

THE GEARS



OF NEXT-GENERATIONS
DRIVING FAMILY BUSINESS
RENEWAL AND ENDURANCE

LEGACIES

CONFERENCE PROCEEDINGS

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Value Creation in Private Family Businesses: Case of the Czech Republic

Wednesday, 22nd June - 14:52: (ROOM 7) - Work in Progress (WIP)

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A business creates new value when its operating revenues exceed all the costs associated with achieving results; this ability is measured by EVA. The crucial problem behind estimating EVA in privately held families lies in estimating cost of equity. We used the modified CAPM approach and calculate cost of equity based on companies' accounting data for each industry branch. For this purpose, we used the dataset of 34,602 SMEs operating in the Czech Republic from 2012-2020. We used the results to analyze the difference between ROE and cost of equity (value creation factor) of 7,955 SMEs. A linear mixed effect model was employed to analyze the influence of business age, size, leverage, and family ownership on the value creation factor. The results show that the value creation factor does not seem to be dependent on the size of the business, however, the age of the business plays a significant role.

The background features a dark, moody scene with several interlocking gears of various sizes. In the lower center, a pair of hands is shown holding one of the gears. The overall color palette is dark, with shades of grey, black, and a hint of brown from the hands.

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