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## **Family Enterprises and their Support through Subsidies**

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Andrea Tomášková<sup>1</sup>, Karel Havlíček<sup>2</sup>

**Abstract:**

*The purpose of the article is to define family enterprise and its possibilities and capabilities in drawing funds from subsidies. A family enterprise as an economic phenomenon is the subject of the research. The scientific goal is to evaluate the current state of knowledge of the given issue in the Czech Republic and to propose a functional ecosystem of family enterprise support.*

*The article is written on the basis of general theoretical scientific methods, especially the method of comparison of secondary data obtained from publicly published research, data obtained from the database of economic entities, creation of time series, their analysis, synthesis, comparison, analogy, deduction and generalisation and method of expert estimation.*

*The study contributes to the recognition that family enterprises with the most prominent representation of limited liability companies and joint stock companies legal forms are able to draw subsidies in a larger volume than the owners of other legal forms of family enterprises.*

**Keywords:** *Family enterprise, legal form, limited liability company, joint stock company, subsidies.*

**JEL Code:** *D10, M10, M13.*

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<sup>1</sup>University of Finance and Administration (VSFS, [www.vsfs.cz](http://www.vsfs.cz)), email: [24934@mail.vsfs.cz](mailto:24934@mail.vsfs.cz)

<sup>2</sup>University of Finance and Administration, (VSFS, [www.vsfs.cz](http://www.vsfs.cz)), email: [8047@mail.vsfs.cz](mailto:8047@mail.vsfs.cz).  
Chairman of Board of Czech Association of SMEs and Crafts, [www.amsf.cz](http://www.amsf.cz).

## **1. Introduction**

Family enterprise is the most widespread form of enterprise worldwide, family enterprises have long been the backbone of the world economy. In the Czech environment, family enterprise is a “young” discipline. The modern history of family enterprise in the Czech Republic began after November 1989. Historically, family businesses can be traced back to the Middle Ages at aristocratic families. Later the craft enterprises came landowners, millers and ubiquitous innkeepers (Odehnalová, 2011). Family enterprise experienced growth at the time of the First Republic. Family enterprise exists in all forms. Even in the Czech Republic we can find examples of global corporations and holdings, but also large, medium-sized and small companies, craft workshops and self-employed to whom their family members help in their own free time and at the “expense” of their own time. Their presence is noticeable across various sectors, ranging from agriculture and industry to service.

Family enterprises are loyal to the ideals, values and principles of the founder. Other principles include honesty and the ability to motivate people around themselves. The good thing about this is that family enterprise retains a general respect for what the founder has achieved, even long after his death. Thierry Lombard states on the basis of his own experience that “children who grow up in a family which owns a business are already from the cradle aware of the fact that family enterprises are neither enterprises nor families like the others.” He compares this situation to the situation where one knows the mother language without ever learning its grammar. He also says that family enterprises are characterised by “human approach” more than the others. In his opinion, the human approach translates more truthful image of the values of businesses founders and people, who passed these values from generation to generation (Kenyon-Rouvinez and Ward, 2016).

Family enterprises have long been the backbone of the world economy and they often compete with large multinational non-family enterprises in the globalised economy. The contribution of family enterprises to the international market depends on how they can strengthen their family specific resources. Sufficient resources can be the essential factor which can create a major competitive advantage. Understanding the differences between family and non-family enterprises, the specifics of their strategic management and the specifics of the resource management can positively influence their success in the globalised economy (Chirico *et al.*, 2015; Havlicek *et al.*, 2013).

In the Czech environment, family enterprises are ranked and perceived primarily as a category of self-employed people and small and medium-sized companies. It is interesting to see how owners and family members perceive the household effect of business. Some family business owners do not feel to be part of the family business despite the fact that the family owns a majority share of the company. On the contrary, some perceive the company as a family company despite the low participation of the family in its ownership and control. These findings point to the

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importance of self-awareness and self-reflection of family members. Companies can however openly view themselves as family businesses by creating a positive image and good relationships and by taking pride in reliability, credibility and honouring family traditions. The success and well-functioning family enterprise brings not only “material” capital in the form of finance, material goods and social prestige into the family but also the “intangible” capital in the form of euphoria, good relations, satisfaction and enthusiasm. It is the sources of this capital that will become the subject of the following text.

## **2. Definition of Family Enterprise and its Support – Literature Review**

Family enterprise is different from non-family business. Above all, it is the participation of family members who are interested in the family enterprise either in the shareholding or active participation. Another significant difference is in the use of the source of funding and its amount and ratio to other capital components. Family enterprises that have been established by the current retiring generation probably used their own capital (equity) and capital provided by their acquaintances or relatives, often without the necessity to deal with the time-consuming applying for, handling and “paperwork”, in the first place. At first glance, it would seem that this is the best and the right way of acquiring capital. The opposite however, may be true. If a family company chooses this form of capital, the family relationships will certainly suffer sooner or later. While human relations should precede any profit, it is necessary to reckon with the opportunity costs of the potential “family investor”. The own finances and contributions provided by the relatives, friends and acquaintances are most often the primary and major sources of capital, especially when it comes to the self-employed people or a smaller enterprise.

The equity that belongs to the owner(s) is of particular importance to family enterprises. Equity accounts for its cash and non-cash contributions. Equity is divided into several items: registered capital, equity funds, revenue reserves and retained earnings. In a joint stock company as well as limited liability company it is created on a compulsory basis and its amount is entered in the commercial register. It is the main enterprise risk. Its share in total capital is therefore an indicator of the company's financial independence. Financial independence of an enterprise plays an important role in family enterprises, therefore, they prefer their own sources of funding rather than the external ones. The advantage is that it reduces the need for further stock issuance and the need for credit. It reduces the dependence on creditors, consolidates financial stability and reduces capital costs, provided that own sources are more expensive than the external ones; another way of financing with the company's equity is reinvestment of profits, financing using depreciation and financing from the reserves. If an enterprise operates with the profit and the profit is not used by the owner completely, it contributes to the equity which, as a result, grows. Equity is not a permanent variable, it changes according to the results of the respective year, it is reduced by the loss from the current accounting period and the loss from past years (Synek, 2011).

Debt capital, without which only few small enterprises can manage, is the second source of funding. Debt capital is a debt which the enterprise must repay at a given time. Either in one year – short-term debt or in more than one year – long-term debt. Short-term debt includes the enterprise liabilities, short-term bank loans (discount, lombard, overdraft), suppliers' credits (accounts payables deferred maturity of invoices), advances received from customers, payables to employees, unpaid taxes, etc. Long-term debt consists of long-term bank loans, term loans, bonds, leasing, etc.

There are provisions for unforeseen expenses in the future. It is true that short-term debt is cheaper than the long-term debt. Debt capital is not provided free of charge, there are expenses in the form of interest and expenses associated with obtaining it. Interest on debt capital reduces the tax burden on the enterprise because interest, as part of the cost, reduces the profit from which the tax is paid, resulting in a so-called tax effect. The use of debt capital increases the return on equity. The increase in profitability is caused both by the use of cheaper debt capital and the tax effect. The ratio between equity and debt capital is given by the sector in which the enterprise operates, the structure of the property, the entrepreneur's subjective attitude, etc. The use of debt capital has the effect of a leverage if the enterprise earns more than what the expenses on the interest on debt capital are. The risk is at the same time rising (Synek, 2011).

One of the differences between family and non-family (“other”) businesses is undoubtedly the source of funding. It can be assumed that the trend of the next years will be the increasing rate of financing of family businesses from external sources compared to financing from the sources that are their own. The increase will be connected with the transfer of family business to the next generation.

The fact that family enterprise is not legally anchored yet is a significant obstacle to the support of family enterprise in the Czech Republic. The representatives of the Association of Small and Medium-Sized Enterprises and Crafts CZ (AMSP ČR) and Slovak Association of Small and Medium Enterprises and Entrepreneurs (SAMP) agreed at a workshop on 14 November 2017 in Bratislava on a common approach to anchoring the definition of family enterprise. It should be the same in both the Czech Republic and Slovakia. The basis for the definition is the distinction between family business, family trade and family farm (AMSP ČR, 2017). The associations are preparing a mechanism that will build on the European Parliament resolution of 8 September 2015 on family enterprises in Europe. This clearly points to the extraordinary influence of family enterprises on the economy and calls on the Member States to quickly define the concept of family enterprise and the follow up clear institutional support for this type of enterprise (European Parliament, 2015). The direct government definition of family business is currently in Spain, Finland, Italy and Romania. Hungary uses the definition for family farms and Denmark, Austria, Lithuania, Bulgaria and Malta have special legal regulations for family enterprises. The creation of family enterprise legislation framework, monitoring the family enterprises and evaluating them by the Czech Statistical Office will enable to

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assess their real impact on the regional economy and specific sectors and to monitor the performance of this segment with regard to a range of factors. It is beginning to be clear on the global scale that economies based on family enterprises are more stable. Therefore, it is worthwhile to consider the specific support of this segment at a later stage.

In general, the segment of small and medium-sized enterprises (SME) is crucial for any economy. The fact is that in the post-communist countries of Central and Eastern Europe in particular, there is generally no consistent strategic approach to this segment, which would be respected and implemented in the long term. Stability is an important feature of SMEs in national economies. *“They rarely leave their home country in terms of moving their production plants and rarely transfer capital outside the country.”* *“Flexibility and ability to survive under different conditions is one of the major benefits of SMEs, which also applies to international operations, which are no longer a domain of large or transnational companies.”* (Břečková and Havlíček, 2013; Breckova, 2016a; 2016b).

## **2.1 Subsidy Support for Family Enterprise**

Taking into account the fact that support for family enterprises will be targeted primarily at small and medium-sized enterprises, companies of this size can already use some subsidy opportunities based on the 2014-2020 SME Entrepreneurship Support Concept. The Operational Programme Enterprise and Innovations for Competitiveness (OP PIK) is the crucial programme for the support of Czech entrepreneurs in the 2014-2020 programming period. It will predominantly favour SMEs. Funds from the OP can be used to co-finance enterprise projects in the manufacturing industry and related services. The European Regional Development Fund allocated a total of EUR 4.331 billion to this operational programme (approx. CZK 117 billion).

The Czech Ministry of Industry and Trade is the managing authority of the OP PIK. The Agency for Enterprise and Innovations is the intermediary body. It carries out specific implementation activities for the OP PIK activities supported by subsidies, e.g., evaluation of projects in terms of acceptability criteria and fulfilment of formal requirements, administration of payment applications, project monitoring, information services on the possibilities of obtaining financial support and advice to the beneficiaries.

The OP PIK is aimed at increasing innovation performance of enterprises, exploiting the results of industrial research and experimental development and entrepreneurship development and SME competitiveness, supporting the activities leading to the reduction of the energy performance of the enterprise sector, activities aimed at increasing the share of energy from renewable sources, development of distribution networks and implementation of new energy technologies, expansion of high-speed

Internet access networks and development of information and communication technologies. The operational programme consists of 5 priority axes:

- PA 1 Development of research and progress in innovation (allocation 31% - CZK 36.27 billion);
- PA 2 Development of entrepreneurship and SME competitiveness (allocation 20.7% - CZK 24.219 billion);
- PA 3 – Efficient energy management, development of energy infrastructure and renewable energy sources, support of the introduction of new technologies in the field of energy and secondary raw materials management (allocation 28.2% - CZK 32.994 billion);
- PA 4 Development of high-speed Internet access networks and information and communication technologies (allocation 17.2% - CZK 20.124 billion);
- PA 5 Technical assistance (allocation 2.9% - 3.393 billion).

On 30 September 2017, the OP PIK is the second programme with the highest volume of aggregate applications out of the total of 9 operational programmes amounting to CZK 5.7 billion. That is while the OP PIK mainly manages small projects focussed especially on the SME support, with an average subsidy per project amounting to less than CZK 8 million.

Other possibilities for financing certain activities include subsidy projects listed by the Technology Agency of the Czech Republic (hereinafter TA ČR) and the Labour Office of the Czech Republic (hereinafter the Czech Labour Office). The establishment of the TA ČR was one of the important implementation steps of the System Research, Development and Innovation Reform; it centralises state support for applied research and development; manages programmes of various types within which it announces public tenders. The applicant that can submit a project proposal either on its own or in co-operation can be both an enterprise and a research organisation; they have to achieve one of the results of the Programme - e.g., patent, utility model, semi-operation, software, certified methodology, etc. Epsilon and Éta programmes can be used. Epsilon programme - focuses mainly on improving the Czech and, in the global context, European industry, research and experimental development, the results of which have a high potential for prompt implementation in new products, manufacturing processes and services. The aim of the programme is to support industrial applications in using new technologies and new materials in energetics, environment and transport. The duration of the programme is proposed for 11 years (2015-2025). Total programme expenditure is CZK 16,150 million, out of which the state budget expenditure is CZK 9,690 million.

The Éta programme will support the involvement of social sciences and humanities in applied research, experimental development and innovation that are beneficial to maintaining and improving the quality of human life in response to the dynamic social, economic, globalisation, cultural or technological change. The objective of

the programme is to strengthen the social and humanitarian dimension in applied research, experimental development and innovation and to apply the outputs of these activities in the form of new or substantially improved existing products, procedures, processes or services in many areas. The programme is expected to be implemented between 2018 and 2023, that is for 6 years. The total state budget expenditure on the programme is CZK 2,400 million (TA CR, 2017).

The Labour Office of the Czech Republic is another support provider. This is a support project of the EU European Social Fund. The project is co-financed by the European Social Fund within the framework of the Czech Republic's operational programme Employment and by the state budget through the Labour Office of the Czech Republic. The project Support for the Education and Training for Staff II (hereinafter POVEZ II), the implementation period from 01/12/2015 to 30/11/2020, deals with the adaptability of the workforce in enterprises to the ever-changing market situation (Labour Office CR, 2017).

### 3. Material and Methods

At Vysoká škola finanční a správní, a.s., a list of family enterprises has been compiled since 2015. The “snowball” method has been used – a qualitative research technique that is successfully used to study the so called hidden populations, populations that are very difficult to access through traditional methods (population surveys, institutional indicators and research studies). University students process case studies that focus on family enterprise in Modern Management, Business Model, Marketing Management and Business Management, and Cross-Cultural Management. Selected family enterprises are examined in the Administrative Register of Businesses (ARES)<sup>3</sup> and then placed on the list. The list created in Microsoft Excel has amounted to 777 family enterprises as of 18 July 2017. In order to fulfil the stated scientific objective, that is to evaluate the state of subsidies drawing down subsidies by family enterprises in the period of time between 1999-2017, the method of time series analysis was used.<sup>4</sup> The research took place in several steps:

1. The identification of family enterprises was made according to the legal form criterion. The following legal forms were dealt with: limited liability company, joint stock company, an individual doing business according to the Trade Licensing Act not registered in the Commercial Register, agricultural entrepreneur – an individual not registered in the Commercial

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<sup>3</sup>An information system that allows searching for economic entities registered in the Czech Republic. It mediates the display of the data kept in the individual registers of the state administration from which it draws data (the so-called source registers).

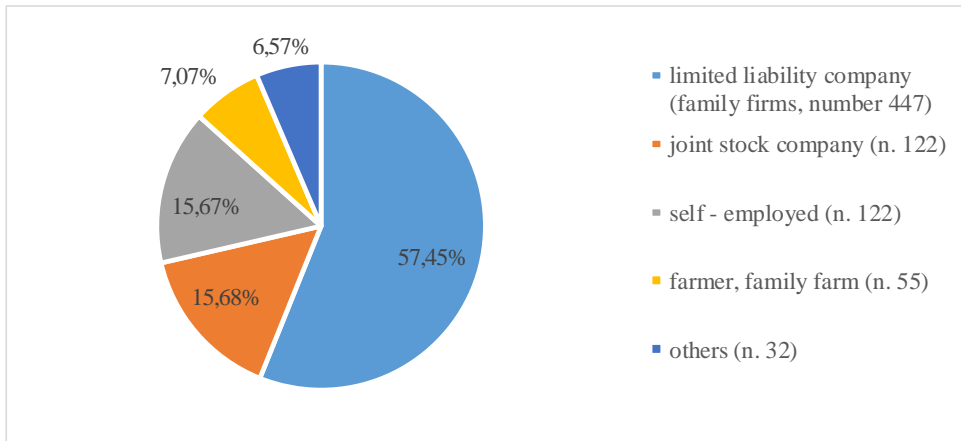
<sup>4</sup>The time series is a factually and spatially comparable (data) observation that is uniquely organised in terms of time in the direction of past – presence. Time series analysis – a set of methods used to describe these series and possibly predict their future behaviour.

- Register, an individual doing business according to laws other than the Trade Licensing Act and Law on agriculture not registered in the Commercial Register, an association, cooperative, European company, general partnership, public benefit company, branch of a foreign legal entity, branch association, limited partnership, not specified.
2. For further research, the legal forms of limited liability company and joint stock company were chosen.
  3. With these forms of entrepreneurship, drawing the subsidy – was the other criterion.
  4. The following criterion took into account the number of employees (10-49, 50-250).
  5. Two groups were selected for analyses of drawing down subsidy funds - Limited Liability Company and Joint Stock Company, drawing down subsidy funds, with a number of employees 10-49. The Limited Liability Company and Joint Stock Company, drawing down subsidy funds, with a number of employees 50-250.

### 3.1 Research Results - Legal Form of Family Enterprise

In the Czech Republic there are family enterprises in all business sectors, they are represented by entrepreneurs, small, medium-sized and large enterprises. The results of the survey, which was carried out on a sample of 778 family firms showed that family enterprises are represented in several legal forms of business (Figure 1).

**Figure 1: Percentage Representation of Legal Forms of Family Businesses (n=778)**



**Source:** Authors.

The survey of 778 family firms showed, that the legal form of the largest percentage of legal entities is a limited liability company, namely 57.45%, this legal form was used by 447 family firms; 15.68%, namely 122 family firms of the total number



used the legal form of the joint stock company. These two groups were included in the next phase of this research.

### 3.2 Research Results - Subsidy Policy and its Use by Family Firms

The subsidy issue and its use by family firms was another part of the research. Subsidies represent a significant source of financing for the Czech family enterprises.

**Table 1: Legal Forms of Family Enterprises in Relation to the Subsidies Use**

Legal Form of Family Enterprise	Total Number of Family Enterprises of a Given Legal Form in the Surveyed Sample	Number of Family Enterprises of a Given Legal Form Drawing Subsidies	Amount of Subsidy Received by the Family Enterprise in the Given Segment in CZK
Limited Liability Company	447-57.45%	262-58.61%	3,205,877,771
Joint Stock Company	122-15.68%	94-77.05%	3,502,242,700
Individual Doing Business According to the Trade Licensing Act not Registered in the Commercial Register	103-13.23%	27-26.21%	53,847,825
Agricultural Entrepreneur - An Individual not Registered in the Commercial Register	55-7.07%	35-63.64%	114,379,087
An Individual Doing Business According to Laws Other than the Trade Licensing Act and Law on Agriculture not Registered in the Commercial Register	19-2.44%	8-42.11%	14,688,812
Association	6-0.77%	1-16.67%	882,482
Cooperative	4-0.52%	3-75%	3,367,375
European Company	2-0.26%	1-50%	412,800
General Partnership	3-0.39%	2-66.67%	60,556,000
Charitable Trust	1-0.13%	1-100%	10,228,000
Branch of a Foreign Legal Entity	1-0.13%	0-0%	0
Branch Association	1-0.13%	0-0%	0
Limited Partnership	1-0.13%	1-100%	111,151
Not Specified	13-1.67%	0-0%	0
Total	778 100%	435 55.62%	6,966,594,003

*Source: Own.*

The sample of 778 surveyed family enterprises showed that 435 of them received in the period 1999 - 2017 the total subsidies of 6,966,594,003. Joint stock companies drew the subsidies in the amount of 3,502,242,700, the limited liability companies drew the subsidies in the amount of 3,205,877,771. The finding which legal form

had the largest volume of the draw-down of subsidies per one family enterprise is as follows: joint stock company - CZK 37,257,901 and limited liability company - CZK 12,236,175. The limited liability companies and joint stock companies were further analysed by the headcount with the use of the time series. The division is as follows:

- limited liability companies with number of employees 10 - 49 – total number of 100 family enterprises;
- joint stock companies with number of employees 10 - 49 – total number of 9 family enterprises;
- limited liability companies with number of employees 50 - 250 – total number of 96 family enterprises;
- joint stock companies with number of employees 50 - 250 – total number of 40 family enterprises.

**Table 2: Number of Companies of the Legal Form Limited Liability Company and Joint Stock Companies Drawing Subsidies (in CZK) by Headcount**

Year	Limited liability company 10-49 employees		Joint stock company 10-49 employees		Limited liability company 50-250 employees		Joint stock company 50-250 employees	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1999	13	6,810,693	2	1,769,475	18	3,330,868	7	2,210,254
2000	14	6,761,753	1	1,498,484	24	3,393,533	8	667,690
2001	13	6,762,172	3	3,424,191	25	5,484,318	7	628,417
2002	16	6,835,363	3	2,759,115	28	15,975,576	7	978,156
2003	18	19,859,958	3	3,233,102	28	30,617,046	12	12,949,622
2004	19	25,240,870	4	3,946,068	42	30,187,188	15	4,923,199
2005	13	20,842,763	2	3,437,500	27	26,090,796	13	7,507,092
2006	18	17,035,327	3	3,911,830	35	50,704,070	15	28,543,021
2007	18	20,522,687	2	3,886,343	33	79,401,020	16	39,740,185
2008	12	6,849,127	2	2,593,539	23	69,120,774	10	16,551,789
2009	19	18,661,544	2	3,228,203	32	96,297,578	16	40,504,183
2010	31	55,017,110	6	30,655,207	47	229,909,796	21	77,917,860
2011	26	51,041,537	6	13,382,897	44	169,269,702	14	85,645,222
2012	18	76,992,437	4	16,195,128	37	215,071,583	14	104,425,701
2013	25	67,152,479	4	93,752,354	45	223,723,941	23	102,258,573
2014	48	104,123,306	5	3,296,252	61	258,592,043	25	167,808,567
2015	55	95,700,451	5	47,795,683	63	284,568,092	22	78,275,194
2016	34	17,348,545	4	25,846,428	42	69,057,658	9	25,033,399
2017	0	0	1	2,335,000	4	11,337,524	0	0
Total	410	623,557,915	62	266,946,799	658	1,877,133,111	254	796,568,130
		890,504,714				2,673,701,241		
		3,564,205,955						

Source: Authors.

The division of limited liabilities companies and joint stock companies by the number of employees brought the following results broken down by the volume of subsidies: The limited liabilities companies and joint stock companies (both forms with the number of employees 10-49 and 50-250) drew down the subsidies in the total amount of CZK 3,564,205,955. Out of that the limited liabilities companies received CZK 890,504,714 and the joint stock companies received CZK 2,673,701,241.

All four family enterprise segments underwent a gradual rise in subsidies since 1999. The intensity in drawing changed between segments over the years. All segments showed a significant increase from 2010 (up to more than 100%), the downturn only occurred in all segments in 2012, the maximum amounts were drawn in years 2014-2015. Since 2016, there has been a significant drop in drawing down in all segments. From the above, we may also conclude that each company has drawn down the subsidies more than once during the monitored years under review and has shown a good ability to orient themselves in the subsidy policy.

**Table 3:** Amount of Subsidies Drawn Down by Family Enterprises in the Years 1999 - 2017 according to their Provider.

Subsidies of the Provider	Limited liability companies and joint stock companies with 10-49 employees	Limited liability companies and joint stock companies with 50-250 employees
90 ČMZRB (Czech-Moravian Guarantee and Development Bank)	140,256	---
91 The National fund	---	17,386,737
307 Ministry of Defence	38,515,000	---
313 MPSV (Ministry of Labour and Social Affairs of the Czech Republic)	38,753,711	221,824,864
314 Ministry of the Interior	11,141,000	12,949,000
315 Ministry of the Environment	7,832,545	70,053,770
317 Ministry of Regional Development	12,925,212	42,844,798
321 GA CR (Czech Science Foundation)	---	259,109
322 MPO (Ministry of Industry and Trade)	442,877,091	2,816,058
327 Ministry of Transport	---	4,323,130
329 Ministry of Agriculture	29,889,178	32,163,358
333 Ministry of Education, Youth and Sports	267,080,543	17,585,000
334 Ministry of Culture	---	100,000
361 Czech Academy of Sciences	3,914,000	---
377 The Technology Agency of the Czech Republic	14,594,010	93,458,543
502 State Environmental Fund	284,960	7,105,432
511 State Agricultural Intervention Fund	4,834,685	48,391,105
Labour Offices	17,722,523	49,440,337
Total	890,504,714	2,673,701,241
Total	3,564,205,955	

*Source:* Authors.

The research has shown that companies have drawn down the subsidies from 18 providers (Table 3). The largest amount of subsidies was CZK 2,498,693,149 provided by the Ministry of Industry and Trade, the Ministry of Education, Youth and Sports provided the subsidies in the amount of 284,665,543 and the Ministry of Labour and Social Affairs provided subsidies in the amount of 260,578,575. The companies with 50 to 250 employees mainly drew down from the Ministry of Industry and Trade, Ministry of Labour and Social Affairs, Technology Agency of the Czech Republic, Ministry of the Environment, Labour Office of the Czech Republic and the State Agricultural Intervention Fund. The companies with 10 - 49 employees mainly drew down from the Ministry of Industry and Trade, Ministry of Education, Ministry of Labour and Social Affairs and Ministry of Agriculture. Both segments drew down most from the Ministry of Industry and Trade.

It is important to mention the subsidy drawn down from the Ministry of Defence. Only one company drew down this subsidy (with the number of employees between 10 - 49, the company develops and manufactures products for the detection of the most famous combat chemical substances and industrial toxic substances, it is a standard supplier of the Army of the Czech Republic). During the period 2003-2007, this single company drew a total of 16 subsidies with the total volume of CZK 38,515,000. Based on this fact, the subsidies from the Ministry of Defence can be considered as irrelevant in the overall context when evaluating drawing down the subsidies by family firms.

#### **4. Results and Discussion**

The main findings in examining the issues of the Czech family enterprise and its support through subsidies are as follows:

- there were 13 different legal forms among the examined Czech family enterprises (Table 1);
- by legal form, limited liability companies, joint stock companies, self-employed persons and agricultural entrepreneurs have the largest representation;
- the sample of 778 surveyed family enterprises showed that 435 of them drew down in the period 1999 - 2017 the subsidies totalling CZK 6,966,594,003;
- the subsidies were drawn down most by joint stock companies in the amount of 3,502,242,700 and limited liability companies in the amount of 3,205,877,771;
- the highest average per company drawing down the subsidy was reported joint stock companies, the rounded amount is CZK 37,257,901;
- the highest amount of subsidies in the amount of 2,498,693,149 was provided by the Ministry of Industry and Trade;
- the companies drew down the subsidies from the total of 18 providers.

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More like the “non-family” entrepreneur in the beginning, the owner of the family enterprise faces the decision of how or what legal form to choose, whether to run the business as a self-employed person or as a legal person. Each legal form entails both positives and negatives. Unlike self-employed persons, legal entities in general do not bear the risk of losing their assets, they are better able to optimise taxes, the administrative agenda is almost the same, the costs of setting up and managing the enterprise are comparable, both forms require the initial capital at the beginning. A person starting from the scratch usually primarily chooses the business in the form of self-employment. The process of obtaining a business license is very simple, relatively quick and, moreover, tax setting (depending on the type of profession) is very easy. On the other hand, self-employed persons often do not realise certain risks. Above all the responsibility that they have. They may have to pay for the damage, if any, by all their property, the business field should therefore be thoroughly considered (AMSP ČR, 2017).<sup>5</sup>

Family enterprises have the greatest disadvantage in accessing finance. This is something that will only partially surprise us, because the SME segment is generally under-funded, therefore the access to operating and investment funding has long been perceived as negative. However, this contradicts the general trend when banks declare sufficient resources and willingness to provide funding to family enterprises in particular (Břečková, 2016a).

According to the AMSP ČR survey, subsidies are becoming an essential tool for company development, for more than a quarter of companies they are absolutely crucial. Every eighth company regularly follows announcing subsidy titles, almost a third of companies does that occasionally. Companies are aware of the very good opportunity to get additional resources for their development and pay much attention to this activity. Companies make the most use of subsidies for corporate investment development and employee training. More than half of all resources are drawn down in these two areas. The fact that subsidies are becoming a key tool for corporate investment is also evidenced by the fact that one third of all companies using them claims they would never have been able to invest without them. Another 16% would invest, but only later (AMSP ČR, 2017). Companies with the headcount between 50-250 (irrespective whether the legal form is limited liability company or joint stock company) drew down subsidies in a higher volume. They were better informed about the subsidy issues, they worked well with projects through cooperation with specialised firms or their own specialists. There is a certain ambivalence in drawing subsidies. On the one hand, the subsidy can significantly help the company to

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<sup>5</sup>*There were only six thousand tradesmen in the Czech Republic in the calendar year 2016 and the total of twenty thousand enterprises, mainly limited liability companies. There are 981,000 self-employed persons and 437,000 companies participating in the active business in the Czech Republic. There is no expert estimate that would specify how many of them are family enterprises.*

develop, grow, strengthen competitiveness, but on the other hand, the firm may become dependent on subsidies to a certain extent.

The surveyed companies drew down the subsidies more than once in a year, demonstrating their ability to get a good orientation in subsidy policy. This form of support is not only available but also advantageous. According to AMSP ČR, companies also form a degree of dependency on subsidies in their development co-financing. When looking at the high share of subsidised projects, it is clear that companies are deciding about investments also based on the availability of subsidies. In the upcoming years, the volume of subsidies will decline, and if businesses do not prepare for this, they can get into existence problems. Only the development in the upcoming years will show whether subsidy programmes have been set up to start the future prosperity of companies or have been “the beginning” of their downturn.

## **5. Conclusion**

There is a lot of attention on family enterprises abroad because family enterprises have huge impact on the global economy. They run their business virtually in all forms and industries, have a significant impact on employment, added value, investment and capital formation. The situation in the former Eastern bloc countries is more complex. The modern history of private entrepreneurship and family enterprises began about a quarter century ago in the Czech Republic, which is relatively short period of time compared to traditional democracies (Břečková, 2016).

Family enterprise support and regulation do not differ from non-family enterprises in this respect. The specific issues will only come when dealing with the areas related to procedural and legal aspects of succession and redistribution of ownership. Family enterprises have a high level of resilience and social responsibility, play an important social and cultural role in their place of business, play an important role in the development of the endogenous potential of individual regions in the Czech Republic, are significantly entrepreneurial and socially connected with the region and form the regional business backbone. Their direct and indirect support thus becomes a return investment helping to support their competitiveness, based primarily on the innovative competitive advantage.

In order to monitor, investigate, evaluate and provide support for family businesses, a clear definition of family business is required, the criteria of which would be comparable to other countries. Family enterprises need the significant business support in terms of investment inflow, which is crucial for sustainable growth, job creation and competitiveness. From the point of view of entrepreneurial support, it is especially important to use European subsidies efficiently - therefore, the main objectives are to draw down the OP PIK calls. In addition to the EU Funds, national programmes and actions aimed at reducing administrative burdens are designed to

support the SME sector. The investment activity is the core activity of the Czech Invest Government Agency, which mediates domestic and foreign investment projects. Family enterprises may also apply for a project of the Grant Agency of the Czech Republic (GA ČR) and TA CR, SMEs and family enterprises, however, they do not know how to establish a partnership with universities because their application will be refused if they submit it on their own. For this reason, the issue of GA ČR and TA ČR projects can be considered as a possible topic for the future research where it would be useful to identify and specify the reasons why there is a lack of such projects and what they are based on.

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