a few rather simple tests of the possible effect of family ownership on certain aspects of responsible ownership. Future research, initially with the first wave of data, will provide more in-depth insights into the connections that may exist between different family, ownership, and business characteristics, and how these variables together may be associated with certain outcomes such as satisfaction with economic and noneconomic goals and internationalisation. Given the cross-sectional nature of the first data collection, conclusions about possible links to innovation outputs and financial performance will have to wait until lagged data can be collected. However, as the project evolves, our project results will contribute to a better understanding of corporate
governance practices in privately held companies, i.e. in companies that are non-traded and in which formal governance structures are not stipulated.

In future research, thus, we expect to confirm that particular behaviours and attitudes of business owners have an effect on company performance, on outcomes for other stakeholders, for instance with respect to family harmony or owner satisfaction, and on other outcomes such as internationalisation or innovation. The data set will allow us to test for moderator effects of different contexts with respect to the business (e.g. company size, age, or sector), family (including family firm identity) and ownership structure.

Conclusion
The first part of the paper provides a background to explain the importance and meaning of the concept of responsible ownership. We then present a research framework that will test our assumptions on the benefits and outcomes of responsible ownership.

To the extent the sample is representative, it suggests that a significant portion of the Czech private firms are family businesses. Moreover, preliminary findings suggest that distinguishing between family and nonfamily firms may prove useful in identifying differences in responsible ownership behaviours. However, future research will be required to gain a better understanding of the implications of our research, including whether such differences translate into greater innovation, internationalisation, firm performance, and satisfaction with both economic and non-economic goals.

Acknowledgement
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