

# **Overview of Family Business Relevant Issues**

## **Country Fiche Slovakia**

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This study has been elaborated with reasonable care. The authors and the project co-ordinator do not, however, accept responsibility for printing errors and/or other imperfections and potential (consequential) damage resulting thereof.

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## 1 Introduction

Historically, family business is a natural form of production in e.g. farming or crafts where this form is still prevailing. Technology progress and mass manufacturing have changed management methods, organisation and financing of production process what weakened family position in enterprises.

It is obvious that family businesses are a frequent form of for-profit enterprises also in Slovakia. They represent a significant part of the Slovak economy. Common sense concerning what is family business is quite straightforward. However, closer view reveals very fuzzy borders between family businesses and other types. There is no official definition and Slovak legal system does not recognise this term.

The position and state of family businesses in Slovakia are influenced by historic circumstances. Before the World War II in the former Czechoslovak Republic, their development matched the situation in other European countries. After WW II, private businesses were nationalised and dominant form was the state enterprise. In 1990's the majority of state enterprises were privatized generally under political pressure and 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 established 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 Slovak 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.

What is a family business is more or less an academic question and there are a lot of definitions stressing different characteristics of family businesses.

## 2 Understanding of “family businesses” in the national context

In Slovakia “family business” is not recognized by the Slovak legislation and therefore it has no exact definition. It is a common term used to characterise a firm with a family majority ownership and usually with a family management and employees. It also characterised a physical person company, i.e. sole proprietor, where other family members are employed or help in work to its owner. According to the family law both married partners share family ownership equally. If one partner is an entrepreneur – physical person, also business ownership is common from the possession viewpoint except when there is a different contractual arrangement. However, business activities are related only to licensed person. Therefore, sole proprietors can be considered often as family businesses particularly when their business is the main source for family employment and its material existence.

One important characteristic of family business is an intention to pass it on the next generation. Due to a relatively short period (less than 20 years) of private business existence in Slovakia, the problem of passing ownership is not a dominant issue concerning family businesses. Family businesses owned by the second generation are very rare exceptions. If it is discussed, so it is only at the level of strategic planning, management and interpersonal relations. As concerns legal and financial aspects of company transfer, there are no specific problems because according to the tax law, income received from inheritance, donations and real estate transfers are not subject to taxation.

Despite the lack of legal definition of family business in Slovakia, there is an implicit acceptance of this phenomenon. There was adopted Act No. 82/2005 Coll. on Illegal Work and Illegal Employment to avoid employment without registration in Social Insurance Agency. Any help provided to entrepreneur by a person without any valid working contract was considered as illegal even when this person was a family member. This initiated a wide discussion in the business community as well as in media pointing to importance of family involvement in the private business of its members. The result is that this Act was changed on July 1, 2006 and now explicitly lists conditions and who can work in such a business of physical person. This is de facto the recognition of a physical person company as a family business.

The article 2a, of this Act states:

(1) Illegal employment is not a work performed for a natural person who is an entrepreneur, and is not an employer by his/her direct relative, sibling or spouse who has pension insurance, who is recipient of a pension pursuant to special regulations, or is a pupil or student under the age of 26.

### 3 Importance of family businesses for the national economy

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 some rough estimates. When we take into account that the number of large businesses established and built by the family is negligible in Slovakia, as was mentioned earlier, family businesses are predominantly SMEs. In 2006 SMEs created 49% of added value and 71% of employment in the Slovak economy. SMEs participated on exports by 35%.

At the end of 2006, there were registered 388 246 physical persons – entrepreneurs. This includes 364 185 sole proprietors, 15 175 free lancers and 8 886 farmers. In the Commercial Register there were 93 411 enterprises – profit-oriented legal persons. The dominant parts of profit-oriented enterprises were small enterprises (96.2%) including micro-enterprises (82.3%). In addition there were medium-sized enterprises (3.1%) and large enterprises (0.7%). There were 89 874 small enterprises up to 49 employees and 2 908 medium sized ones from 50 up to 249 employees.

There are some statistical surveys that can help to characterise SMEs according their start-up financing. The “Survey of entrepreneurial potential in Slovakia, NADSME, August 2005” was made on representative sample of 2000 respondents in age between 18 and 64. Among them 17% were entrepreneurs. These entrepreneurs used for establishing their business own savings (66%), household savings (31%), relative’s savings (27%) and bank loans (24%). The sum is higher than 100% because several of them used combination of these financial resources. Results show that family savings are the main source for start-ups financing what is an important attribute for family business ownership.

Sole proprietors and craftsmen can be characterised as family businesses based on employing family members. The survey “Sole proprietors and business environment in Slovakia, NADSME, March 2006” was done on the representative sample of 1000 sole proprietors. Among them 42% had employees (including family members), 37% cooperated with family members, 27% employed workers on temporary contract and only 35% worked alone. The sum is higher than 100% because several of them used combination of these employment forms. Only the category declaring cooperation of family members can be clearly identified with a family business, nevertheless, others do not exclude this possibility. Especially concerning ownership married couples are co-owners equally except cases with particular contractual arrangement, which are rare.

These estimations show that majority of companies, especially SMEs, can be considered as family businesses from the viewpoint of ownership or employment of family members. It demonstrates the importance of family businesses for the national economy. This also partially explains why it is not necessary to treat them from the position of state as special entities. Any differentiation in the state support policies would make these policies less effective and would increase administrative burden. The reason is that the definition of a family business cannot be unambiguous. To prove that a firm is a family business according any legal definition would be demanding. On the other hand, the number of companies that definitely are not family businesses is quite low. The criterion as company size is more appropriate for a support. For the state the main goal is efficiency and economic output. There is no reason for preferential treatment of any group.

Family businesses are important as a mean how to solve unemployment in some deprived regions. High unemployment means that usually several family members are looking for a job. Therefore promoting and supporting family business start-ups in such situation can be an effective tool.

## 4 Characteristics of family businesses

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 Slovakia, 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 the 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 the 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 Slovakia can be in the upper part of that range. Therefore, there is no big difference between family businesses and SMEs.

Family business can be an attribute of a major part of SMEs, but it includes also some large enterprises.

Family business is generally based on following characteristics:

- Owner considers it as a family business
- Owner intends to pass it on his successor
- In addition to owner there are employed also other family members

Basic forms of family business are:

- Physical person
- Legal person

Family businesses in addition to general characteristics have supplementary features particularly in the area of management, human resources and strategic planning. Family-owned businesses can be complex entities that differ in many ways from standard companies.

Family-owned businesses have a wide range of pros and cons. Examples of both overlap to such an extent that they cannot be listed exactly. Family members have totally different attitude toward these businesses than other employees. This is the main advantage. It is true that family-owned businesses are set up and managed easier because all members of one family usually share common values and this is one of the main factors in their achievements.

Relatives of one or more families can easier set operational rules and standards because they have a common cultural and behavioural basis. These people know each other very well and this way it is easier to assign individual roles. Here the base of success rests in common decision-making and individual responsibility. There is more feedback, and so many issues that the owner or executive would not have known about from standard employees can be discussed. The family spends on one hand more time together and even in everyday private life it can get back to work issues; on the other hand it can also have a negative effect.

Human relations in family owned businesses are more closely tied; everything is more sensitive and vulnerable. In the event of a failure a family member cannot be so easily fired. There are different succession rules, there is a common occurrence of generation problems, while corrective measures, and even checking, is harder to carry out. More time and energy is required when dealing with problems compared to standard companies. There are many cases where the family relationships can become corrupted to such an extent that a family and family-owned companies just break up. Many owners of small and medium-sized family-owned businesses in Slovakia make mistakes in avoiding the setting of exact rules from the beginning. Having no agreement can later cause problems, because individual members consider specific things in different ways and this most often leads to failure in dealing with particular situations whether the company progresses or not.

Individuals who find themselves in difficult situations in the first place ask for advice from their closest ones, their families or relatives. Owner of family businesses who tries to deal with its problems through external personnel consultants can feel unsure and in danger. After all if he is self-confident and strong enough he can probably solve everything internally and on its own. But a person from the outside world is an ideal mediator in family-owned businesses. It is also interesting that the owner would never hesitate to ask an independent expert for legal or financial advice. Personnel issues are different, families protect their privacy and don't like to discuss their family issues with somebody from the outside world.

Many examples from Slovak practice acknowledge the fact that wealth and success can lead to envy or hate, can cause isolation and specific barriers. Isolated families in this case lose the ability to see that other businesses also struggle with similar problems.

The issue of family business is also a part of curricula at Economic University in Bratislava and also subject of research. However, it is not a significant part of the University research programme. Even if the research in this area is not very broad and extensive, there are several researchers dealing with this phenomenon [1]. Due to the non-existence of precise definition results are predominantly only qualitative.

Research published in [2] and [3] approached 170 respondents considered as family firms. The analysis was performed on 128 enterprises that responded by filling up questioners. From them 112 (87%) view their firm as a family business. Negative responses are explained because family members are not employed permanently. Reasons for considering own firm as family business are: employment of family members, sharing business with the wife, and the business was established together with family members. As concerns company management 87 respondents (66%) declare only family members in managerial positions. Only 17% respondents have majority of non-family managers. This demonstrates reluctance to open the company for people from outside, what can be important barrier for the future growth. Analysed

companies have not yet experienced the change of generations what is a consequence of the short period of existence of private businesses in Slovakia. Firms of 63% respondents have two generations, 31% one generation and 6% already three generations working together. This sample does not show any particular preferences of family businesses for some specific sectors. There are no important differences compared to the whole SME population. Despite the fact that the studied sample of companies is not representative, results at least qualitatively characterise family businesses. Respondents stress advantages as family cohesion, employing family members, working for themselves, keeping profits in the family and motivation for achieving goals. Only a few do not see any benefits. As drawbacks they have seen threat of ruining family budget in the case of business difficulties, not defined distribution of competences and transfer of conflicts between family and business.

Generally it can be concluded that a family business experiences the same problems as any other company. Therefore, the only effective support is to eliminate existing barriers in business environment. For Slovakia the most dominant problems are: instability of legal system, low enforcement of law, low availability of financial resources, high administrative burdens, etc. Internal company problems usually include lack of management education and skills.

These areas should be the target of any state intervention and support. These would solve also majority of specific problems in family businesses.

## 5 Institutional actors and their strategies, policies and initiatives

There is no institution dealing specifically with family businesses. The Ministry of Economy is a central body of the government administration responsible for the national industry and trade policy, small and medium-sized companies' matters. Therefore, economic aspects of family businesses are covered by the ministry but they are not distinguished from other SMEs. On the other hand, there are several associations and NGOs declaring also support for family businesses even if it is not their core activity. Those are usually associations focused on SMEs or sole proprietors such as Slovak Association of Small Enterprises, Slovak Association of Craft and others as well as associations focused on women where The Top Centre of Women Entrepreneurs, The Association of Female Entrepreneurs, and Club of Entrepreneurial Women in Banska Bystrica, are the most active. 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
<b>institutional features</b>	
name of the actor	<b>Ministerstvo financií Slovenskej republiky</b> <b>Ministry of Finance of the Slovak Republic</b>
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	Štefanovičova 5 P. O. BOX 82 817 82 BRATISLAVA
telephone	+421/2/5958 1111
web-page	<a href="http://www.finance.gov.sk/">http://www.finance.gov.sk/</a>
e-mail	podatelna@mfsr.sk
<b>content based features</b>	
name of the strategy/initiative/ regulation	Zákon o dani z príjmu č. 595/2003 Z.z. Income Tax Act No. 595/2003 Coll.

	Explanation
<b>content based features</b>	
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	<p>The aim of the tax reform was in particular to simplify tax law as a whole. The tax on gifts, inheritance and real estate transfer was cancelled and the taxation of incomes has been simplified through the implementation of a flat-rate tax. Through the tax reform the Slovak government wanted to achieve a neutrality and simplicity of direct taxation, which should fulfil an exclusively fiscal role. The concept of the tax reform also assumed that in the medium term the implementation of the flat-rate tax should positively influence the business environment, raising the inflow of foreign investment and increasing employment.</p>
initiation	<p>Income Tax Act No. 595/2003 Coll. has been valid since January 1, 2004.</p>
contents/description of the initiative/measure	<p>The new philosophy of the tax system is that profit, property and consumption should be taxed and double taxation should be avoided. From this viewpoint real estate transfer, gift and inheritance taxes are not appropriate. Therefore, income received from inheritance, donations and real estate transfers are not subject to taxation. These measures have a positive effect on the company transfer process. They concern almost all businesses and not only during a company transfer but also during the whole its existence. Since one of the fundamental principles of the new law's concept was the exclusion of double taxation of incomes, it may be assessed as positive the fact that also shares in profit following taxation, dividends, and similar fulfilments are no longer the subject of tax. It may be expected that together with a reduction to the 19% income tax rate this fact motivates business subjects towards achieving a profit. Main outcomes are simplicity and lower administrative and financial burden.</p> <p>The previous Act No 318/1992 on inheritance, gift and real estate transfer tax had the following rules:</p>

	Explanation
<b>content based features</b>	
contents/description of the initiative/measure	<p>Based on relation to the owner, persons who received ownership rights were divided into three groups:</p> <ol style="list-style-type: none"> <li>I. Closest relatives (children, spouse, parents)</li> <li>II. Relatives (siblings and their families)</li> <li>III. Others</li> </ol> <p>Tax rate for individual groups were:</p> <ol style="list-style-type: none"> <li>I. Progressive from 1% to 5% above 1 mil EUR</li> <li>II. Progressive from 3% to 10% above 1 mil EUR</li> </ol> <p>Progressive from 7% to 40% above 1 mil EUR for inheritance and gift, and from 4% to 20% above 1 mil EUR for real estate transfer.</p>
<b>user based features</b>	
eligibility criteria/target group	These measures are beneficial both for companies and citizens.
Promotion tools/information strategy	This legislation is affecting all citizens and companies.
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	By shifting of the tax burden from direct taxes to indirect, which are from the aspect of tax collection more simple, incomes to the state budget from direct taxes are reduced, though this is compensated for by an increase in revenues from indirect taxes. To ensure a fiscally neutral outcome, VAT is also 19%.
<b>performance based features</b>	
evolution	<p>These measures concern all businesses and citizens. The outcome was hardly predictable, as the major changes in taxation evoke new behavioural patterns of individuals and firms. Lowering taxes usually means lower tax revenues; however, as long as it brings more people to work, the effect may be exactly opposite. The actual tax revenues in 2004 exceeded both plans and revenues collected in 2003. Especially the direct tax revenues were higher than plans, although the tax rates decreased substantially. One of factors contributing to positive results was better than expected development of economy - higher economic growth transferred to higher wages and consumption, and higher tax revenues in 2004 and also in following years.</p> <p>The application of a flat-rate tax for all business subjects including family companies, the elimination of double taxation and other positive changes lead to increased interest in conducting business, to an inflow of foreign capital and thus to overall economic growth.</p>

	Explanation
<b>institutional features</b>	
name of the actor	<b>Ministerstvo hospodárstva Slovenskej republiky</b> <b>Ministry of Economy of the Slovak Republic</b>
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	Mierová 19 827 15 Bratislava 212
telephone	+421 2 4854 1111
web-page	www.economy.gov.sk
e-mail	info@economy.gov.sk
<b>content based features</b>	
name of the strategy/initiative/regulation	Sektorový operačný program priemysel a služby 2004-2006 (SOP PS) Sectoral Operation Programme Industry and Services 2004-2006 (SOP IS)
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	Support for development of industrial production, trades and services, including related infrastructure, linkage between the results of research and development, knowledge potential and needs of businesses, improvement in the efficiency and effectiveness of acquisition, conversion and use of energy sources and orientation towards energy savings, reducing energy costs, and use of renewable energy sources, utilisation of the natural, cultural and historical potential of the country as well as existing tourism capacities for development of tourism and balneology.
initiation	This programme started in 2004 and financial resources are available until the end of 2008.

	Explanation
<b>content based features</b>	
contents/description of the initiative/measure	<p>Support for businesses within the priorities is specifically focused on growth poles within the context of balanced regional development, and in order to facilitate undergoing structural changes. There is support for new production activities and development of business services taking advantage of information technologies, and also, on a nationwide scale, at the development of businesses, primarily SMEs, including sole traders.</p> <p>The purpose of the priorities is to help and provide financial assistance to SMEs with limited numbers of staff and technical equipment to effectively phase in activities and sources resulting from SOP IS and thus contribute to the balanced economic development of the economically deprived regions.</p>
<b>user based features</b>	
eligibility criteria/target group	SMEs in the regions of Slovakia NUTS II - with the exception of the Bratislava Region – have been included and are therefore able to use the support from the Structural Funds
Promotion tools/information strategy	SOP IS 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.
<b>performance based features</b>	
evolution	<p>Until the end of June 2007, there were signed 312 contracts for selected projects. From this number, 134 projects have been successfully finished and the total sum of 5 802 mil SKK (174 mil EUR) has been used, what represents 52.5% of all available resources for SOP IS.</p> <p>This programme is designed to support the competitiveness of SMEs where family businesses have a substantial share. In 2006 SMEs created 49% of added value and 71% of employment in the Slovak economy. SMEs participated on exports by 35%.</p>

	Explanation
<b>institutional features</b>	
name of the actor	<b>Ministerstvo hospodárstva Slovenskej republiky</b> <b>Ministry of Economy of the Slovak Republic</b>
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	Mierová 19 827 15 Bratislava 212
telephone	+421 2 4854 1111
web-page	www.economy.gov.sk
e-mail	info@economy.gov.sk
<b>content based features</b>	
name of the strategy/initiative/regulation	Operačný program konkurencieschopnosť a hospodársky rozvoj 2007-2013 (OP KHR) Operational programme Competitiveness and economic growth 2007-2013 (OP CEG)
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 global objective of the operational programme is to ensure sustainable economic growth and employment.
initiation	This programme was approved at the end of 2007 for the period 2007-2013.

	Explanation
<b>content based features</b>	
contents/description of the initiative/measure	Activities are concentrated on the support of innovative processes, transfer of new and environmental technologies and knowledge-intensive production processes and development of shared services for businesses. There is also very important support for cooperation between the business sector and research and development institutions, universities and educational institutions and support to the building of research, development and innovation infrastructure (such as incubators, clusters, innovation centres, competence applied R&D centres, technological platforms, science and technology and industrial parks and regional innovation portals). In the energy sector, support includes activities that contribute to the increase of energy efficiency, reduction of energy consumption by the economy and intensify the use of renewable energy sources in the industry and in the related services. In the area of tourism, investments are focused on the increase of variety and quality of tourism and spa services, with particular emphasis placed on comprehensive service packages with all-seasonal use (exploitation of mineral and geo-thermal springs for the development of summer and winter tourism, with a wide range of services provided to visitors, etc.).
<b>user based features</b>	
eligibility criteria/target group	SMEs in the regions of Slovakia NUTS II - with the exception of the Bratislava Region – have been included and are therefore able to use the support from the Structural Funds
Promotion tools/information strategy	OP CEG 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.
<b>performance based features</b>	
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 2006 SMEs created 49% of added value and 71% of employment in the Slovak economy. SMEs participated on exports by 35%.</p>

	Explanation
<b>institutional features</b>	
name of the actor	<b>Ekonomická univerzita v Bratislave</b> <b>University of Economics in Bratislava</b>
nature of the actor	<input type="checkbox"/> government <input type="checkbox"/> employers' organisation <input checked="" 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	Dolnozemska cesta 1 852 35 BRATISLAVA
telephone	+421/2/6729 5111
web-page	www.euba.sk
e-mail	<a href="mailto:komunikacia@euba.sk">komunikacia@euba.sk</a>
<b>content based features</b>	
name of the strategy/initiative/ regulation	Faculty of Commerce
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 checked="" 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	Entrepreneurship is a main topic of the faculty curricula as well as of faculty research. The aim is to present to students all aspects of business environment and effective ways of business management. Family business as the most frequent form of entrepreneurship is considered to be the integral part of management skills of university graduates.

	<b>Explanation</b>
initiation	A small group of researchers led by Prof. Elena Strazovska has focused on this topic since the beginning of the 1990s when the boom of establishing new companies started. Family businesses were the dominant part of them.
contents/description of the initiative/measure	<p>The issue of family business is a part of the curricula at the Economic University in Bratislava and also the subject of research. However, it is not a significant part of the University research programme. Even if the research in this area is not very wide and extensive, there are several researchers dealing with this phenomenon. Due to the non-existence of precise definitions, results are predominantly only qualitative.</p> <p>This research does not show any particular preferences of family businesses for some specific sectors. There are no important differences compared to the whole SMEs population.</p> <p>Results at least qualitatively characterise family businesses and identify specific advantages as family cohesion, employing family members working for them, keeping profits in the family and motivation for achieving goals as well as problems such as threat of ruining family budget in the case of business difficulties, not defined distribution of competences and transfer of conflicts between family and business.</p>
<b>user based features</b>	
eligibility criteria/target group	The study program that includes family business management is available for students of Economic University in Bratislava. Research results related to family business are accessible for all researchers in this field as well as companies that are able to exploit this knowledge for their daily practice.
Promotion tools/information strategy	<p>The Economic University runs promotion campaigns to attract new students. All these campaigns and information materials contain description of learning programs including family business issues.</p> <p>Research results in the area of family business are published and presented on national as well international conferences.</p>
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	Family businesses can benefit from the availability of university graduates that have at least basic knowledge of family business management. Moreover, there are research results concerning specific conditions for family businesses in Slovakia. Availability of these resources can contribute to better performance of small businesses including family businesses. The access to research results is free of charge.

	Explanation
<b>performance based features</b>	
evolution	<p>Very often start-ups are family businesses due to financing where family savings are only available resources for them. Banks are reluctant to lend money for projects where risks are difficult to assess. Later, the character of a firm can change based on growth ambitions and requirements for financial diversification. Generally it can be said that there are very fuzzy differences between family and non-family businesses. Moreover, a family business experiences the same problems as any other company. Therefore, the only effective support is to eliminate existing barriers in business environment. For Slovakia, the most dominant problems are: instability of legal system, low enforcement of law, low availability of financial resources, high administrative burdens etc. Internal company problems usually include the lack of management education and skills.</p>

## 6 Future issues

Based on current analysis, the phenomenon of family business concerns the majority of SMEs. Therefore, it seems ineffective to distinguish them as a special category. They have the same problems and they need the same support as other SMEs. The best approach how to support them efficiently and in non-discriminatory way 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 threaten 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. However, the current situation can influence in this aspect the phenomenon of family business. In Europe, there are important demographic changes simultaneously with changes in family concepts. 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 keep 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 factors influencing possibility of the family to maintain full control. An important factor is an activity sector. It seems that many branches of the service sector could be favourable for family businesses. The rapidly developing social economy represents in this sense an opportunity also for family businesses. The future development will determine whether this family business structure is appropriate for a rapidly changing economic environment and production forms.

Though the tradition of family owned businesses in Slovakia was weakened, in the near future we can expect prosperous family firms with international influence and activities born from successful new owners.

Proprietary and managerial relationships will start to transform, change and adapt to international standards. For future growth, Slovak family-owned businesses with significant influence will need not only enthusiasm and good ideas but also long-term assistance in reaching progressive development, maintaining consistency and advocating their own interests at local and also on a European level [4].

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