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Insights from Latvian Family Enterprise Survey

Jelena Luca

PhD candidate (LU)

LR FM Evaluation unit

BFFI seminar 2024.03.04 at 16:00 online

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- Overview of Long-lived **FB**
- Key factors of **FB** longevity
- Insights of Latvian **FB** cases

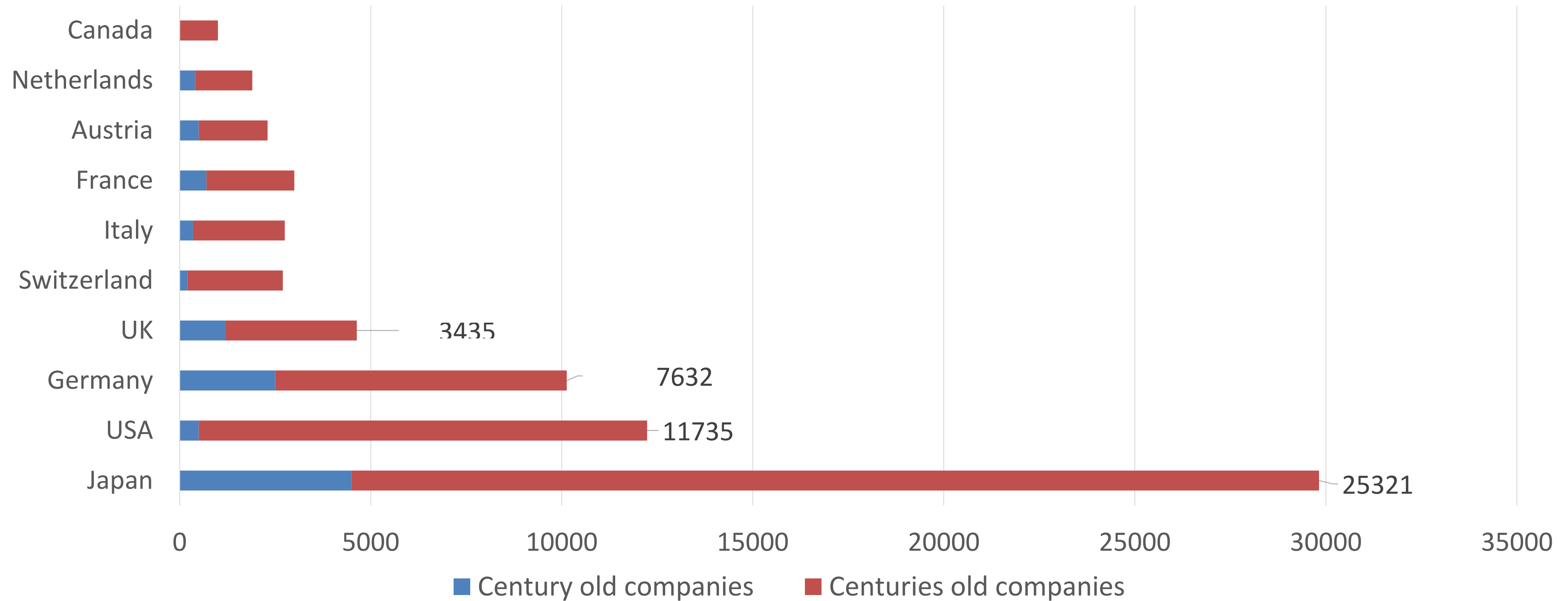
What is family?

- The *Latvian Civil Law* defines the concept of "**family**" in a narrow sense - as a relationship between:
 - spouses;
 - spouses and their children while they share a common household.
- A family in the narrower sense is a legally recognized relationship established by marriage between spouses and their parents and their children, based on biological ties or adoption (*Civil Law of the Republic of Latvia*);
- A **family business** is a legal entity created for the organization of family ownership in order to carry out **economic activity**. The property invested in such a company belongs to the family members involved in the family company (*LR Enterprise Register*).



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Number of long-lived firms by country





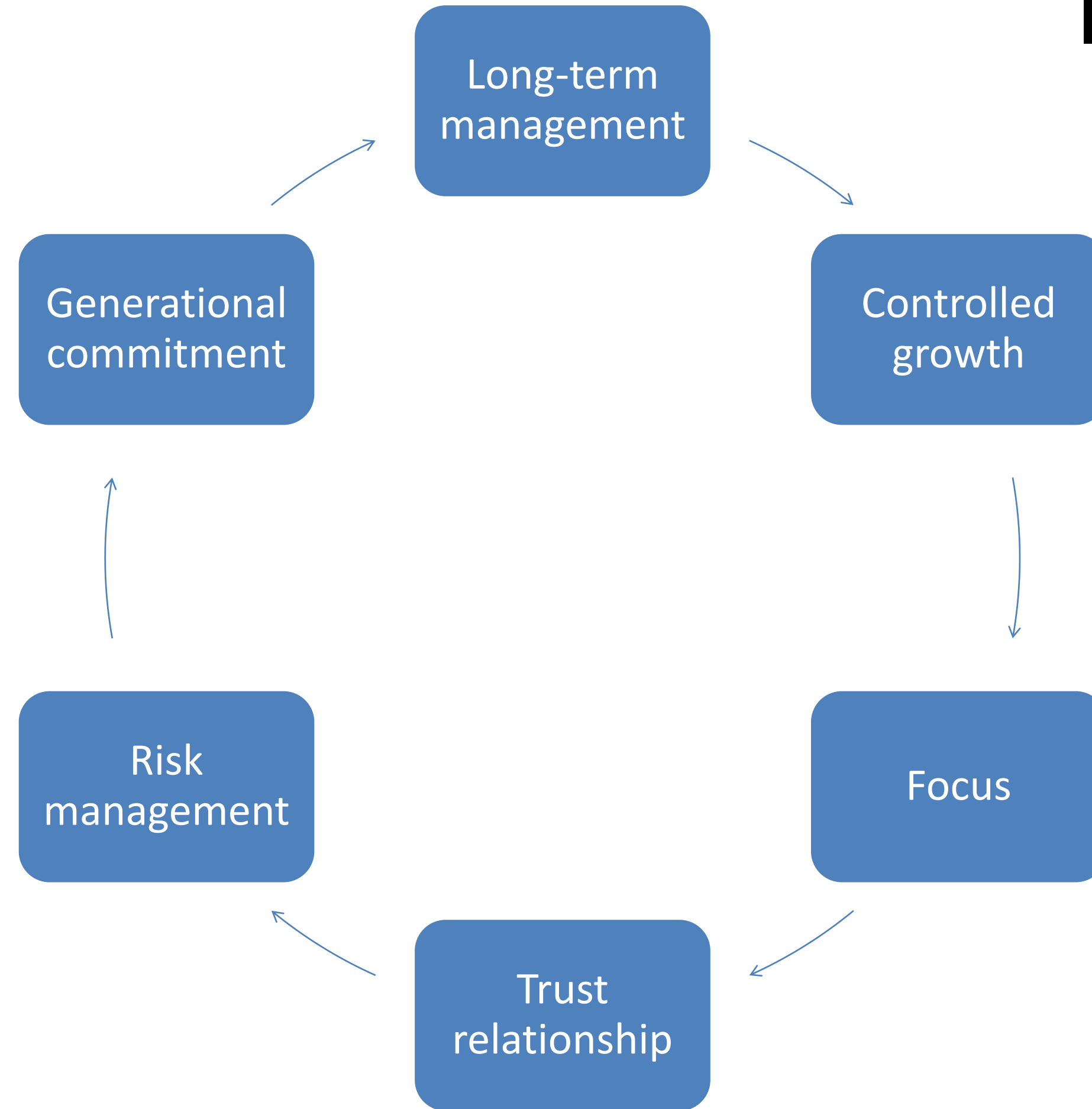
Ten oldest surviving firms in the world

Name	Year	Country	Business	FB
Kongo-gumi	578	Japan	Construction	~2006
Ikenobo	587	Japan	Education	FB
Keiunkan	705	Japan	Hotel	FB
Koman	717	Japan	Hotel	FB
Yamashita	717	Japan	Hotel	FB
Ho-shi	718	Japan	Hotel	FB
Kyori	718	Japan	Hotel	FB
Imagami onsen	724	Japan	Hotel	FB
Herzoglich Bayerisches Brauhaus Tegernsee	746	Germany	Brewery	1817~
Genda shigyo	771	Japan	Craft	FB



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Key factors for FB longevity



Source: Goto (2012)

Trends of family businesses in Latvia

- At least 5842 companies in Latvia;
- New economy= no tradition of family firms;
- Trends in trust and image building;
- Regular- continuous (but not radical) innovations;



Methodology

- A sample was created from BFFI database un *firmas.lv* data: 862 companies;

Organization in charge: LU BVEF

Survey period: October - December 2023

Survey method: via the Internet and phone

Number of questions: multiple choice (18) & free

description(1)

Number of responders: 114firms

Organization in charge: LU BVEF

Interviews period: March - April 2024

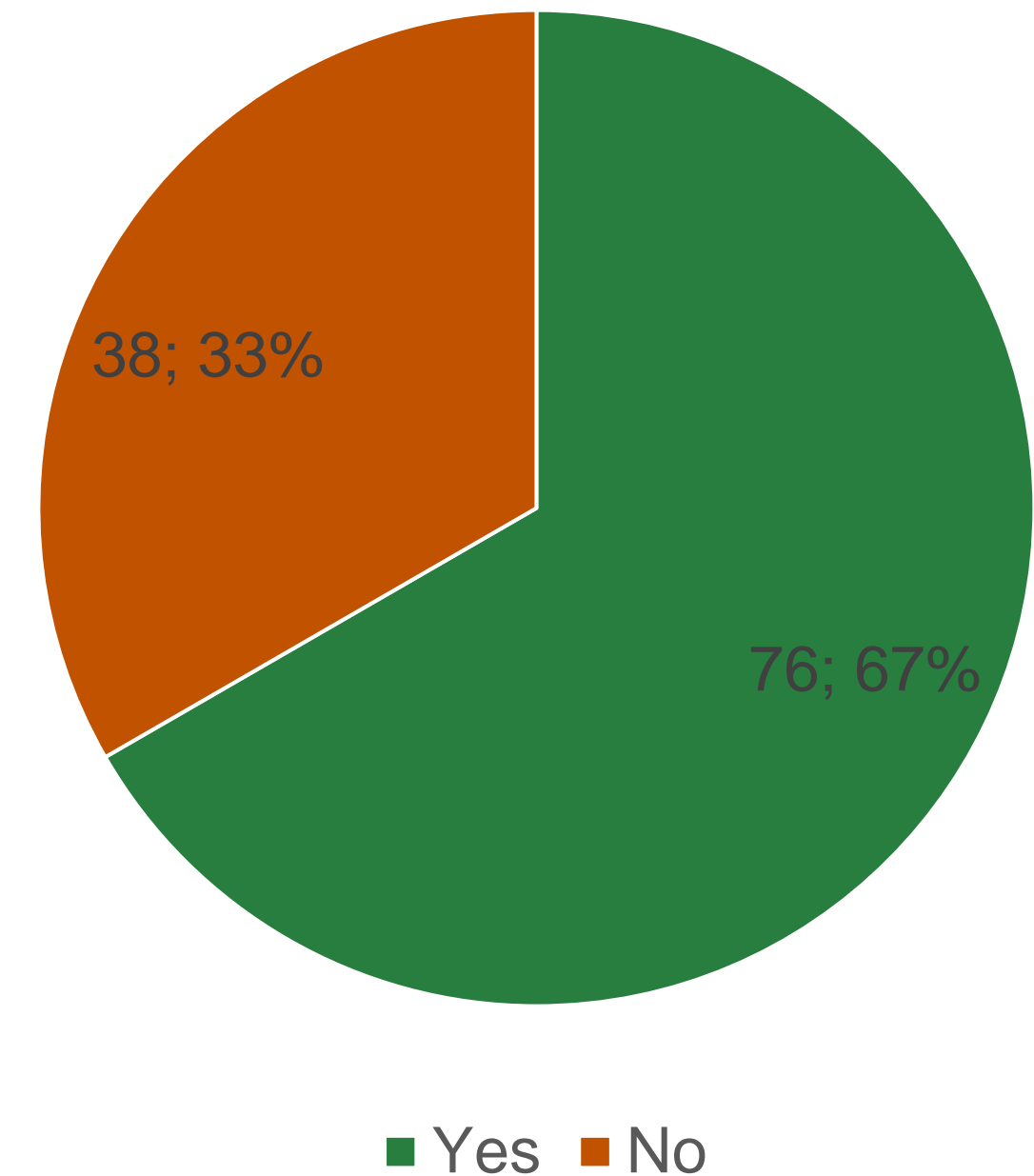
Interview method: via the face-to-face meetings

Number of questions: free description(25/26)

Number of responders: 6 firms/ 18 responders

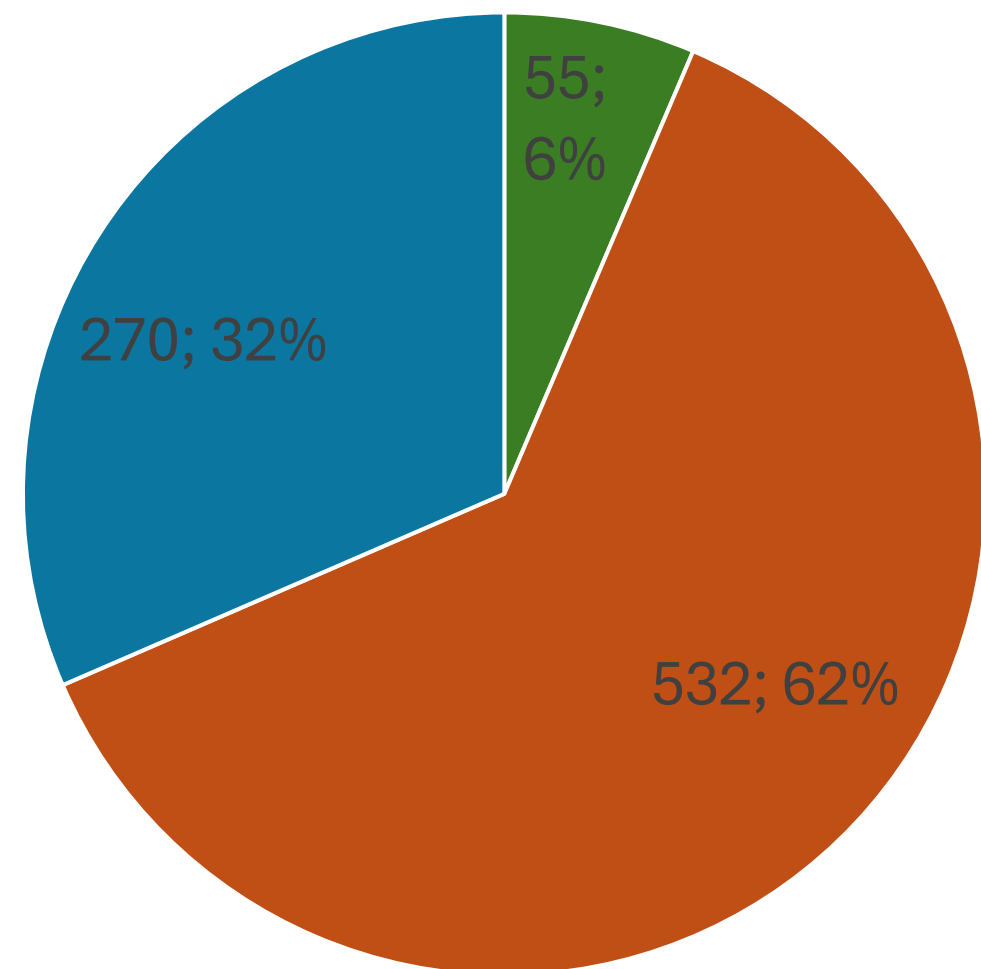
Q1. Is strategic decision-making in your company significantly influenced by any family member?

- There is a correlation between «NO» and the size of the company;
- «NO» is answer for the companies with management board, but there are no correlation between resilience and succession planning;

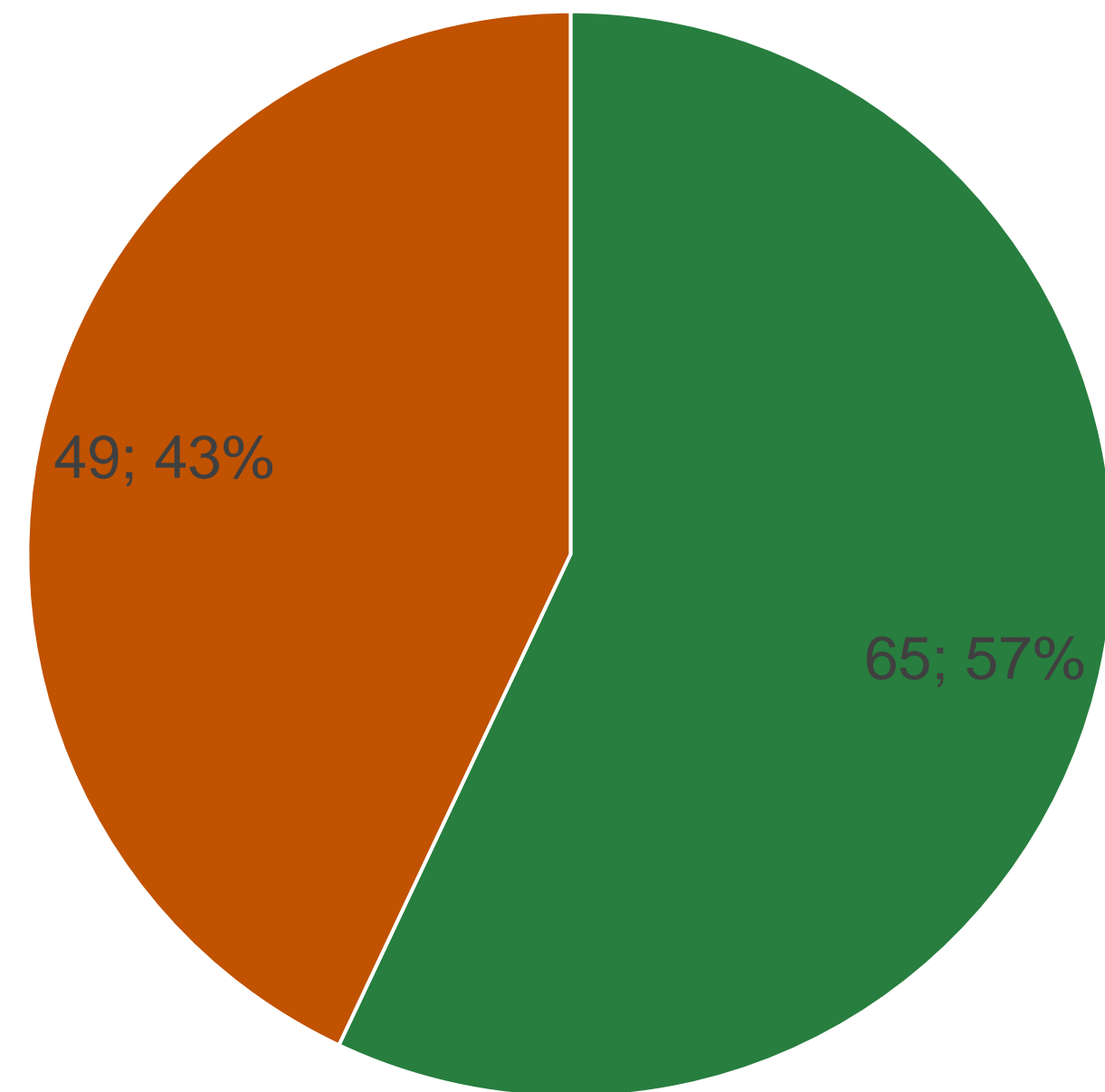


Q2. Do you present your company as a family business (e.g. to business partners, customers, employees)?

If FB (match criteria) advertise that they are FB on their website

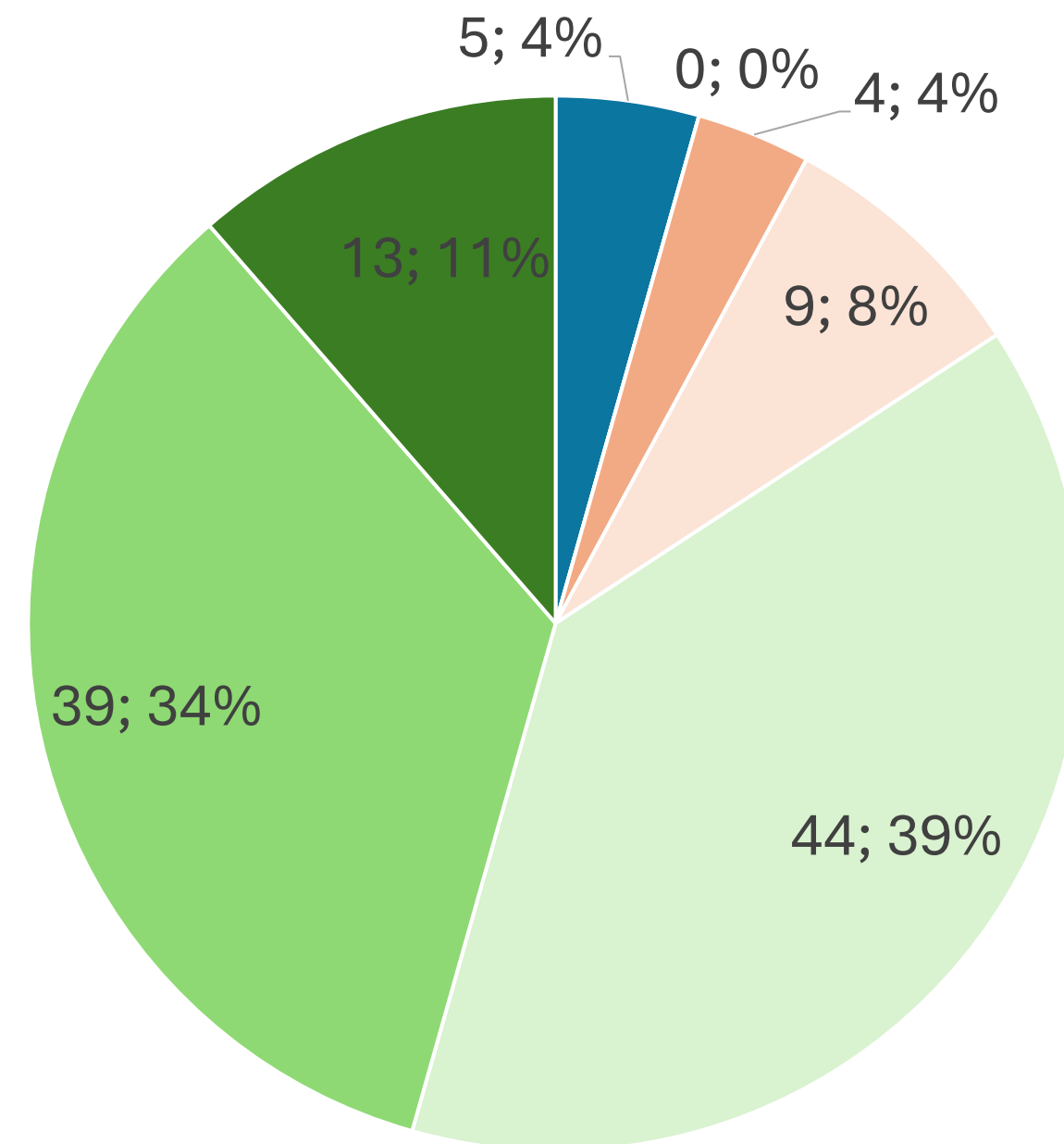


■ Yes ■ No ■ There is no active website



■ Yes ■ No

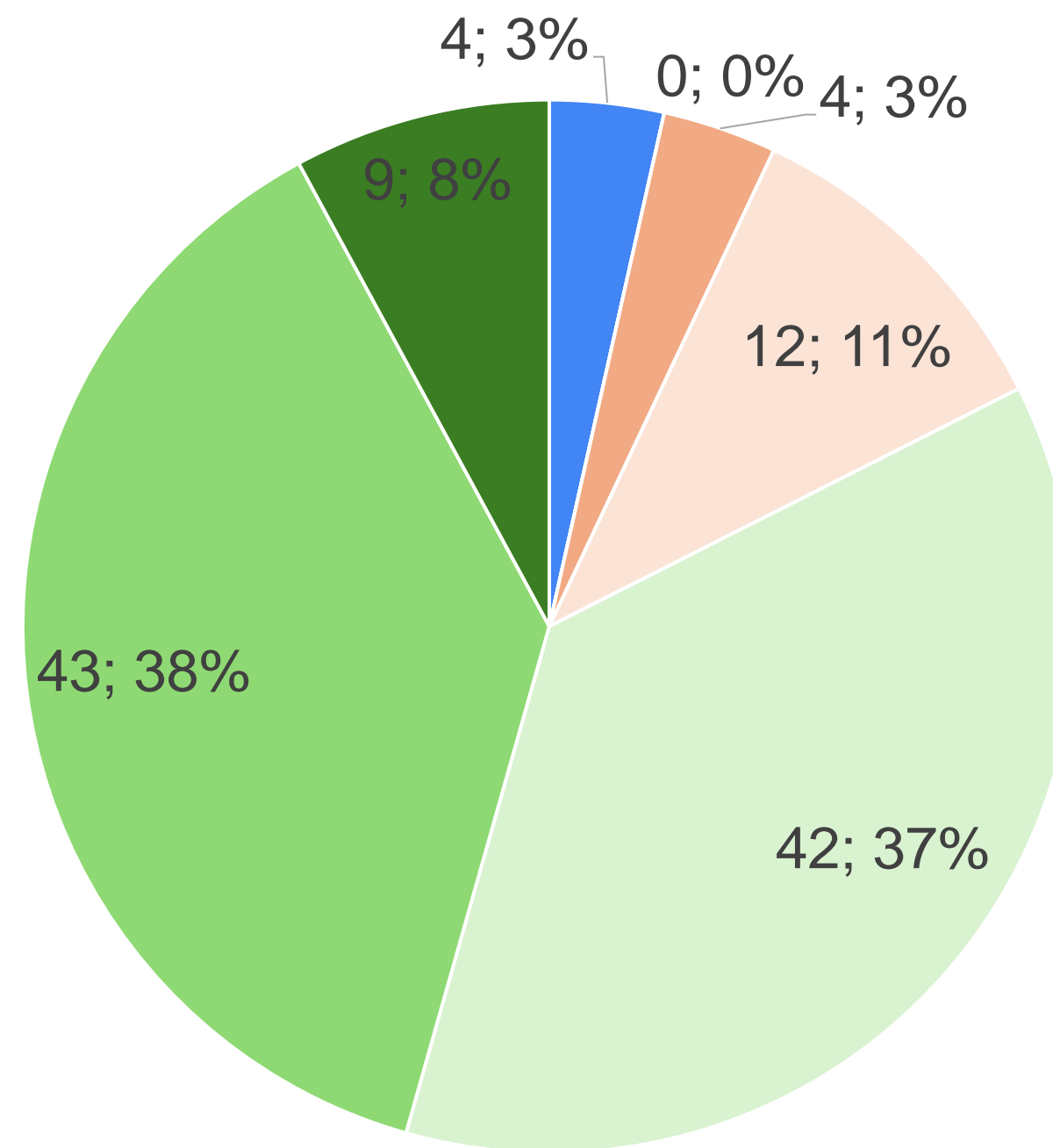
Q3. Do you believe that your company is able to quickly recover from crises and failures?



Interviews have shown strong willingness to overcome crises and failures, strength that comes from the family.

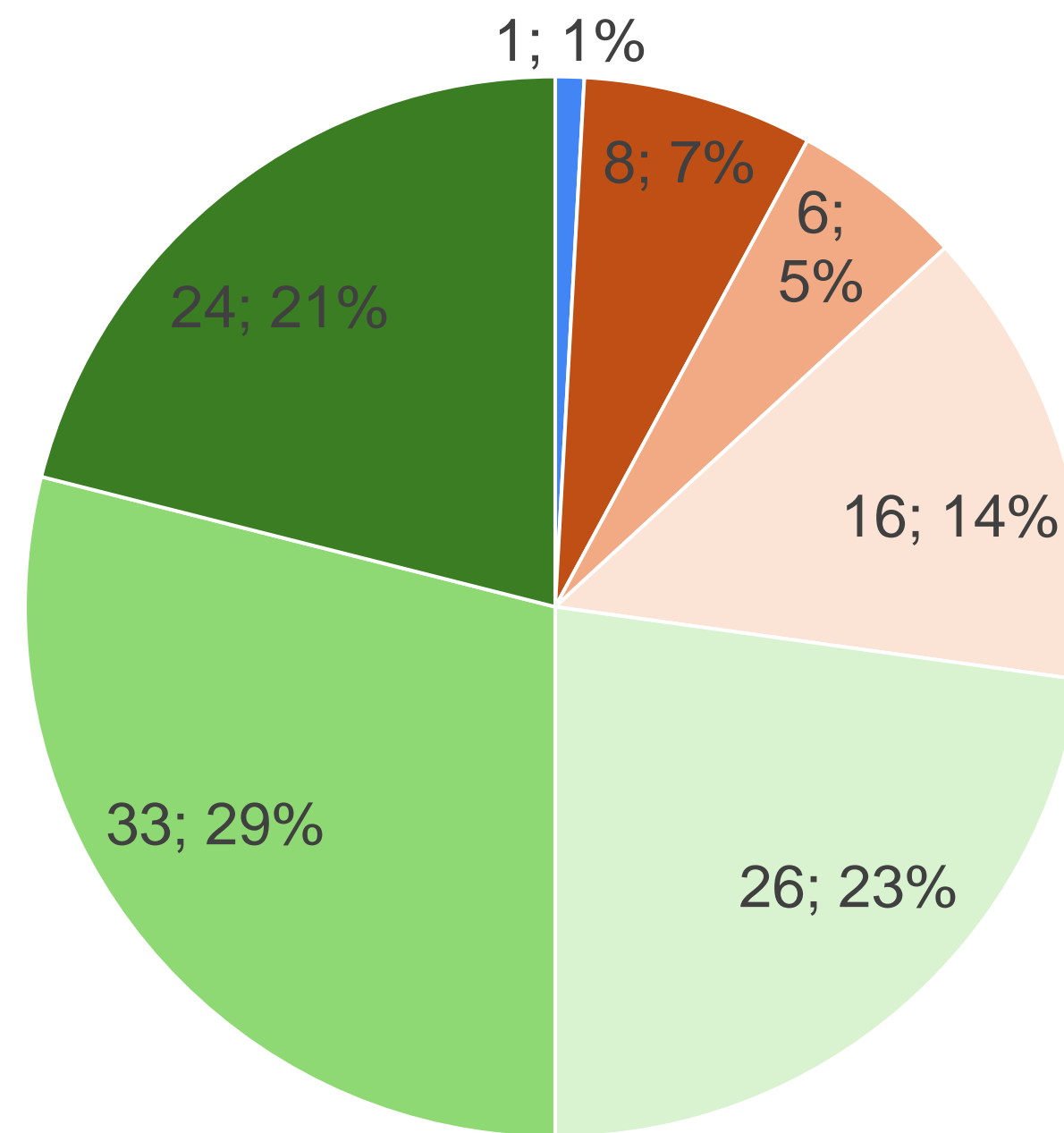
■ No opinion
 ■ Strongly disagree
 ■ Disagree
 ■ Almost disagree
 ■ Almost agree
 ■ Agree
 ■ Strongly agree

Q4. Do you think that your company can handle challenges easily?



■ No opinion
 ■ Strongly disagree
 ■ Disagree
 ■ Almost disagree
 ■ Almost agree
 ■ Agree
 ■ Strongly agree

Q5. Do you think formal (academic) education is important?

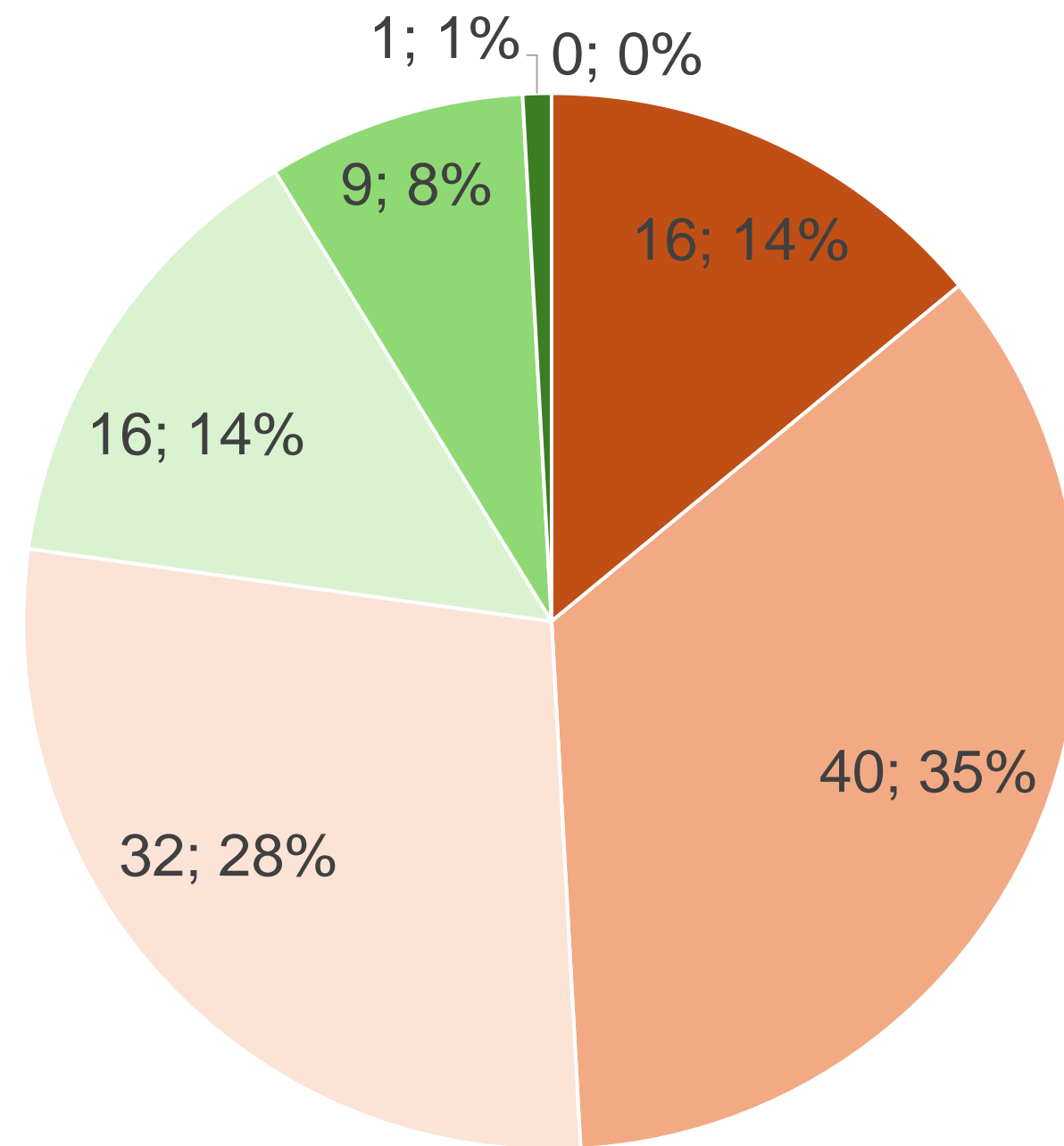


There is a strong link between 1st and 2nd generation.

■ No opinion ■ Strongly disagree ■ Disagree ■ Almost disagree ■ Almost agree ■ Agree ■ Strongly agree



Q6. How often do managers make emotional decisions in your company?

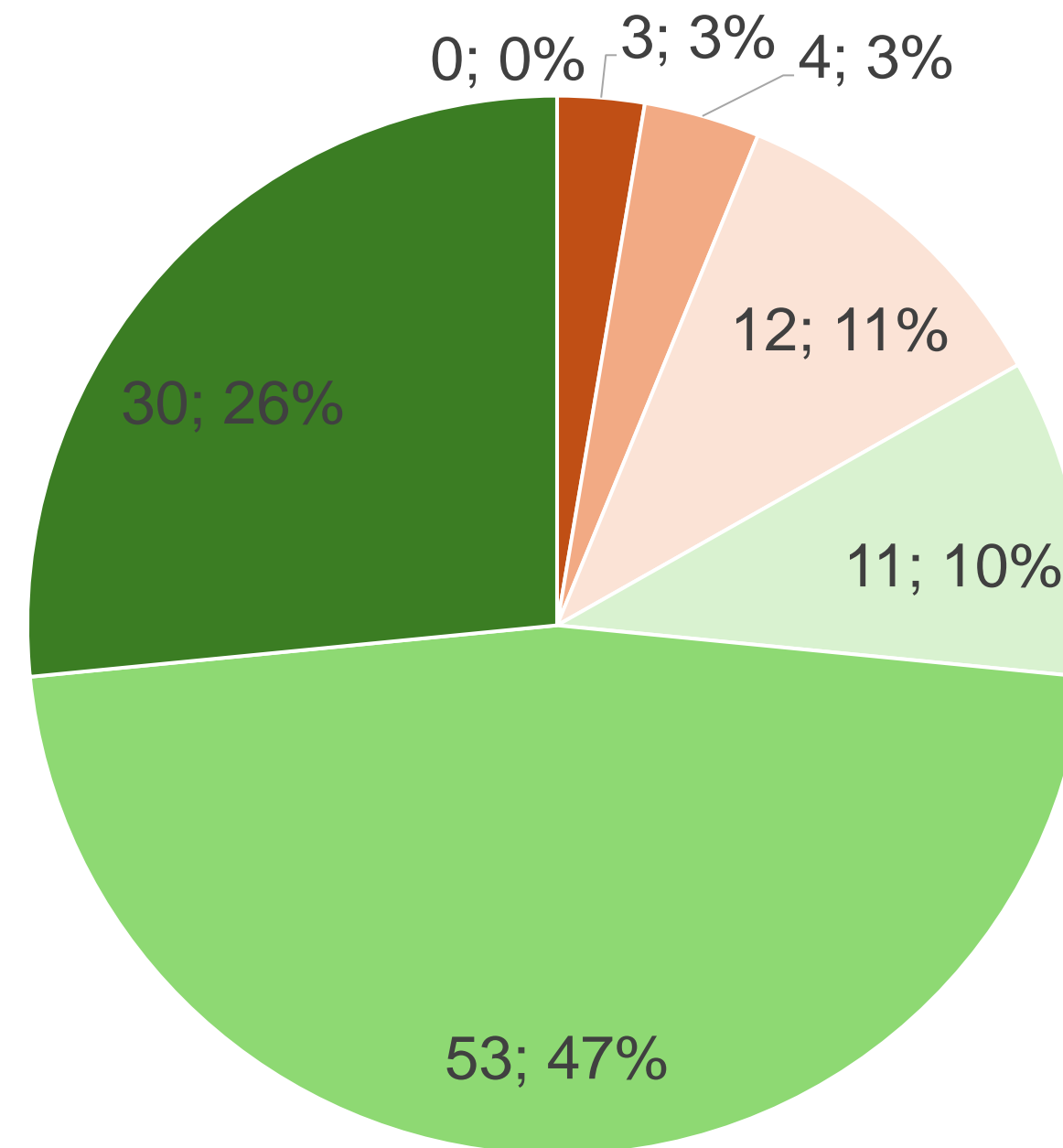


- Who is answering-first insight;
- Level of education, leader position;
- 76% of emotional decision are those companies where family member is decision maker.

■ No opinion ■ Strongly disagree ■ Disagree ■ Almost disagree ■ Almost agree ■ Agree ■ Strongly agree



Q7. Do family values matter in your company?



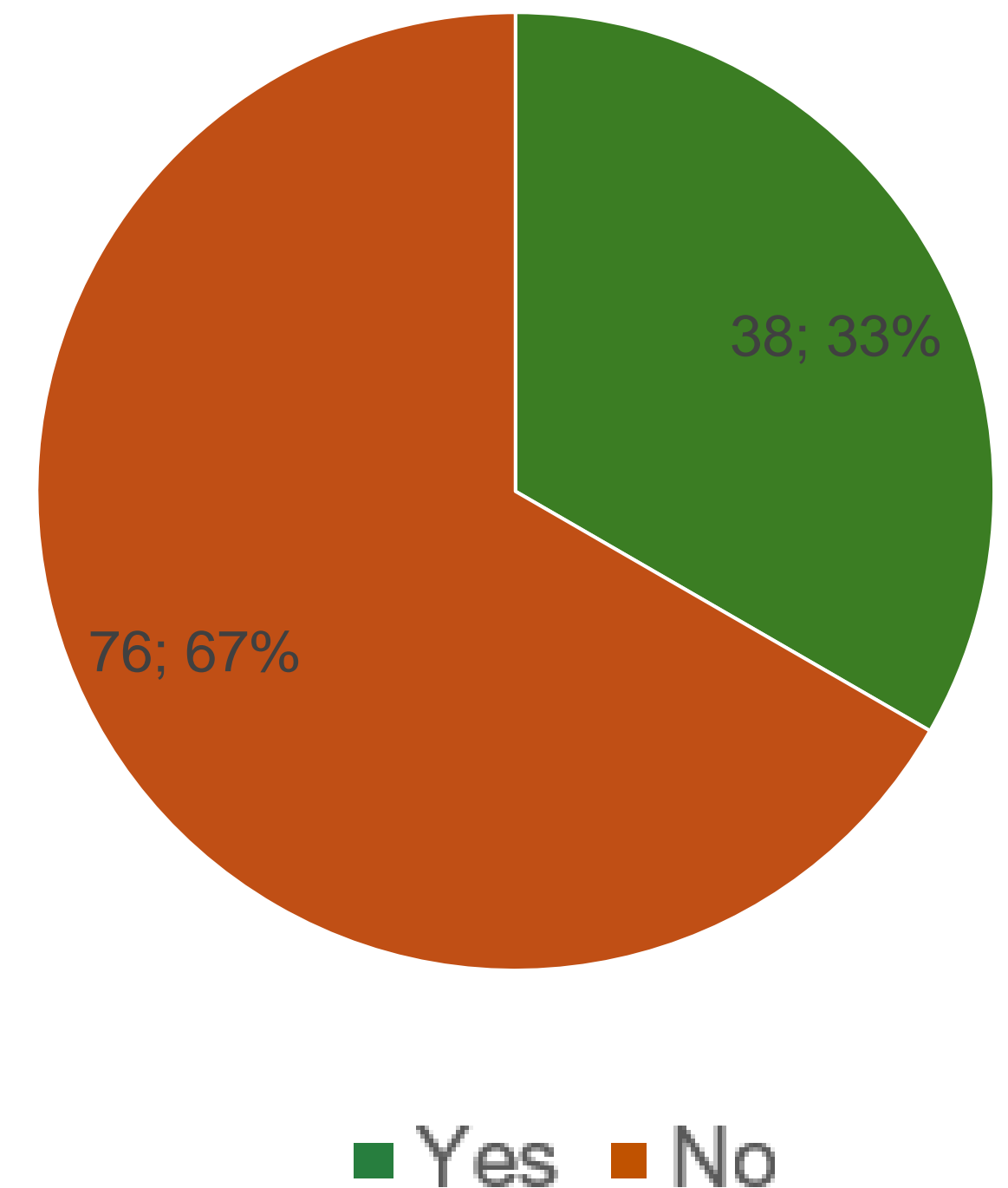
- Strong correlation between resilience to crises.
- All have traditions if the values matter;
- From the interviews we see involvement.

■ No opinion ■ Strongly disagree ■ Disagree ■ Almost disagree ■ Almost agree ■ Agree ■ Strongly agree



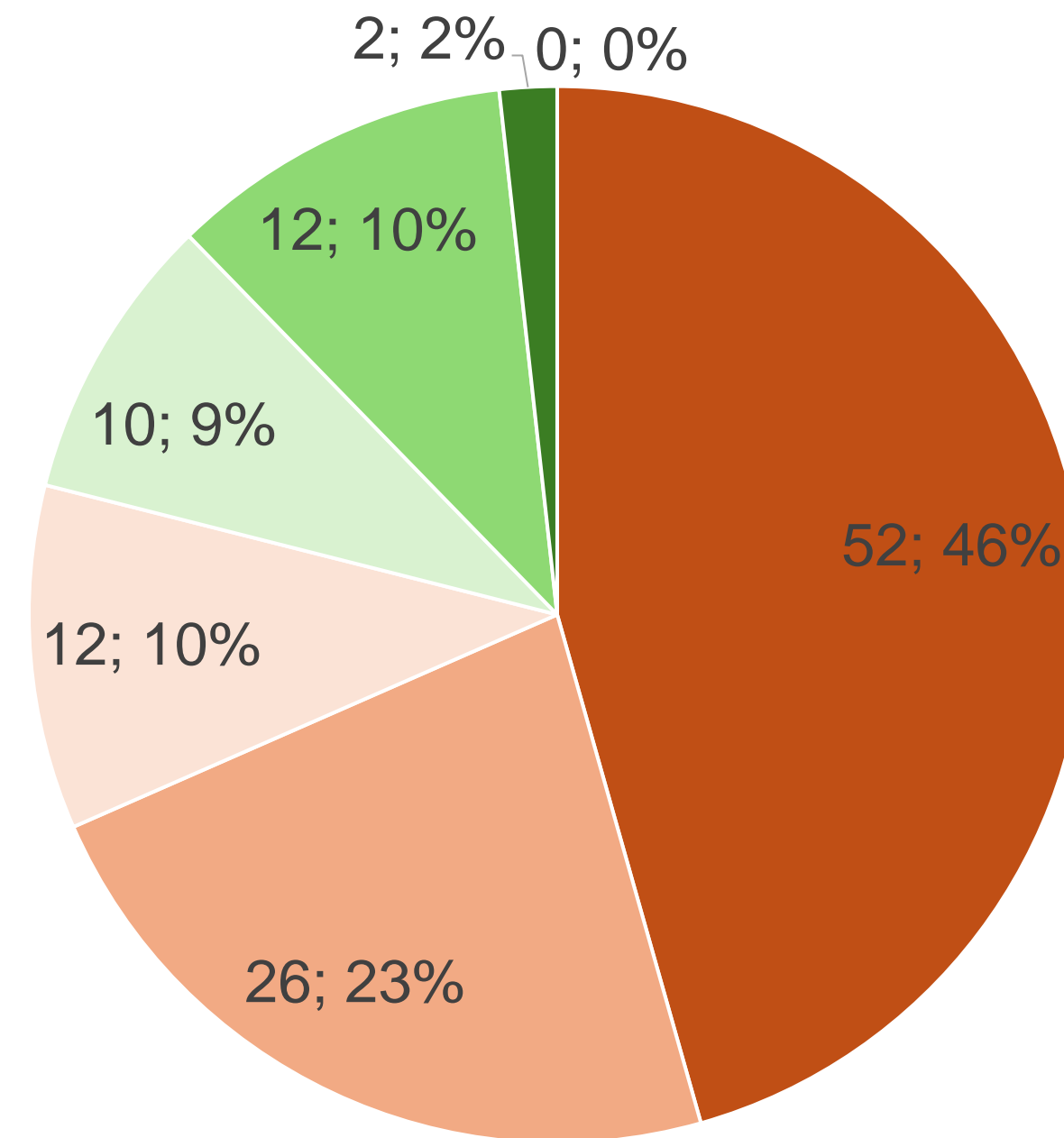
Q8. Do you keep any family traditions in your company?

- Celebrations/events;
- Family attitude in the company;
- Know-how;
- 13% have no opinion whether traditions correlate with success;
- 82% believe that traditions have a positive effect on the company ability to achieve goals.



Q9. Have you had difficulty overcoming family conflicts related to the development of the family business?

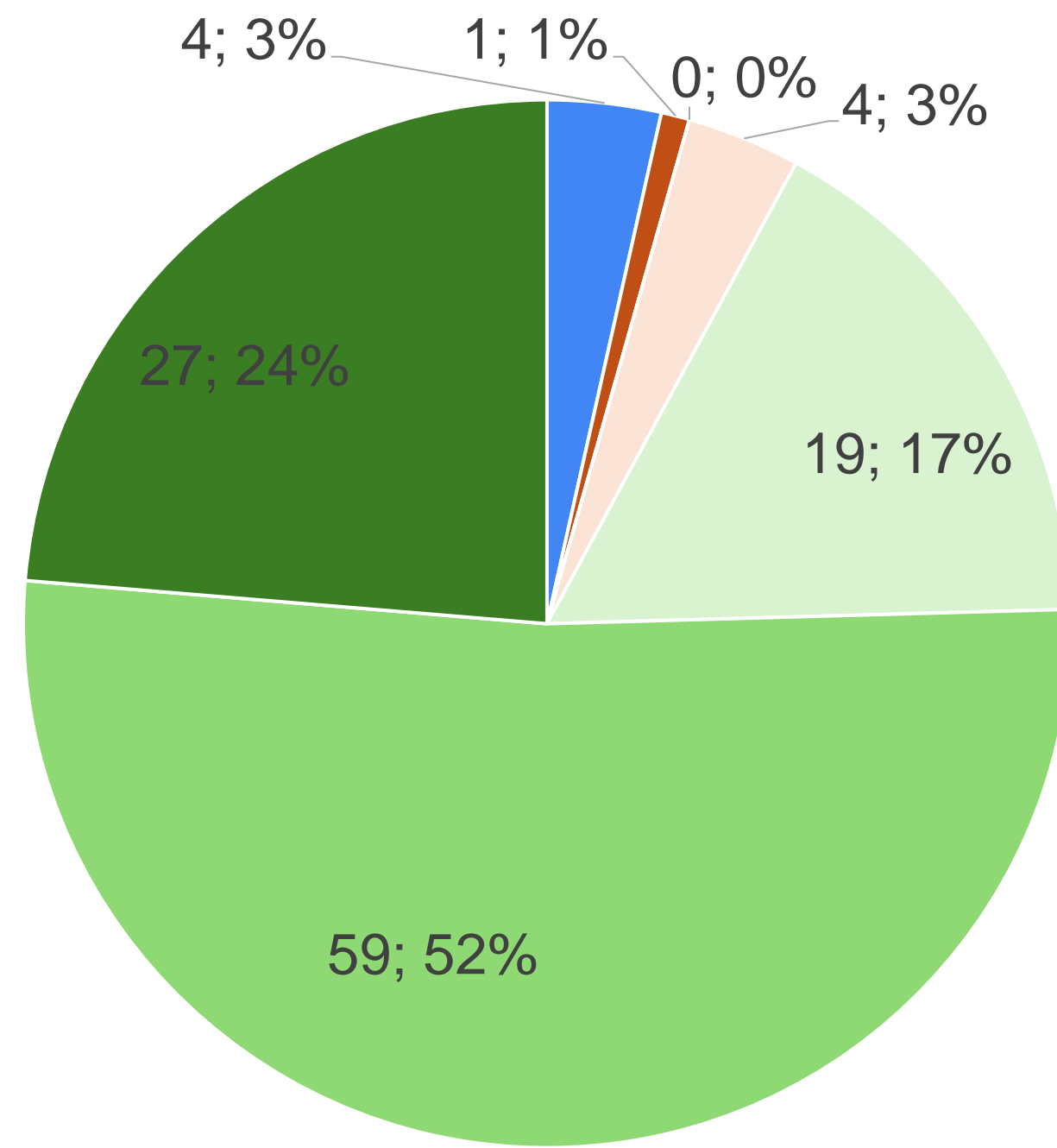
Respondent is the one whose answer differentiates.



■ No opinion
 ■ Strongly disagree
 ■ Disagree
 ■ Almost disagree
 ■ Almost agree
 ■ Agree
 ■ Strongly agree



Q10. Is there trust in your company (between employees, between employees and manager, between employees and family members)



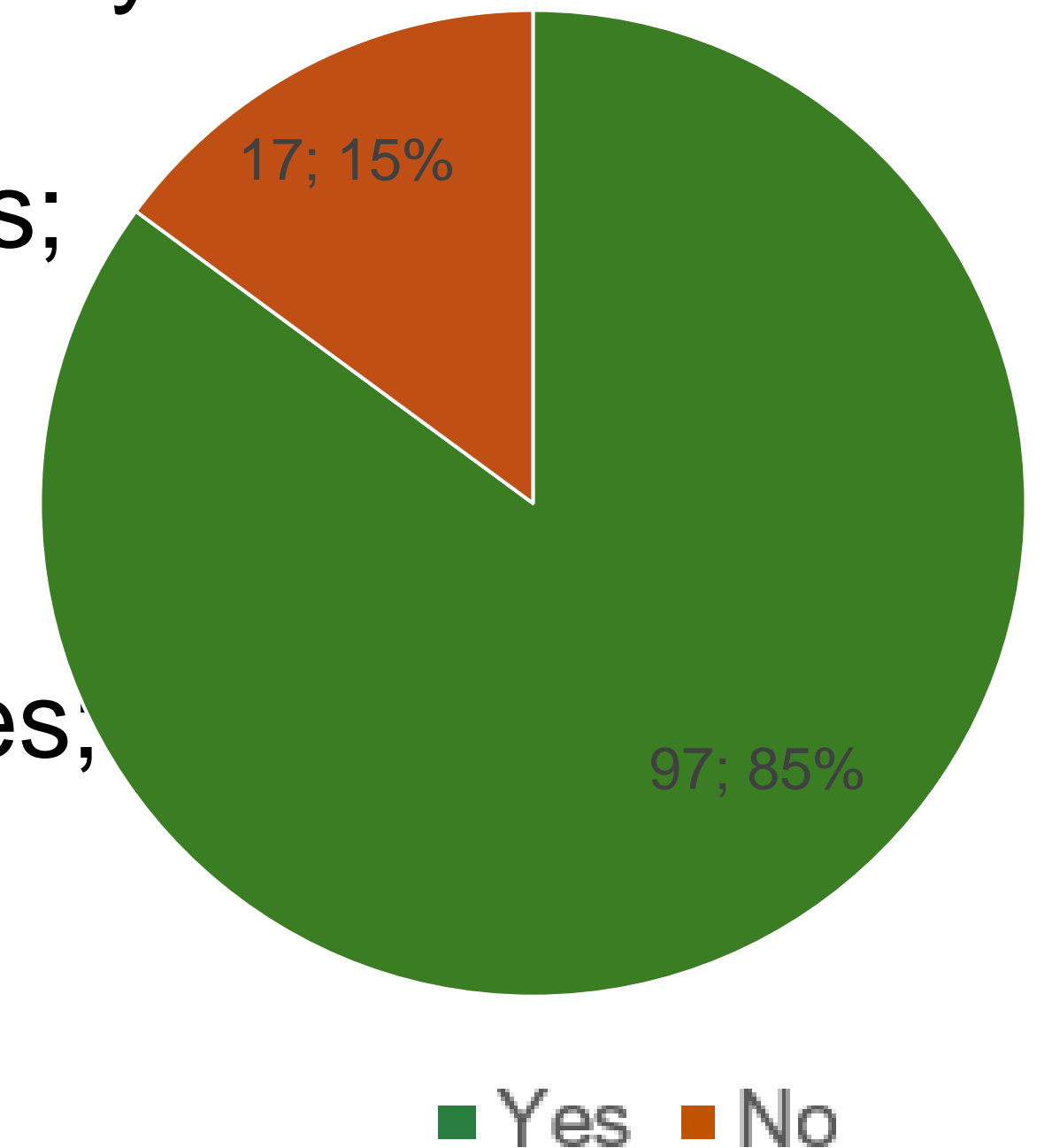
“Some people find friends in their families, but some friends become our family.”

- No opinion
- Strongly disagree
- Disagree
- Almost disagree
- Almost agree
- Agree
- Strongly agree

Q11. Do you want to pass your business on to the next generation (in your family)?

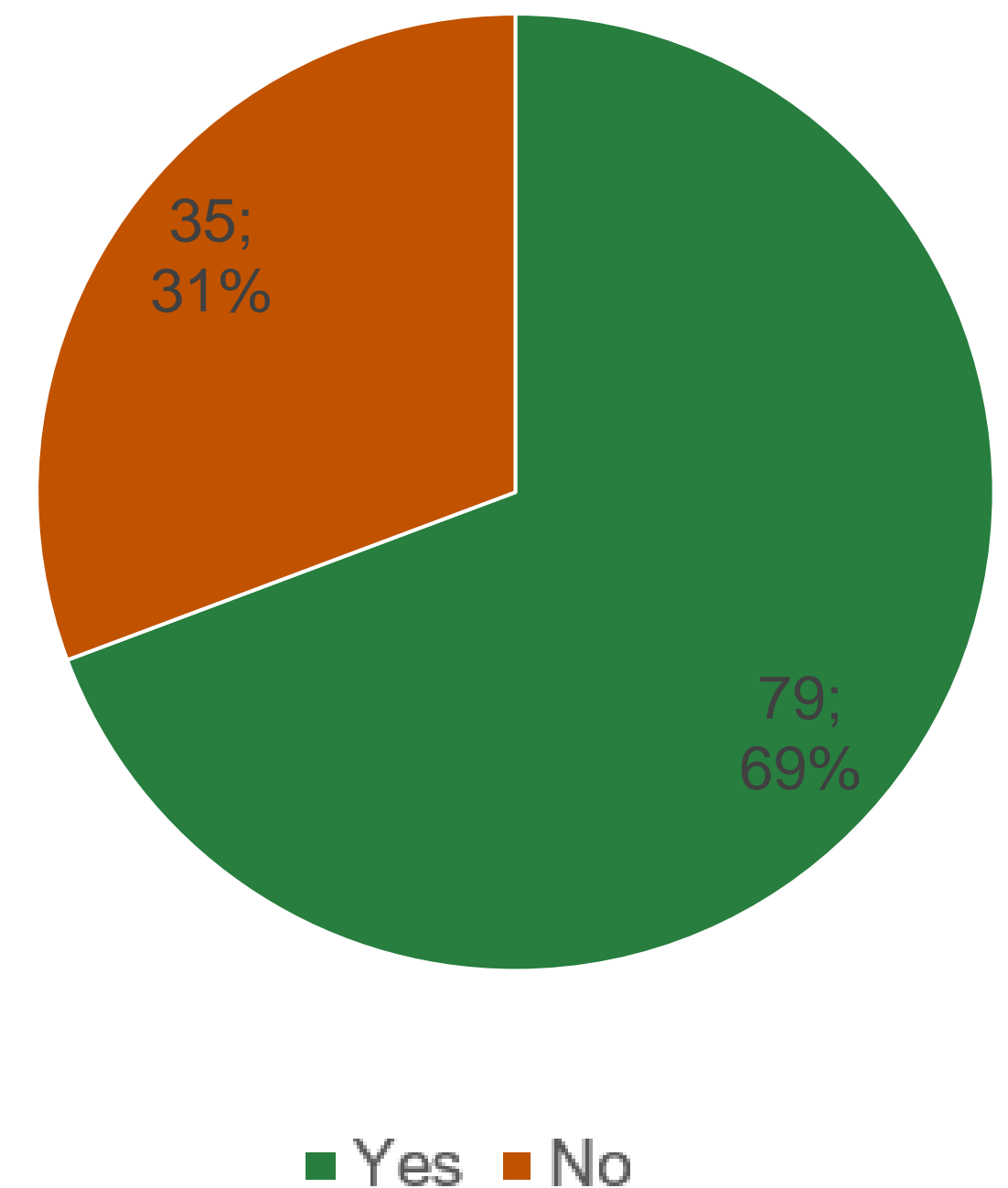
Entrepreneurs who would not like to pass on the company:

- 88% have no tradition;
- 64% do not present themselves as a family business;
- 94% deny making emotional decisions;
- 76%, however, note that it is values that play a role in overcoming crises;
- However, 76% consider themselves resilient to crises;
- Not everyone has a successor.



Q12. Do you have a successor (a person being ready to take over the responsibilities of running the business)?

- 3 (3%) of 79 has a successor, but not a family member;
- 1 out of 3 would like to pass it in the family if there was such an opportunity.

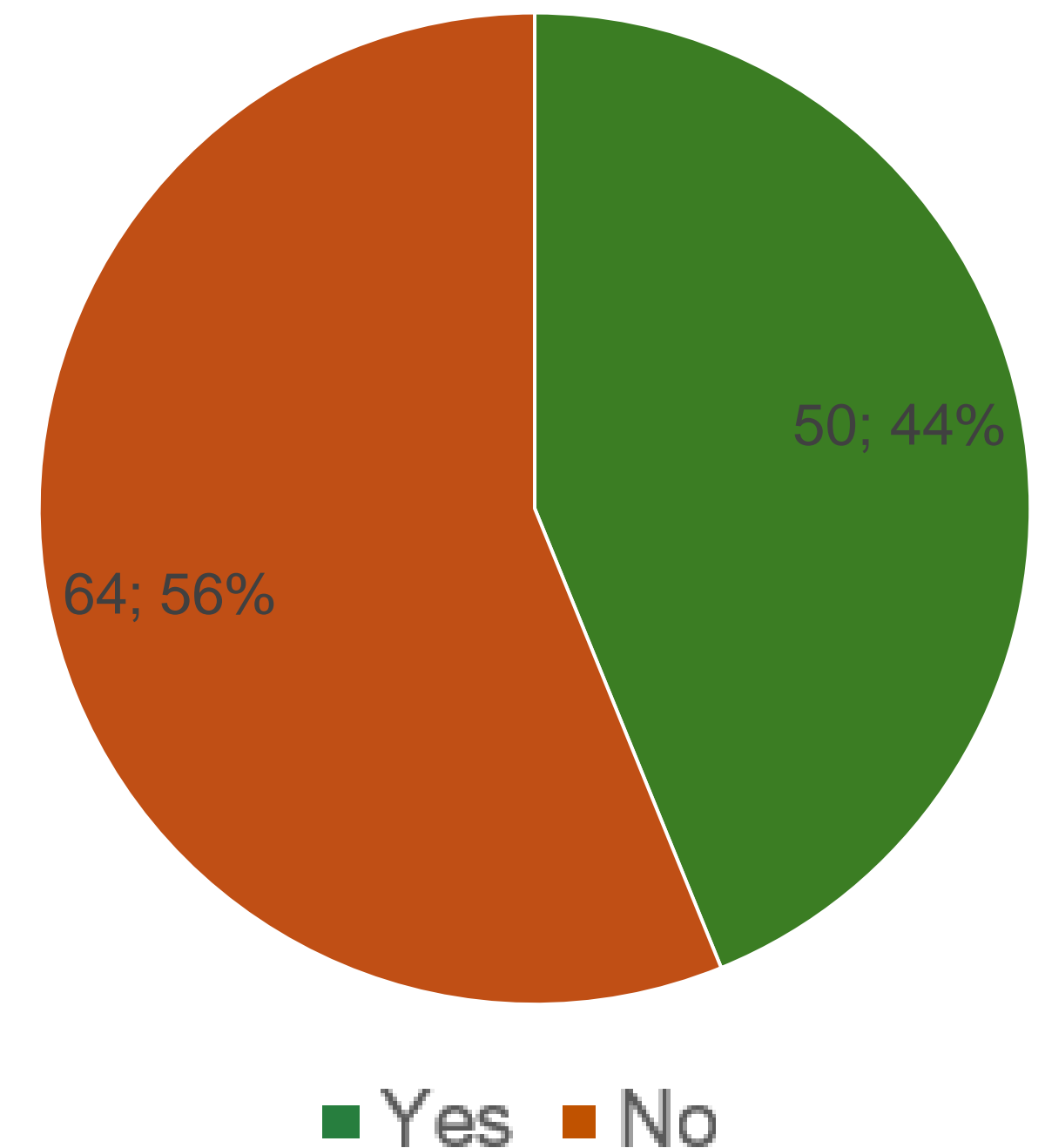


**"THERE WAS A TIME WHEN I
DIDN'T THINK I'D GO INTO THE
FAMILY BUSINESS. BUT THIS IS
MY LIFE. AND BEING OUT HERE,
THAT'S DEFINITELY MY
LIFESTYLE."**

- MICHAEL MCCORMICK

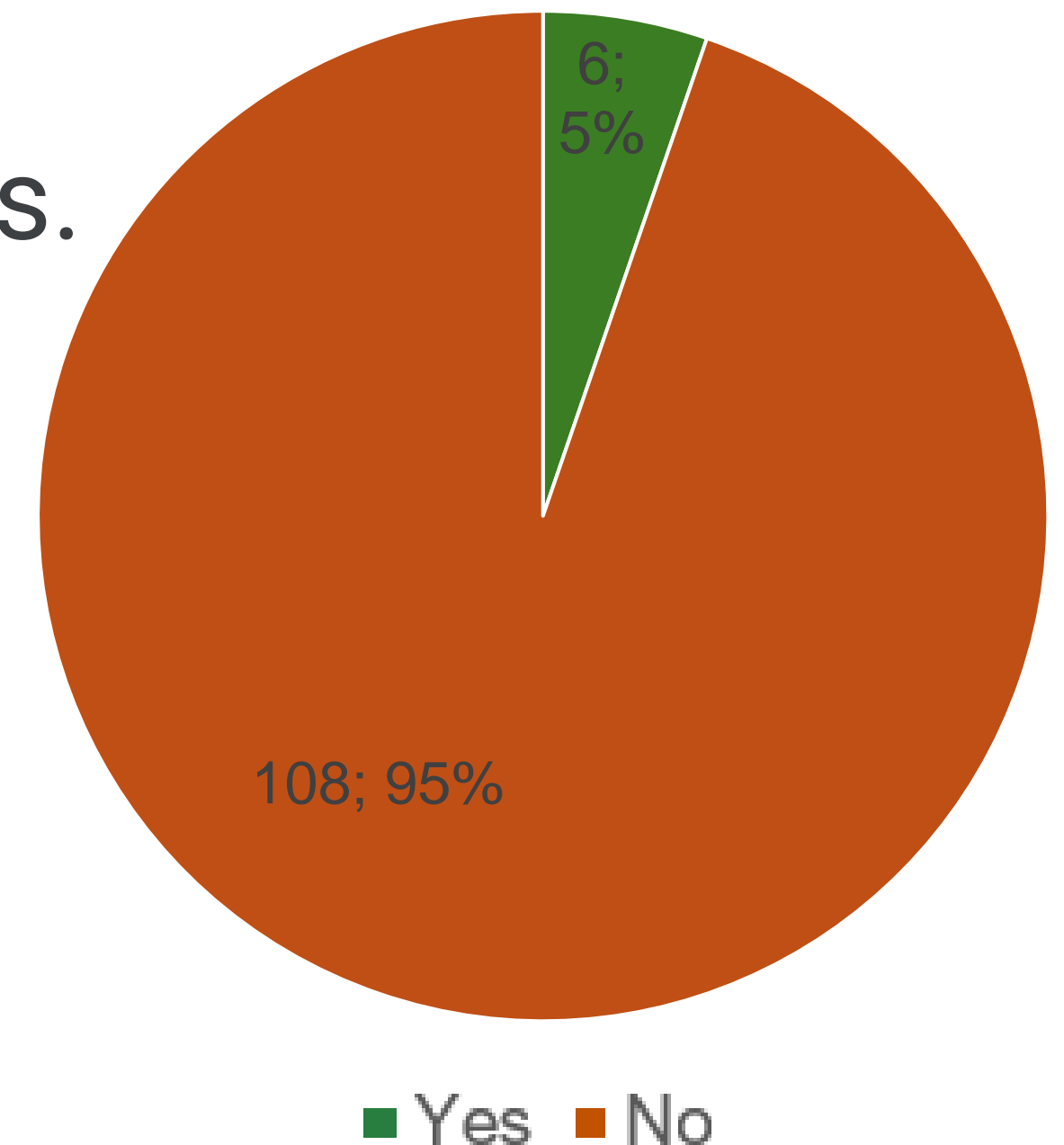
Q13. Do you have a formal or informal succession plan?

- For those who have, most have an informal one.
- The older generation did everything based on feelings, based on the successor's desire to run the company.



Q14. Do you have a family business constitution?

- Informal for most;
- There is a correlation with company size;
- The first generation mostly don't know what it is.





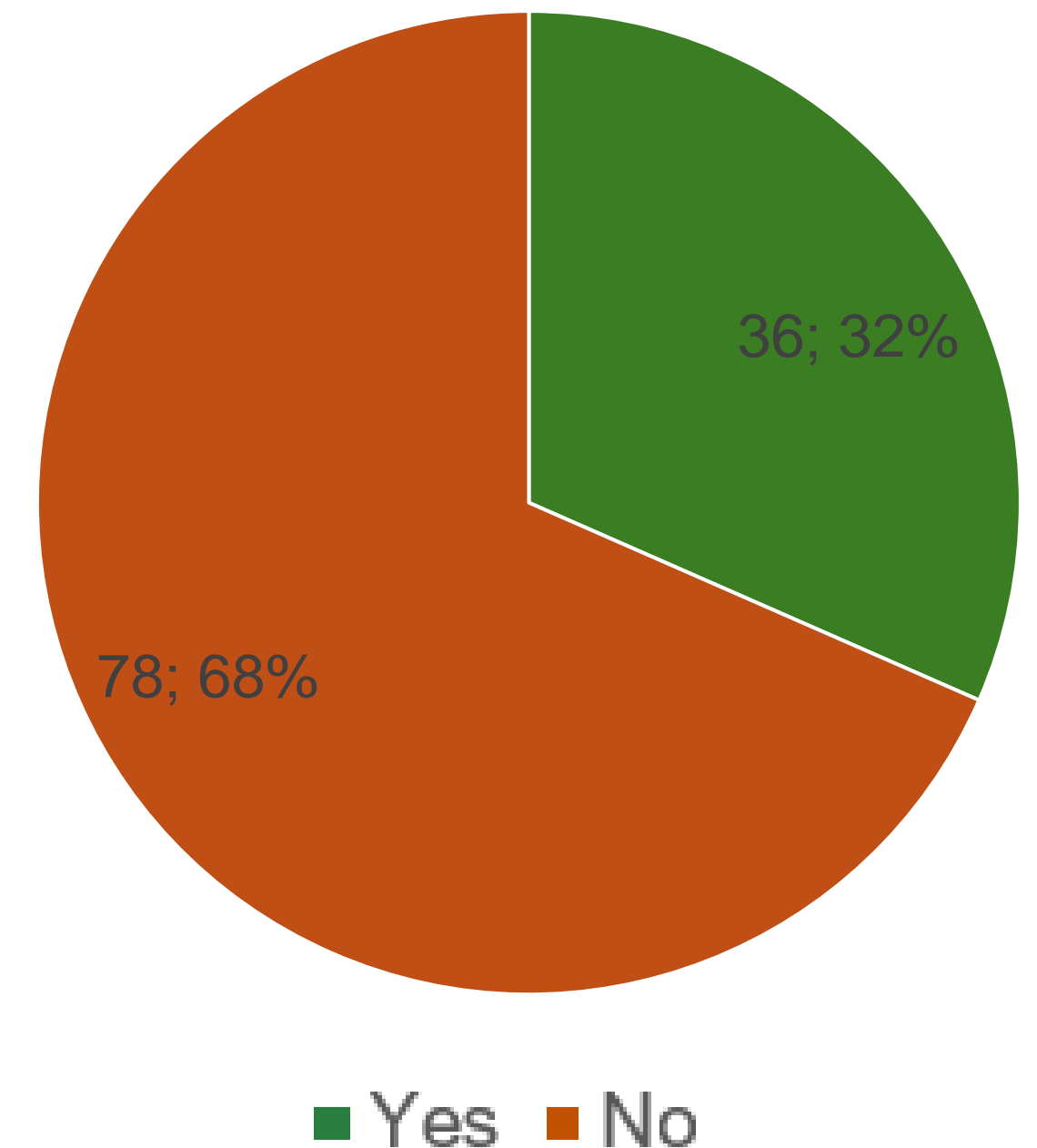
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Q15 Does your company have a system to train and develop a successor?

- About systems note:
 - Practical involvement of the new generation;
 - The importance of your example;
 - Attracting the new generation from the youngest age (both for field work and problem solving)

“IN A FAMILY BUSINESS, YOU GROW UP WITH CLOSE CONTACT TO THE BUSINESS, WHATEVER IT IS, AND THE BEER BUSINESS IS CERTAINLY A VERY SOCIAL TYPE OF BUSINESS.”

CARLOS ALVAREZ

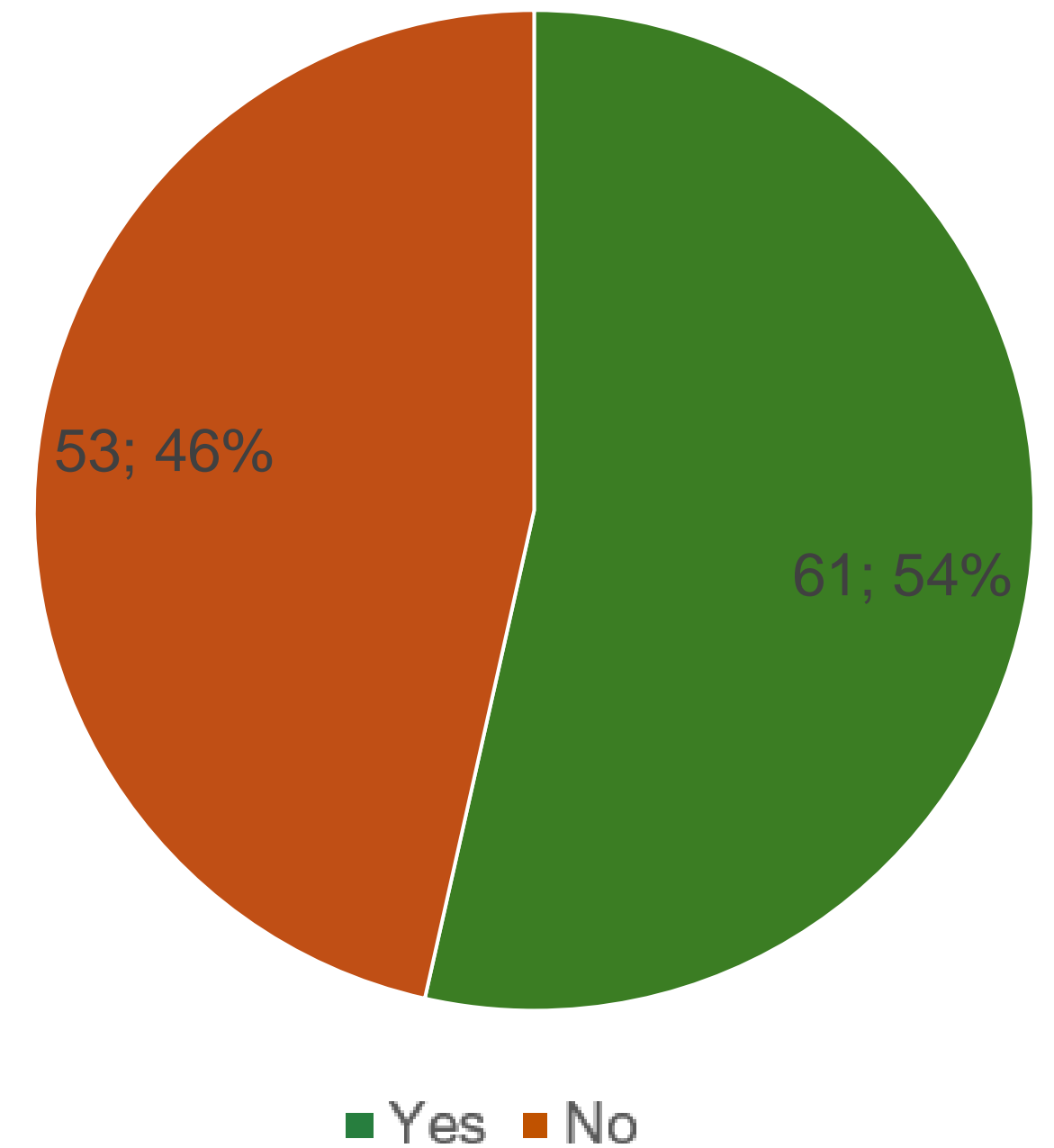
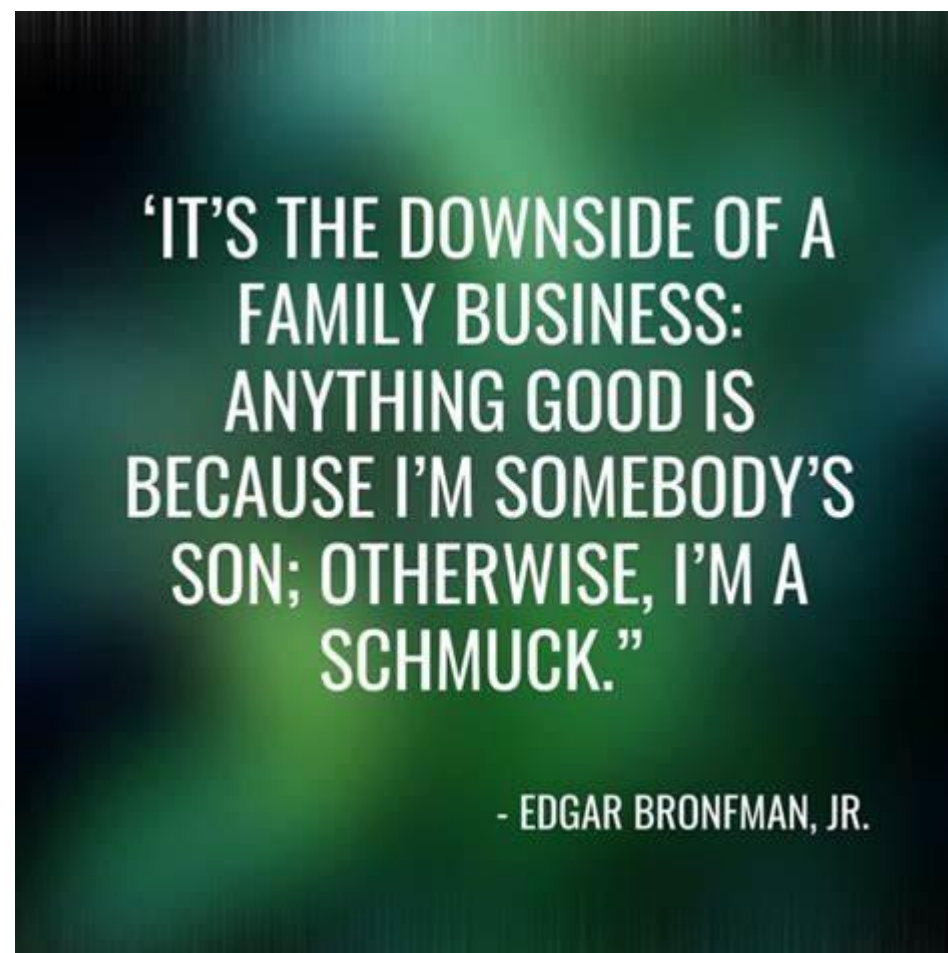




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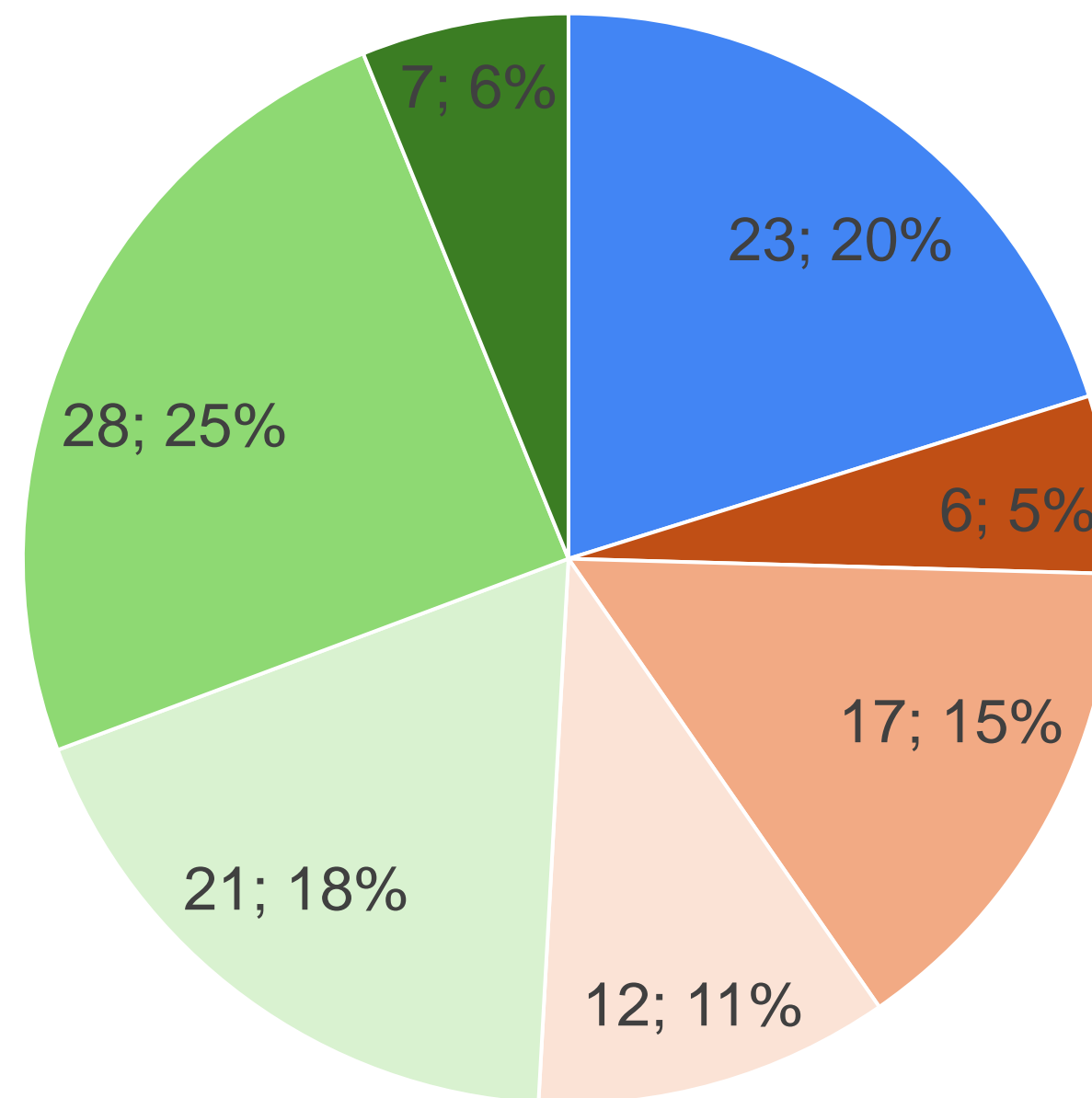
Q16. Are family members/potential successors encouraged to gain experience outside the company first?

- Strong correlation with size of the company;
- 1st and 2nd generation;



Q17. Do you have any specific criteria for the qualities, competencies and skills of successors? (Education, qualification, experience, age, gender...)

- From the interviews there are more willingness of 2nd generation, but 1st always tried to influence the 2nd;
- Correlation with trying do it in different business.



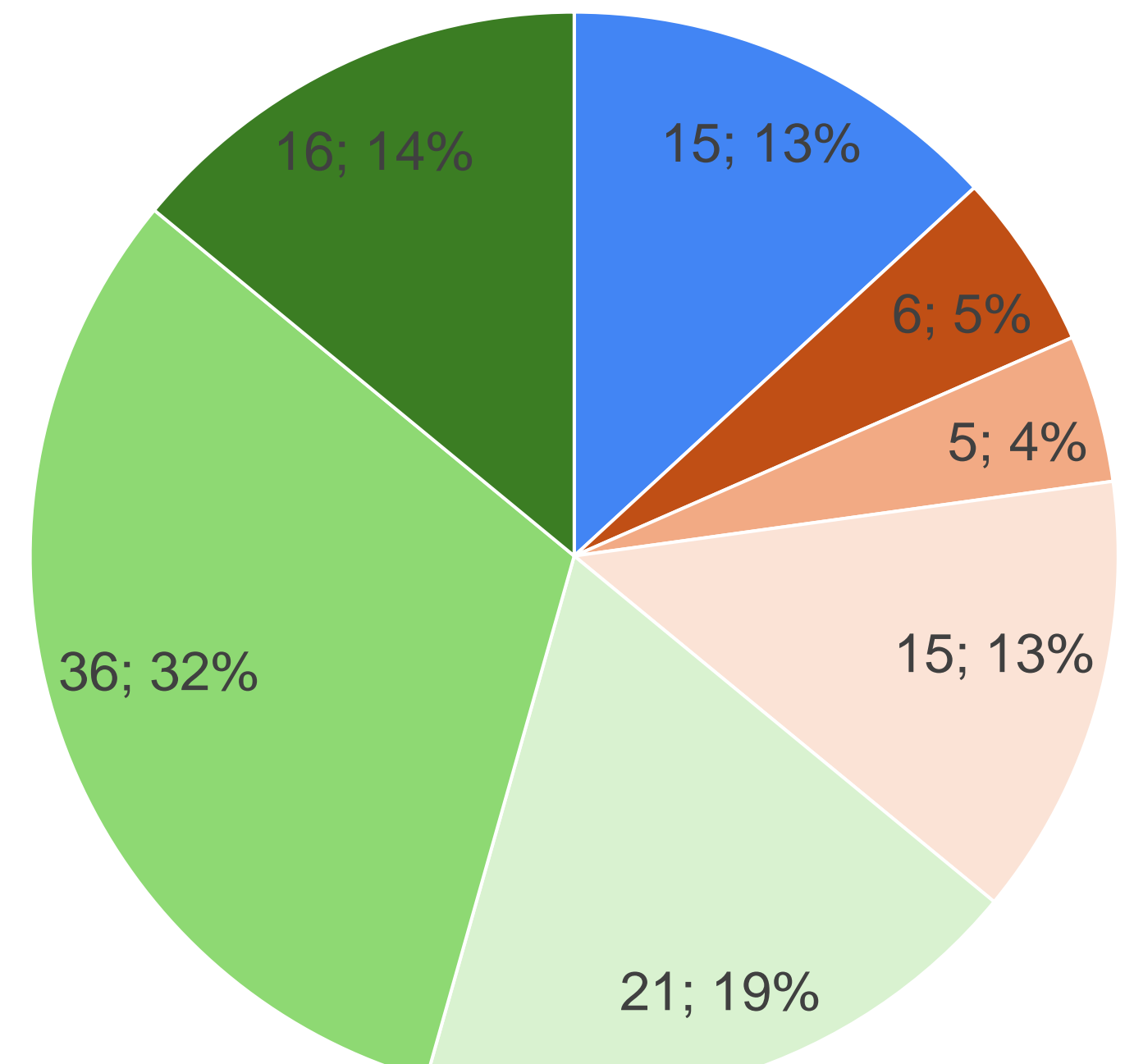
THIS IS A FAMILY OWNED AND OPERATED BUSINESS WITH A REAL DYNAMIC TEAM AND VISION

- Sherry Azzarella

■ No opinion ■ Strongly disagree ■ Disagree ■ Almost disagree ■ Almost agree ■ Agree ■ Strongly agree

Q18. Would you be willing to hand over your business to a professional management team if no one in your family wanted to continue running the business?

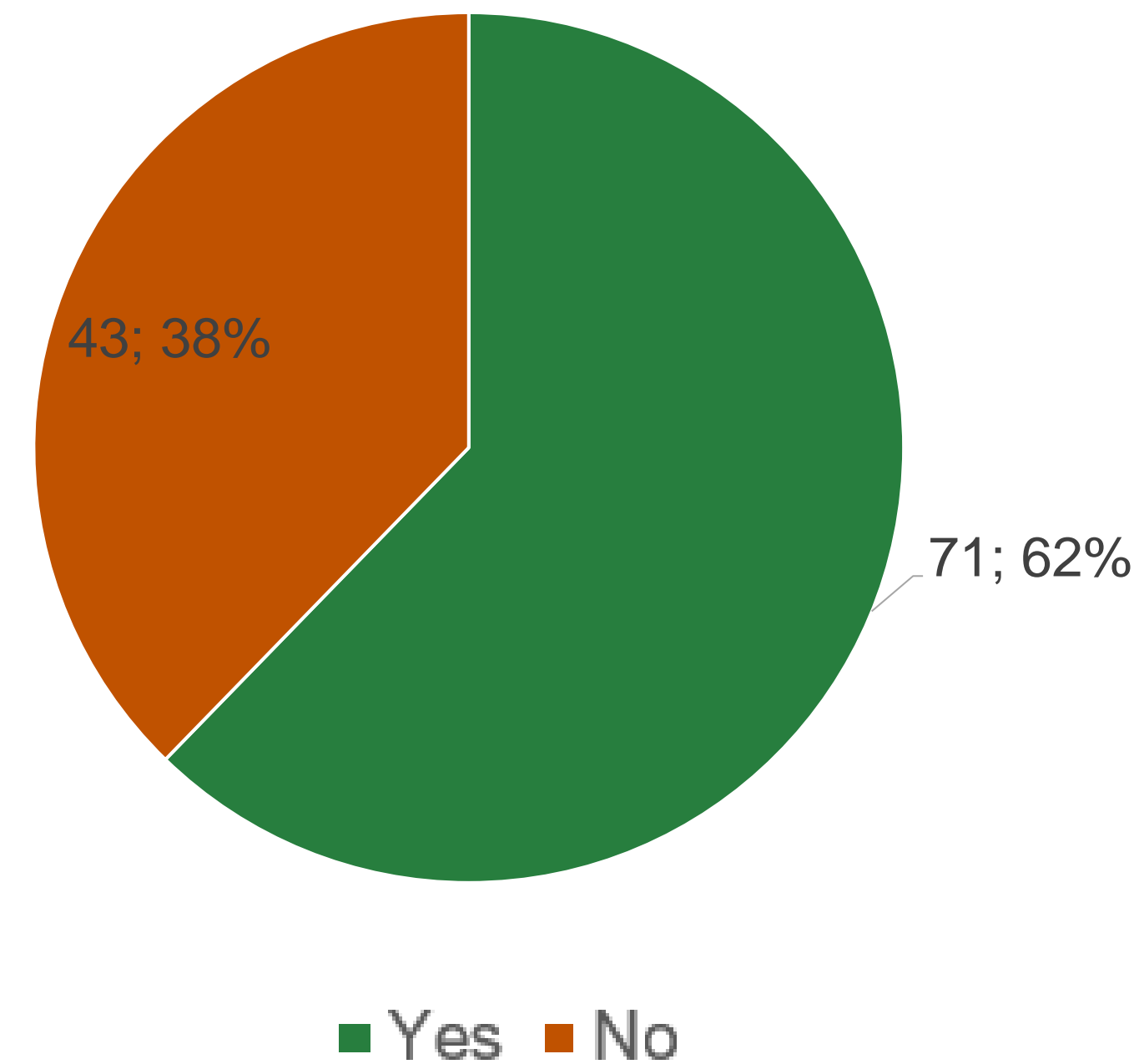
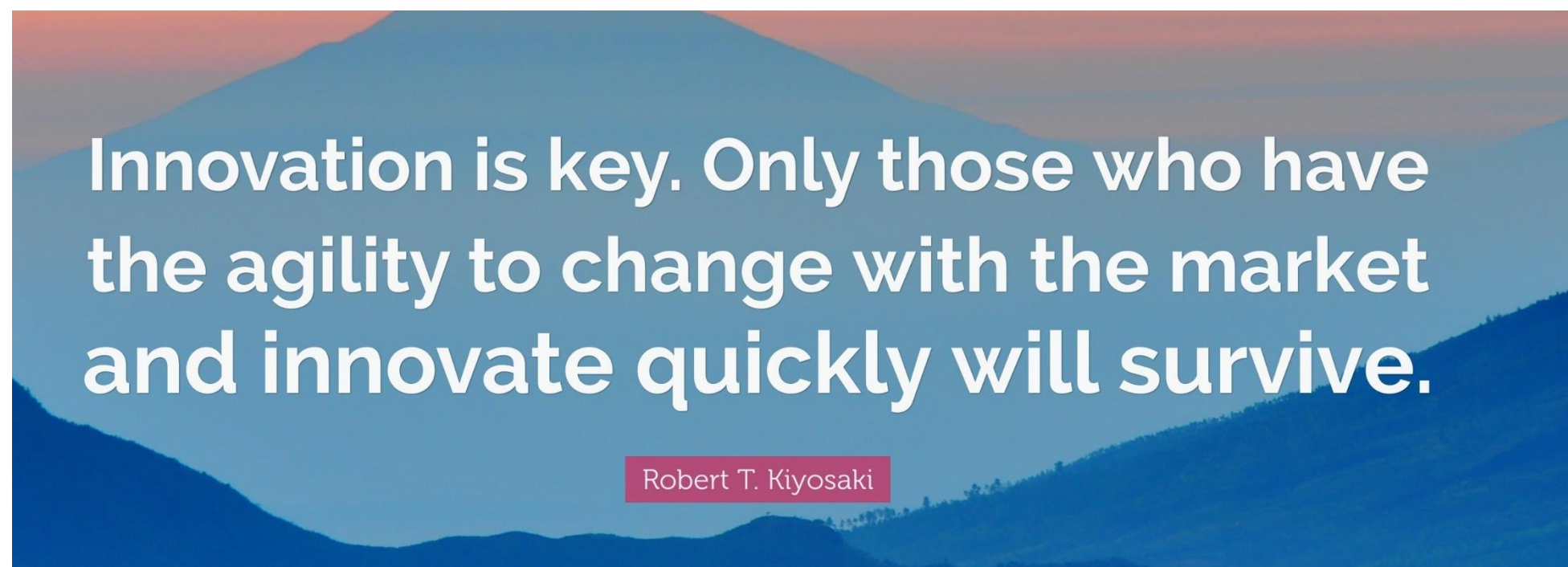
- 100% of those who do not want to transfer to the professional management («Strongly disagree" or "Disagree"), want to pass on to the next generation and none of them has a constitution;



■ No opinion
 ■ Strongly disagree
 ■ Disagree
 ■ Almost disagree
 ■ Almost agree
 ■ Agree
 ■ Strongly agree

Q19. Has the new generation brought any innovative solutions/techniques/products or technologies to your company?

- Continuous, not radical innovation;
- Radical innovation in the moment of crises;



Do not identify themselves as Family Businesses

- 48 companies (criteria met):
- Reasons:
 - Narrow meaning in the legislation;
 - Tax system;
 - Lack of traditions;
 - Does not understand the benefits;
 - Separates family from work;
 - Don't understand the definition.

**BUSINESS IS BUSINESS,
FRIENDS ARE FRIENDS,
FAMILY IS FAMILY**

PictureQuotes.com

Key findings

- ✓ FB in Latvia is more resilient to Socio- economic crises, but has their own family/business crises;
- ✓ Reputation, family name matters;
- ✓ No succession plan, family constitution;
- ✓ Feels responsible for society, placing public over private, trust is the biggest asset;
- ✓ Continuous innovation;
- ✓ FB is more than a business, it is family;

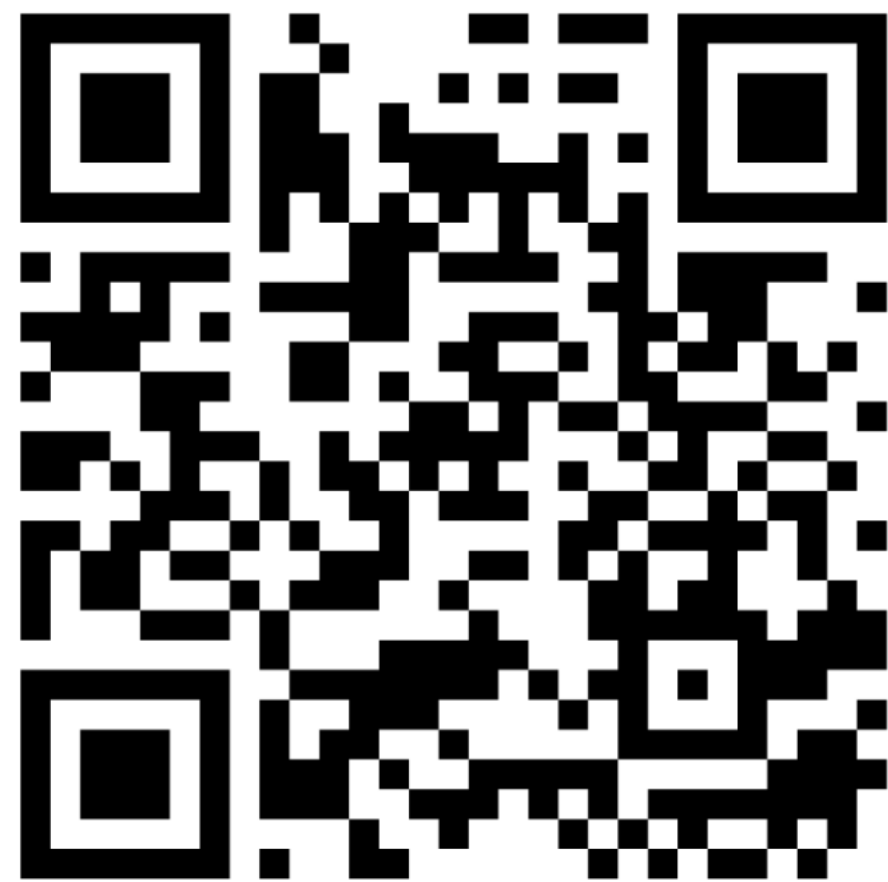
**NEVER PUT BUSINESS
BEFORE FAMILY,**

WALT DISNEY



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«The key to the success of a successful family business is to think and act like a family, not just like a business.»



Thank you for your attention!

Contact information:

Jelena Luca

Jelena.komele.luca@gmail.com