

Overview of Family Business Relevant Issues

Country Fiche Czech Republic

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Index

1	Introduction	1
2	Understanding of “family businesses” in the national context	2
3	Importance of family businesses for the national economy	4
4	Characteristics of family businesses	5
5	Institutional actors and their strategies, policies and initiatives.....	9
6	Future issues	16
7	Bibliography	17

1 Introduction

Family business in the Czech Republic has a long term tradition. There is still well known name Bata as an example of a family business. Development and position of family businesses were similar as in other European countries up to the World War II. After the war, private businesses were nationalized and became state enterprises. In 1990's the majority of state enterprises were privatized generally without transparent conditions. Many of them became family owned large enterprises. However, it is difficult to consider them as family businesses because they were not created and built by the family. Part of enterprises, where former owner was identified, were restituted and returned back to him or his successors. Simultaneously new enterprises have been established as start-ups financed only by family financial resources. Therefore recent evolution of the private business sector and specifically family business is quite short and influenced by the latest politic and economic development. Some family-owned businesses have not enjoyed the very best reputation due to suspicious privatisation procedures, often followed by bad management. However, a vast number of mostly small and medium-sized family owned businesses have started to bring their owners appreciation, profit and success. They must daily deal not only with external pressure but also with internal problems such as family members' relationships. Psychology issues are a genuine part of company life. Decisions concerning the firm strategy are not issues only of company management but also other family members. Possible business problems have severe impacts on the whole family that is usually existentially dependent on the destiny of the firm. Family usually invests its entire savings into business. This is also a reason for lager risk aversion what is a negative characteristic of family businesses [3].

Family business is not any category in business legislation and therefore, there is no specific definition. The reason is that this issue is very complex and every possible characteristic has many supporting arguments but also rationales for making it doubtful like for example ownership in the case of privatised companies.

Family business is in public associated with traditional way of doing business particularly in services. It is perceived as reliable for partners and customers due to its close ties to family existence and aim to pass it on the next generation.

2 Understanding of “family businesses” in the national context

Family business does not exist in the Czech Republic as an individual category and is a part of general entrepreneurship what does not distinguish ownership characteristics. Substantial differences in personal, psychological as well as economic domain are neglected and hidden by inappropriate abstraction what undervalues family and family relations at entrepreneurial level. Specific social relations cannot be ignored; on the other hand it is necessary to study them in broader context, not only as ownership relations.

Members of International Enterprise Research Academy admit that the definition of family business that would incorporate all aspects of this phenomenon does not exist. There are many viewpoints but ownership is crucial. Just ownership guarantees generation continuity what is basis for family businesses. The family is motivated by this ownership to develop business and to manage it well.

However, the Czech legal system implicitly considers family businesses for physical persons – sole proprietors. According to the Income Tax Act (No. 586/1992 Coll., as amended, Article 13), a self-employed person can distribute incomes and expenses on cooperating persons what helps to manage better personal income taxes. Cooperating persons can be spouse and any other member of the household. Cooperating persons have the same obligation concerning social and health care insurance as an entrepreneur.

Research related to family business is rare in the Czech Republic. There are mainly references to studies made in USA and Western Europe. Any legislation framework what would regulate family business is absent at all. On the other side the Czech legislation framework for small enterprises, what is the majority of family businesses, is too complicated and its formulations fuzzy. This presses small family businesses to outsource specific activities like accountancy and tax issues because they cannot do it themselves due to complicated legislation [1].

Family business can be understood as company owned by one or several families. This family business is passed from one generation to the new one [2]. Also sole proprietors can be considered often as family businesses when their business is the main source for family employment and its material existence.

When there is no official definition of a family business, it is necessary to specify what we mean by this term in this report. The basic criterion is a majority family ownership. In some types of companies this can be replaced by partial ownership with dominant management control over the company. The management control is an optional additional criterion. Another characteristic is employment of family members in the company. To determine the proportion of family businesses in all population of companies in the Czech Republic, it is necessary to consider the development. As was already mentioned, before 1990, there were mainly state owned large enterprises. Small private enterprises did not exist. In 1990's almost all state owned companies were privatised. They were usually restructured and some spinoffs became SMEs. Simultaneously, there have been established new enterprises as start-ups. Due to non-functioning of the commercial bank system no financial resources for start-ups except family saving was available. The situation has been improving since the end of 1990's

when majority of banks were privatised by foreign investors. But still bank resources for start-ups are not easily available. It means that SMEs created during the last 15 years are mainly family owned also due to short time for ownership dissolution.

In many countries the proportion of family businesses is estimated in the range of 80-95 %. Based on above considerations this proportion for family businesses among SMEs in the Czech Republic can be in the upper part of that range. Therefore, there is no big difference between family businesses and SMEs.

3 Importance of family businesses for the national economy

Taking into account a common sense definition of the family business these enterprises have a substantial share of GDP and employment throughout Europe.

In the Czech Republic precise numbers are missing. The only statistical figures published by the Czech Statistical Office in the area of family business is the number of entrepreneurs including cooperating family members from 2007 what shows 786.2 thousands persons compared to 937 thousands of enterprises. More than half of these entrepreneurs including family members are engaged in services. There is no reason to consider a different distribution compare to SMEs. This also confirms above considerations about differences between family businesses and SMEs. The reason for missing statistical data is that this category is not clearly defined and is not incorporated in the Czech legislation and therefore no data are collected.

Family businesses are becoming an option for solving the unemployment problem. They can create new jobs especially for family members. This is closely related to their commitment for social responsibility. Their existence is dependent on the ability to pass business to the next generation. This needs a long cooperation between the owner and his successor. Family businesses are open for young family members, fresh graduates, and people without working experiences that represent risk categories on labour market. Many times family business solves problems of long-term unemployed. Their experiences gained in previous positions are exploited for benefits of family firm [1].

To evaluate the economic impact of family businesses, we would need a clear distinction what is and what is not a family business. There is no such legal or official definition. Nevertheless, we can make rough estimations. When we take into account that the number of large businesses established and built by the family is negligible in the Czech Republic, as was mentioned earlier, family businesses are predominantly SMEs. In 2006 SMEs created 52.6 % of added value and 61.4 % of employment in the Czech economy. SMEs participated on exports by 43.5 % and imports 54.6 %. Despite the fact that not all SMEs are family businesses, real data cannot be very different.

At the end of 2006, there were 993 318 for-profit companies (physical and legal persons) what includes 991 786 SMEs. Registered were 834 816 physical persons – sole proprietors. In the Commercial Register there were 156 970 enterprises – profit-oriented legal persons.

4 Characteristics of family businesses

Family business can be characterised as company owned by one or several families. However, the most important criterion is whether firm's owner considers it as a family business. This view determines how the company is managed. It means whether the company strategy is to maximise its growth and profit and accepting higher risk or to provide for the family stable resources and employment by minimising risks. Usually family business is passed from one generation to the new one.

Most frequent problems of family businesses are mainly the lack of financial resources necessary for enterprise development, internal family disagreements concerning business management issues and lack of time for family life. Typical problem of family companies is paternalism where the company founder concentrates power, permanently monitors other participating family members and resists passing leading positions to relatives. Another frequent problem is nepotism where instead of qualified external employees there are preferably employed family members without necessary qualification and their incompetence is tolerated.

Decisions on the strategic level of management determine at least in 80 percent the company success. Family businesses do not use this strategic approach in necessary extent and compared to non-family businesses their strategic planning is often neglected. The reason is that family businesses hesitate to reveal internal information to people outside family, reluctance of owners to share information supporting their power or unwillingness of family to discuss issues that could initiate open conflicts [2]. This is particularly more important today as it was in the past because the technology and market development have accelerated and several innovation cycles are necessary during one generation. Therefore, unsatisfactory long-term planning usually ends in bankruptcy.

Family businesses generally make the Czech entrepreneurial community healthier. Good image of company that has been built is necessary to maintain and therefore to care about high quality of products and services. In comparison to non-family businesses, they prefer future prospects instead of short term profits. They are willing to sacrifice current profits for guaranteeing stable functioning what makes them resistant to appearing potential crises. Family businesses are also reliable business partners. Positive effect of family businesses on labour market is that it provides jobs for family members belonging to risk groups on labour market such as fresh graduates, women with children, people without working experience etc.

The strength of family business is in its genuine characteristics. A high sense of social feeling, stress on quality and tradition and motivation based on business ownership are important differences that make family business qualitatively distinct. This represents its high value for economy [1].

As every business also family business has its own advantages and limits different compared to other forms. The family possessing its own firm has to consider daily possible risks and opportunities. Much more frequently we see enthusiasm, dedication, diligence and willingness to work longer and harder. Motivation of family members, especially those from the closest circle is often over standard limits. Incentive is usually family itself and this makes the family firm to survive difficult economic situations.

Family business represents also a mixture of interpersonal working and family relations. Family relationships influence decisions in the firm and vice versa working affairs have an impact on family life. To face this pressure, it is necessary to set clear-cut borders. In opposite case it can deteriorate family relations up to its come apart and following economic failure of its business.

Attitude of family members is the advantage of family business but also a big threat and limitation. Due to it, the management is much more flexible and communication easier. On the other hand when family has serious interpersonal problems that are not solved quickly, they are usually transferred to the firm with very negative effects on its management and economic performance [3].

One of the most important strategic tasks in a family firm is to transfer the businesses to the next generation. Transfers of businesses (enterprises) in the Czech Republic have its specific features arising from a very short history of private enterprise. Experience from the Czech Republic confirms that potential small and medium-sized enterprises are much more interested in setting up a new business rather than taking over the already existing one.

In order to attain progress in this area, a representative of the Ministry of Industry and Trade participated in the expert group of the European Commission on this issue announced within activities of the EU Multi-annual Programme for enterprises and entrepreneurship, in particular for small and medium-sized enterprises for the period 2001 - 2006.

The support for transfers of businesses (enterprises) in the Czech Republic is an integral part of the government Concept of support for small and medium-sized enterprises for the period 2007 - 2013 and the Operational Programme Industry and Innovations for the period 2007 - 2013.

In connection with more simple transfer of businesses (enterprises) professional discussion on the proposal for re-codification of the Private Law took place, which also includes the new Commercial Code. The new legislation is expected to come into effect in 2011 [5]. This can solve this problem also for family businesses, but any definite proposal is not available.

The issue of family business is a part of curricula as well as of research at Economic Universities in the Czech Republic. Brno International Business School is among the most active. However, the research in the area of family businesses is based on several individuals rather than a significant part of an institution research programme. Results of research [7] analyze the sample of 208 small family enterprises. Structural and quantitative characteristics of family businesses such as size, legal form and sectors do not differ significantly from the whole population of SMEs. Family businesses experience external negative effects such as problems with customers due to their insolvency, tough competition, difficult access to bank loans, macroeconomic problems, legislation problems, insufficient state support, low entrepreneurial ethics, corruption, high tax burden, problems with suppliers, and the state bureaucracy. Internal problems include difficulties with employees, conflicts in family and working relations, low qualification of owners, managerial and information problems, missing motivation systems, overlapping of firm and family finances, interaction of business and family relations, business growth stagnation, short term goals of owners, bad communication owner – employees and owner – family, missing delegation of responsibilities, unclear competences, barriers for company growth, generation conflicts,

pressure of relatives, and exploitation of family members. Financial management of company fights with the lack of capital, financing from internal resources, using resources – working capital, using family financial resources, high debts, insufficient investments, and problems in financial control.

As was mentioned in Introduction, some enterprises were restituted when their original owners were identified. The study [6] was oriented on large and medium-sized family enterprises that were restituted and renewed by their genuine owners after about 50 years of interruption. This study is only qualitative and performed on 3 selected restituted family enterprises. The research used methodology of deep semi-structured interviews with firm owners/managers.

The research identifies four basic groups of problems:

- External as an influence of business environment
- Internal related to the company management
- Specific for family enterprises where the management is influenced by psychodynamic processes in family, relations, conflicts, etc.
- Entrepreneurial skills and knowledge

External problems stressed by respondents include:

- Non-effectiveness and bureaucracy of state administration
- Insufficient and delayed information provided by state administration and unsatisfactory support for businesses
- Incomprehensive legislation and low enforcement of law
- High taxation that prevents reinvestments and technology progress
- Non-ethical practices among companies and lack of confidence
- Bad access to financing
- Instability of Czech business environment
- No protection against strengthening of Czech currency and foreign competitors specifically from Asia

However, this corresponds also to general evaluation of the Czech business environment.

Internal problems include mainly:

- Problems with the state of the whole company including buildings, technology, product portfolio, employees, etc. in the time of its restitution
- High investments necessary for renovation resulting in high debts

- Missing or poorly defined development strategies
- Lack of qualified workforce in some regions
- Bad working skills, missing responsibility and commitment of employees to company as well as high fluctuation
- Insufficient access to information and underestimation of marketing activities

Specific problems typical for family businesses:

- Inability to find family members who could continue the business
- Concentration of ownership that is distributed among many family members
- Revival of corporate culture what is the main advantage of family company
- Maintaining good family relations due to different expectations (e.g. reinvestments v. profits)
- Mixing roles of family members and employees resulting in confusion of competences
- Tendencies to authoritative management resulting in refusing of family members to participate in business

The last category includes problems of missing managerial skills, knowledge and entrepreneurship (ability to use opportunities, strategic planning, risk aversion, slow decision making, neglecting networking, permanent learning, etc.). Majority of listed problems are valid for all family businesses but also for all businesses generally.

5 Institutional actors and their strategies, policies and initiatives

Concerning family businesses, there is no institution dealing specifically with this issue. Ministry of Trade and Industry is the main state administration body responsible among others also for the support of SMEs what includes also family businesses that are not specifically distinguished. However, there are several associations and NGOs declaring also support for family businesses even if it is not their main concern. Those are usually associations focused on SMEs or sole proprietors as well as entrepreneur associations focused on women. Their support for family businesses has the form of providing information, counselling, opportunities for gathering and meeting to exchange experiences and also designing projects to attract financial resources for these activities. Often these projects are implemented usually in cooperation with NGOs or by NGOs alone in economically deprived regions with a high unemployment, where establishing family businesses can solve effectively problems of families with several unemployed members. Frequently these resources are from the European Social Fund.

	Explanation
institutional features	
name of the actor	Ministerstvo průmyslu a obchodu České republiky (MPO) Ministry of Industry and Trade of the Czech Republic (MIT)
nature of the actor	<input checked="" type="checkbox"/> government <input type="checkbox"/> employers' organisation <input type="checkbox"/> support service provider (information, advice, education) <input type="checkbox"/> research centre <input type="checkbox"/> network/family business specific organisation (including interest groups/representative organisations/lobbies) <input type="checkbox"/> others, namely:
address	Na Františku 32 110 15 Prague 1
telephone	+420 224 851 111
web-page	www.mpo.cz
e-mail	posta@mpo.cz
content based features	
name of the strategy/initiative/regulation	Operační program Průmysl a podnikání 2004-2006 (OPPP) Operational Programme Industry and Enterprise 2004-2006 (OPIE)

	Explanation
content based features	
type	<input type="checkbox"/> fiscal regulation/tax law <input type="checkbox"/> labour law/social security law <input type="checkbox"/> company law <input type="checkbox"/> awareness raising measures <input type="checkbox"/> corporate governance codes, family governance, family protocols, family constitution, family council, family assembly or similar <input type="checkbox"/> education/training measures <input type="checkbox"/> information/advice <input type="checkbox"/> business transfer support instruments <input checked="" type="checkbox"/> financial support <input type="checkbox"/> marketing <input type="checkbox"/> networking <input type="checkbox"/> others, namely:
objective	The aim of support within the framework of the OPIE is to continue developing a competitive and efficient production and business potential, to contribute to increased economic performance, and to support the necessary structural changes in industry and business in order to achieve substantial progress in real convergence during the current programming period.
initiation	The MIT has prepared for the programming period 2004-2006 the Operational Programme Industry and Enterprise that was approved by the European Commission in 2004. Financing of activities is available until the end of 2008.
contents/description of the initiative/measure	In order to ensure that the set goals are reached, financial assistance focuses on the development of small and medium-sized enterprises, on the support of innovative activities in industry, and on the production-technology, economic, and organizational restructuring of enterprises, branches, and sectors. Issues to be tackled also include elimination of old environmental burdens, equal opportunities, and the information society. An integral feature in the quest to achieve set goals is an ongoing reduction in costs, achieved in the Czech Republic in particular by increasing the efficiency of energy use.
user based features	
eligibility criteria/target group	SMEs in the regions of the Czech Republic NUTS II - with the exception of the Capital City of Prague – have been included and are therefore able to use the support from the Structural Funds
Promotion tools/information strategy	OPIE is heavily promoted through the media and business supporting institutions and agencies.
source of funding	<input checked="" type="checkbox"/> EU-funds <input checked="" type="checkbox"/> national funds (governments) <input type="checkbox"/> membership fees <input type="checkbox"/> others, namely:
costs for participants/members	For projects financed by grants, there is at least 50 % share of costs by applicant company.

	Explanation
performance based features	
evolution	<p>Until the end of June 2007, there have been awarded 2887 OP IE projects in the total amount of 10 642 mil CZK (419 mil EUR). From that number 1876 projects have been finished and 3 590 mil CZK (141 mil EUR) used.</p> <p>These numbers include 2399 awarded projects for SMEs development in the total amount of 3 457 mil CZK (136 mil EUR). From that number 1786 projects have been finished and 2 730 mil CZK (108 mil EUR) used.</p> <p>This programme is designed to support the competitiveness of SMEs where family businesses have a substantial share. In the last 10 years, the position of small and medium-sized enterprises (SMEs) in the Czech economy is important due to their roughly 60 percent share in the total employment and to their 52 percent share in the total outputs or in the added value created in the non-financial economy sectors.</p>

	Explanation
institutional features	
name of the actor	<p>Ministerstvo průmyslu a obchodu České republiky (MPO) Ministry of Industry and Trade of the Czech Republic (MTI)</p>
nature of the actor	<p><input checked="" type="checkbox"/> government <input type="checkbox"/> employers' organisation <input type="checkbox"/> support service provider (information, advice, education) <input type="checkbox"/> research centre <input type="checkbox"/> network/family business specific organisation (including interest groups/representative organisations/lobbies) <input type="checkbox"/> others, namely:</p>
address	Na Františku 32 110 15 Prague 1
telephone	+420 224 851 111
web-page	www.mpo.cz
e-mail	posta@mpo.cz
content based features	
name of the strategy/initiative/regulation	<p>Operační program Podnikání a inovace (OPPI) 2007 - 2013 Operational Programme Enterprise and Innovations (OPEI) 2007-2013</p>

	Explanation
content based features	
type	<input type="checkbox"/> fiscal regulation/tax law <input type="checkbox"/> labour law/social security law <input type="checkbox"/> company law <input type="checkbox"/> awareness raising measures <input type="checkbox"/> corporate governance codes, family governance, family protocols, family constitution, family council, family assembly or similar <input type="checkbox"/> education/training measures <input type="checkbox"/> information/advice <input type="checkbox"/> business transfer support instruments <input checked="" type="checkbox"/> financial support <input type="checkbox"/> marketing <input type="checkbox"/> networking <input type="checkbox"/> others, namely:
objective	<p>The global objective of the Operational Programme Enterprise and Innovation is by the end of the programming period to increase the competitiveness of the Czech economy and bring the innovation performance of the sector of industry and services closer to the level of leading industrial European countries.</p>
initiation	<p>The MIT has prepared for the programming period 2007-2013 the new Operational Programme Enterprise and Innovation that was on 3 December 2007 approved by the European Commission. Applications must be submitted before the end of 2007.</p>
contents/description of the initiative/measure	<p>An important goal of the OPEI – in compliance with the NSRF and the NDP – is the improvement of the entrepreneurial environment in the Czech Republic as one of the key elements of the future successful development of the Czech economy. A dynamic entrepreneurial environment creates conditions for successful start-ups and development of competitive firms that create new jobs and strengthen economic and social cohesion.</p> <p>Czech businesses still fall short of the countries of the European Union in terms of quality, equipment, efficiency and innovation. The proposed Operational Programme Enterprise and Innovation aims to remove or eliminate these problems and flaws. This is why its global objective is to increase the competitiveness of the industry and service sectors and to develop enterprises, to support innovation, to stimulate demand for the results of R&D, to support the development of an entrepreneurial culture and to grow the knowledge economy through the development of new capacities for the implementation of new technologies and the creation of innovative products including new information and communication technologies.</p>

	Explanation
user based features	
eligibility criteria/target group	SMEs in the regions of the Czech Republic NUTS II - with the exception of the Capital City of Prague – have been included under the objective “Convergence” for the programming period of structural funds 2007 – 2013 and are therefore able to use the support from the Structural Funds
Promotion tools/information strategy	OPEI is heavily promoted through the media and business supporting institutions and agencies.
source of funding	<input checked="" type="checkbox"/> EU-funds <input checked="" type="checkbox"/> national funds (governments) <input type="checkbox"/> membership fees <input type="checkbox"/> others, namely:
costs for participants/members	For projects financed by grants, there is at least 50 % share of costs by applicant company.
performance based features	
evolution	<p>Due to an early stage of programme implementation there are no data available yet.</p> <p>This programme is designed to support the competitiveness of SMEs where family businesses have a substantial share. In the last 10 years, the position of small and medium-sized enterprises (SMEs) in the Czech economy is important due to their roughly 60 percent share in the total employment and to their 52 percent share in the total outputs or in the added value created in the non-financial economy sectors.</p>

	Explanation
institutional features	
name of the actor	Ministerstvo financí České republiky Ministry of Finance Czech Republic
nature of the actor	<input checked="" type="checkbox"/> government <input type="checkbox"/> employers' organisation <input type="checkbox"/> support service provider (information, advice, education) <input type="checkbox"/> research centre <input type="checkbox"/> network/family business specific organisation (including interest groups/representative organisations/lobbies) <input type="checkbox"/> others, namely:
address	Letenská 15 118 10 Prague 1
telephone	tel.: +420 257 041 111 fax: +420 257 042 788
web-page	www.mfcr.cz
e-mail	podatelna@mfcrcz

	Explanation
content based features	
name of the strategy/initiative/regulation	Zákon o daních z příjmů č. 586/1992 Sb. Income Tax Act No. 586/1992 Coll., as amended
type	<input checked="" type="checkbox"/> fiscal regulation/tax law <input type="checkbox"/> labour law/social security law <input type="checkbox"/> company law <input type="checkbox"/> awareness raising measures <input type="checkbox"/> corporate governance codes, family governance, family protocols, family constitution, family council, family assembly or similar <input type="checkbox"/> education/training measures <input type="checkbox"/> information/advice <input type="checkbox"/> business transfer support instruments <input type="checkbox"/> financial support <input type="checkbox"/> marketing <input type="checkbox"/> networking <input type="checkbox"/> others, namely:
objective	The objective of the amendment was to accomplish the government declaration in the tax field to decrease taxation of natural and legal entity income and in this way to improve business environment in the Czech Republic.
initiation	The amendment comes into effect on January 1, 2008.
contents/description of the initiative/measure	<p>The objective of the amendment was to fulfil the government declaration in the tax field, above all to decrease taxation of natural and legal entity income, to increase the reduced VAT rate from 5 to 9 % and to implement changes of some excise taxes. As all changes should be fiscally neutral, the amendment on the Income Tax Act contains also some negative impacts.</p> <p>The most significant changes, which come into effect on January 1, 2008 and which will influence the tax environment in Czech economy the most, are namely the change in the legal entity tax rate.</p> <p>For legal persons, the corporate tax rate 24 % changed to 21 %, which come into effect on January 1, 2008. The corporate tax rate will be reduced to 20 % valid from January 1, 2009 and 19 % valid from January 1, 2010.</p> <p>The progressive tax rate for physical persons with the maximum of 32 %, changed to the flat rate of 15 %, which come into effect on January 1, 2008, and 12.5 %, which come into effect on January 1, 2009.</p> <p>This tax rate applies to the tax base reduced by items deductible from the tax base and items reducing the tax base (according to §21, Par. 1 of the Income Tax Act).</p>
user based features	
eligibility criteria/target group	These changes are applied to all taxable incomes.
Promotion tools/information strategy	This is a part of legislation influencing all citizens and companies.

	Explanation
user based features	
source of funding	<input type="checkbox"/> EU-funds <input checked="" type="checkbox"/> national funds (governments) <input type="checkbox"/> membership fees <input type="checkbox"/> others, namely:
costs for participants/members	The cost for reduction of direct taxes is an increase of the reduced VAT rate from 5 to 9 %, what apply mainly to food products.
performance based features	
evolution	<p>As all changes should be fiscally neutral, the amendment on the Income Tax Act contains also some negative impacts. To decrease taxation of natural and legal entity income, it was necessary to increase the reduced VAT rate from 5 to 9 % and to implement changes of some excise taxes. The reduced VAT rate applies mainly to food products.</p> <p>These changes of income tax apply to income tax of sole proprietors – physical persons as well as to corporate tax of legal persons, what covers all family businesses.</p>

6 Future issues

The current analysis has shown that family businesses are a major part of SMEs. Every definition suffers because it includes many firms that do not consider themselves as family business and on the other hand exclude those that do. Therefore, it seems unproductive to differentiate them as a particular type. Their problems are generally the same and they need the same support as other SMEs. The best way how to support them efficiently is a permanent improvement of the business environment. This include particularly stable and simplified legal framework for businesses, effective law enforcement, reduced administrative burden, better access to wide range of financial tools and resources, and availability of education, training and advisory opportunities for enhancing managerial skills. These would solve also specific problems of family businesses that concern mainly management issues.

These measures can have a positive impact on additional problems e.g. higher barriers in the development of company for size growth that threatens family management control, better approach to passing company to the next generation and improved personal relations inside the family.

One of the most important characteristics of family business is the transfer of business to the next generation. Currently, due to the relatively short existence of private businesses in the Czech Republic this is not an actual issue. However, the current situation can influence this aspect of family business. Similarly as in other European countries there are important demographic changes simultaneously with changes in family concepts, what is also the reality in the Czech Republic. Formal interpersonal relations are weakened and family ties are getting less firm. Another important trend is an acceleration of technology development what corresponds to many new opportunities and on the other hand much higher specialization. For family firms this represents the problem of keeping pace with these changes and higher pressure on the turnover of employees with specific skills. In such situation it is difficult not only to maintain family control over the company management but also to find a successor inside the family.

On the other hand based on a high risk and lack of available financial resources, establishment of a new company is usually initiated inside a family and majority of start-ups can be considered as family businesses. Even if the firm is successful there are many circumstances influencing possibility of the family to keep full control. Important factor is an activity sector. It seems that many branches of the service sector could be favourable for family businesses. Rapidly developing social economy represents in this sense opportunity also for family businesses. The future development will determine whether this family business structure can accommodate for a rapidly changing economic environment and production forms.

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