



**Report for the Czech Republic (2016)
Student Entrepreneurship in the Czech Republic
Faculty of Economics
Technical University of Liberec
Czech Republic**

**GUESSS National Reports 2016
Global University Entrepreneurial
Spirit Students' Survey**



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Introduction

GUESSS is a research project about the context of Entrepreneurship. Its purpose is to grasp the entrepreneurial intent and activity of students using a geographical and temporal comparison.

The first survey wave took place in 2003, and the seventh one has started in spring 2016. The project leadership of GUESSS is in the hands of the Swiss Institute for Small Business and Entrepreneurship at the University of St. Gallen (KMU-HSG) in Switzerland (represented by Prof. Dr. Urs Fueglistaller). The responsible project manager is Prof. Dr. Philipp Sieger who works at the University of Bern.

We would also like to thank our colleagues at the University of St. Gallen (KMU-HSG) who managed and coordinated this international project. We are pleased to be involved in GUESSS now and in the future.

The Czech Republic has been a partner of the project since 2015 and this is the first national report. Together with 50 countries which are involved, we report the results of the survey. The basic framework is supplemented by unique internationally relevant focus questions; it is also possible to consider individual country-specific questions. The survey is based on a web-based survey and can therefore be conducted very efficiently. The data is gathered using an on-line survey.

The Czech Republic is geographically located in the centre of Europe, surrounded by Austria, Slovakia, Poland and Germany, with almost the same distance from the Baltic Sea, the Mediterranean and the North Sea. Prague is the largest and the capital city of the Czech Republic.

Industrial production in the territory of the Czech Republic has a very long tradition. In the Austrian-Hungarian period, the Czech lands used to be an industrial base for the whole empire – in the times before the dissolution of the Austrian-Hungarian realm, nearly 70% of the industrial production of the Austrian-Hungarian monarchy was concentrated in Czech Lands. When the independent Czechoslovakia was established, industry was developing so greatly that Czechoslovakia was counted among the world industrial leaders.

In the Czech Republic, there are 26 public, 2 state and 42 private higher education institutions. Public and private higher education institutions come under the authority of the Ministry of Education, Youth and Sports, while state institutions are under the authority of the Ministry of Defence and the Ministry of the Interior Affairs.

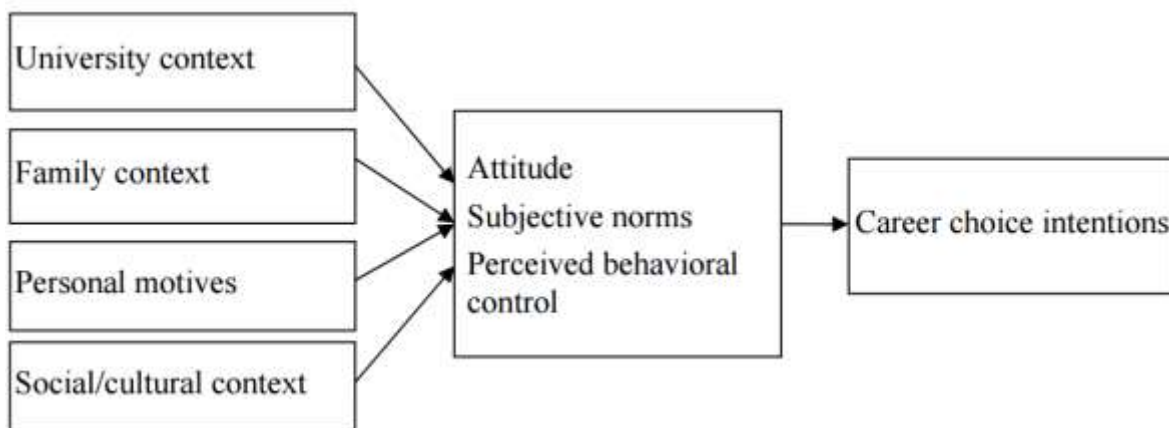
The Faculty of Economics, Technical University of Liberec established the Students Business Club in 2015. The aim of this club is the support of the transformation of the student's ideas into business start-ups. Therefore, every year we organize the competition for the best Start-up of the Technical University of Liberec and this activity was also the motive of the partnership in the GUESSS project. Starting a business at university is not easy, but on the other hand, it's also the best time in life for young people to set up a business. This is the reason why almost all universities organize some start-up activities in the Czech Republic.

1 Research Design & Methodology

In the Czech Republic, there were 327 thousand students in the year 2015 (182.5 thousands females) and 42 thousand are foreign students. From the beginning of the millennium, the share of people with a university degree in the group between 25-64 years of age doubled in the Czech Republic. In 2000, the statistics indicated that every tenth citizen had a higher education, whereas, in 2012 it was every fifth citizen. This is more than in Italy or in Turkey, comparable with Austria or Portugal, but considerably less than in Germany, the Netherlands, Spain and Scandinavia. The graduates from Czech universities work mostly as economists (just last year over 24 thousand), on the second place, there are technical scientists (18 thousand). The graduates from humanities and social sciences take the third position (15 thousand) and on the fourth place, there are teachers (12 thousand).

How do individuals decide to become entrepreneurs and learn to make optimal entrepreneurial decisions? In the literature, we can find a lot of information about the motivation towards entrepreneurship¹. One of the factors is individual's prior experience. Another factor could be the model from family background with entrepreneurial activity or the level of education. In the questionnaire, the factors which formulated the motivation are: university and family context, social and cultural context and personal context (see Figure 1).

Figure 1: GUESSS Theoretical Framework



Source: <http://www.guesssurvey.org>

2 Demographic information about the sample

The questionnaire was translated from English into the Czech language. Altogether we have the data from 9 universities in the Czech Republic (see Table 1). We had 3,040 respondents of which 1,135 sent relevant data.

¹ Sieger, P., Gruber, M., Fauchart, E., Zellweger, T. Measuring the social identity of entrepreneurs: Scale development and international validation, *Journal of Business Venturing*, 31, 2016, p.542–572, 2016.

Table 1: University by sample

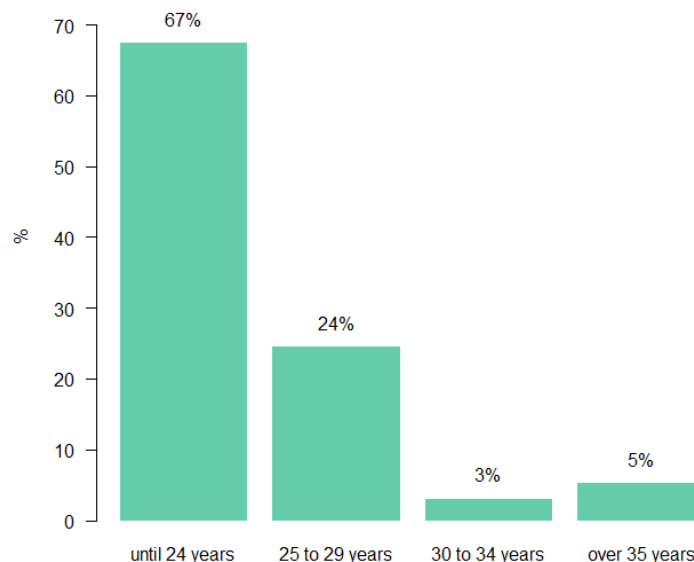
University	Count	%
Charles University	110	10
Masaryk University Brno	15	1
Skoda Auto University, Mlada Boleslav	17	2
Technical University of Liberec	456	40
Technical University of Ostrava	83	7
University of Economics in Prague	23	2
University of Hradec Kralove	134	12
University of Pardubice	39	3
University of West Bohemia	157	14
Other	101	9

Source: Own processing

2.1 Personal information

The biggest part of the age of research students includes students younger than 24 (see Figure 2). In the research group, there were 62% of females and 38% of males. When we look at the nationality, 95% of students were Czechs, 3% of students have Slovakian nationality and 2% of students said that they had other nationality. 94% of the survey students are students born in the Czech Republic, 3% of students are born in Slovakia and 3% mentioned that were born in different countries. From our research sample it implies that 81 % of respondents have lived in the Czech Republic for more than 20 years.

Figure 2: The year of respondents' birth



Source: Own processing

2.2 The studies of the respondents

In our research group, 57 % are undergraduate students (bachelor courses), 40 % are students from master courses and 3% of students are from different studying courses as MBA or PhD programmes. The main studying field of the respondents is Law and Economics, see Table 2.

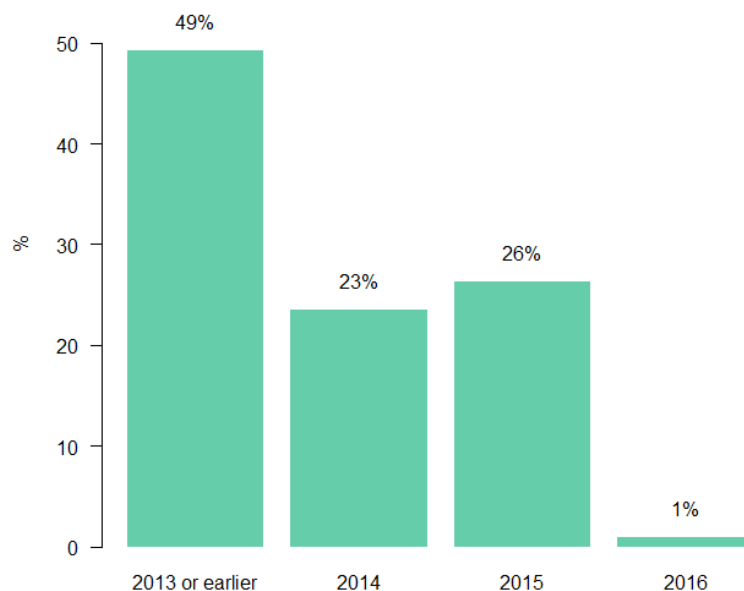
Table 2: Main study fields of the respondents

Field of study	Count	Percent
Arts / Humanities (e.g., linguistics, cultural studies, religion, philosophy, history)	58	5
Engineering (incl. computer sciences and architecture)	227	20
Human medicine / health sciences	46	4
Law & Economics (incl. business sciences)	528	47
Mathematics and natural sciences	54	5
Science of art (e.g., art, design, dramatics, music)	40	4
Social sciences (e.g., psychology, politics, educational science)	28	3
Other (for instance tourism or nanotechnology...)	153	14

Source: Own processing

Figure 3 brings information about the age of students. Therefore, 29% of students plan to finish this year (2016), 36% of students plan to complete the study next year (2017) and 20% plan to complete until 2018 and the remaining 14% will finish in 2019 or later.

Figure 3: Q2.4 – The year of the beginning of respondent’s studies



Source: Own processing

3 Student’s career choice intentions

The entrepreneurship environment in the Czech Republic is getting better, thus the World Bank has improved the evaluation of the business environment in the Czech Republic. In the prestigious list “Doing Business 2016” in the global competition, the Czech Republic is on the 27th place. Table 3 below brings some numbers about possible future entrepreneurs. However, the results are

influenced by the numbers of respondents from different universities. The highest score also means the highest number of respondents.²

It is quite interesting to find that only 10% of the respondents already run their own business and that 21% of the students is currently trying to start their own business and would like to become self-employed. Table 4 brings the numbers of active entrepreneurs at different universities.

Table 3: University by nascent entrepreneurs

University	Count	Percent
Charles University	5	3
Masaryk University Brno	1	0,5
Skoda Auto University	4	3
Technical University of Liberec	78	51
Technical University of Ostrava	6	4
University of Economics in Prague	7	4,5
University of Hradec Kralove	23	15
University of Pardubice	5	3
University of West Bohemia	15	10
Other	9	6

Source: Own processing

Table 4: University by active entrepreneurs

University	Count	Percent
Charles University	6	5
Masaryk University Brno	1	1
Skoda Auto University	1	1
Technical University of Liberec	47	41
Technical University of Ostrava	9	8
University of Economics in Prague	8	7
University of Hradec Kralove	17	15
University of Pardubice	1	1
University of West Bohemia	21	18
Other	4	3

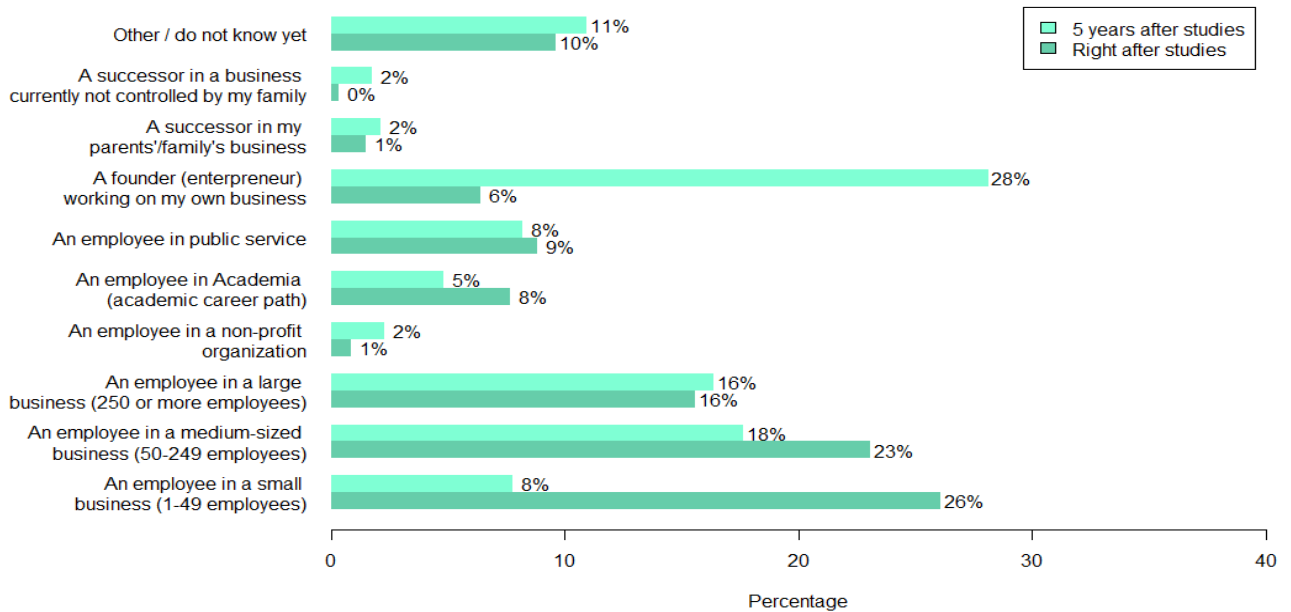
Source: Own processing

Applicants for undergraduate studies are influenced by different factors when selecting their study. One of the main factors is the interest in the studying field, and the related idea of future work. However, also the possibility of finding a job linked with the studying field and the amount of the financial appraisal of the profession play an important role. Another interesting factor could also be the place where students want to study (for instance the capital or a big city) or studying costs.

Enthusiasm to become an entrepreneur is represented by a smaller part of students from our survey – 27% (see Figure 4). 16% of students still do not know whether to be an employee or not. Next figure brings some alternatives after studies. We can see that 28% of students would like to set up their own business.

² See online The World Bank Group, <http://www.doingbusiness.org/>.

Figure 4: Career path right after studies and Career path 5 years later



Source: Own processing

When comparing the outcome from the Czech Republic (CZ) stated in Figure 4 and across countries³, we can say that higher percentage of Czech students did not know yet which career path they would follow, both right after studies and 5 years later. We can see that the Czech respondents 5 years after graduating prefer employee contract to their own business activities (see Table 5). The causes may be partly historic (see chapter “Implications and summary”) and partly it can be influenced by relatively low unemployment in the Czech Republic at the moment; there are more opportunities for negotiation on the job market.

Table 5: Career path right after studies and after 5 years later in the Czech Republic and across countries

	Directly		5 years later	
	CZ	Across countries	CZ	Across countries
Employee (%)	75	80	52	47
Founder (%)	6	9	28	38
Successor (%)	1	3	4	5
Other/Do not know yet (%)	18	8	16	10

Source: Own processing

Next two figures (Figure 5 and Figure 6) bring the answers about the plans of the students after graduation and ideas about the ability or the determination to reach the life goals.

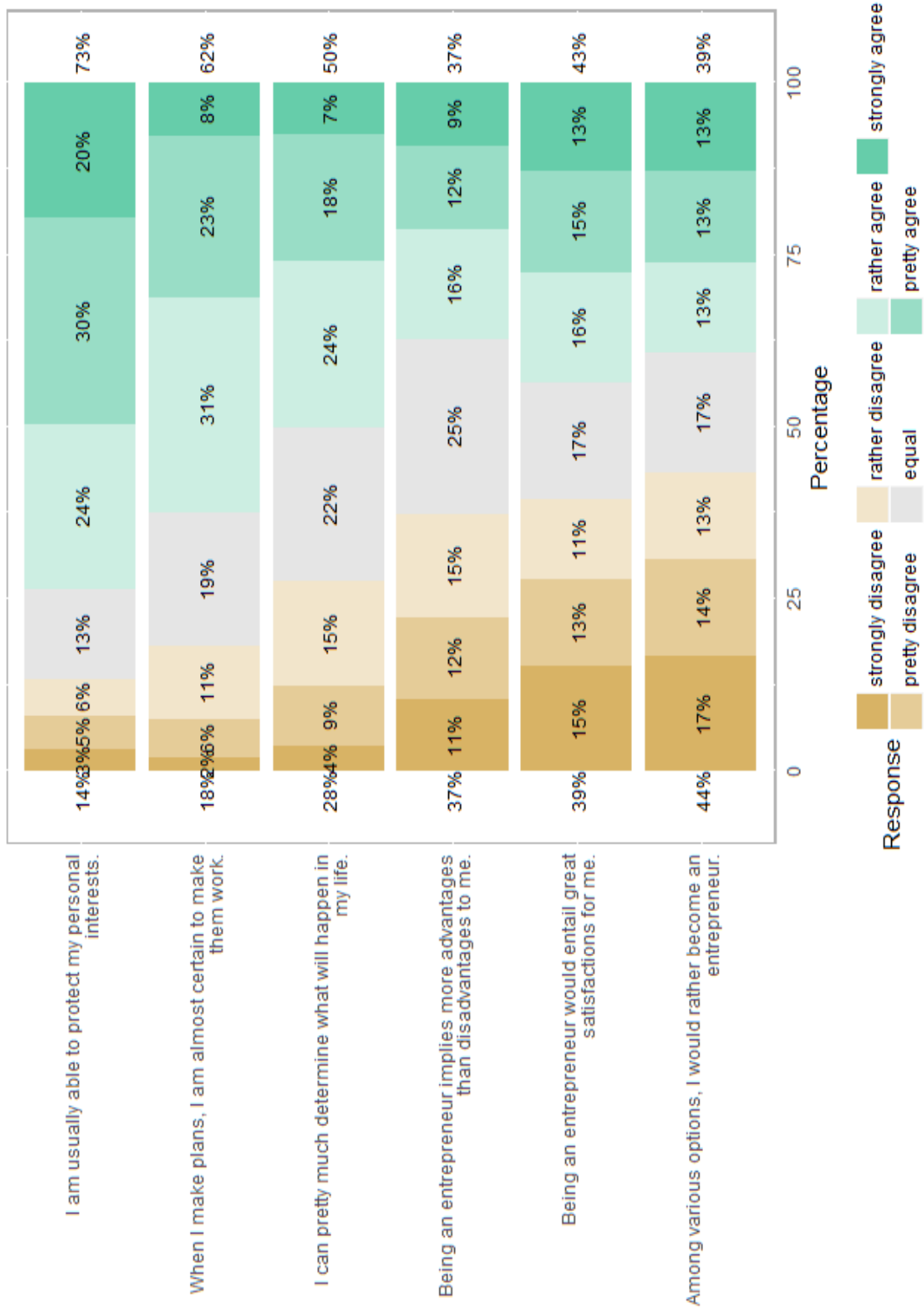
³ Sieger, P., Fueglistaller, U., & Zellweger, T. (2016). Student Entrepreneurship 2016: Insights From 50 Countries. St.Gallen/Bern: KMU-HSG/IMU; p. 4-5.

Figure 5: To be an entrepreneur



Source: Own processing

Figure 6: To be an entrepreneur



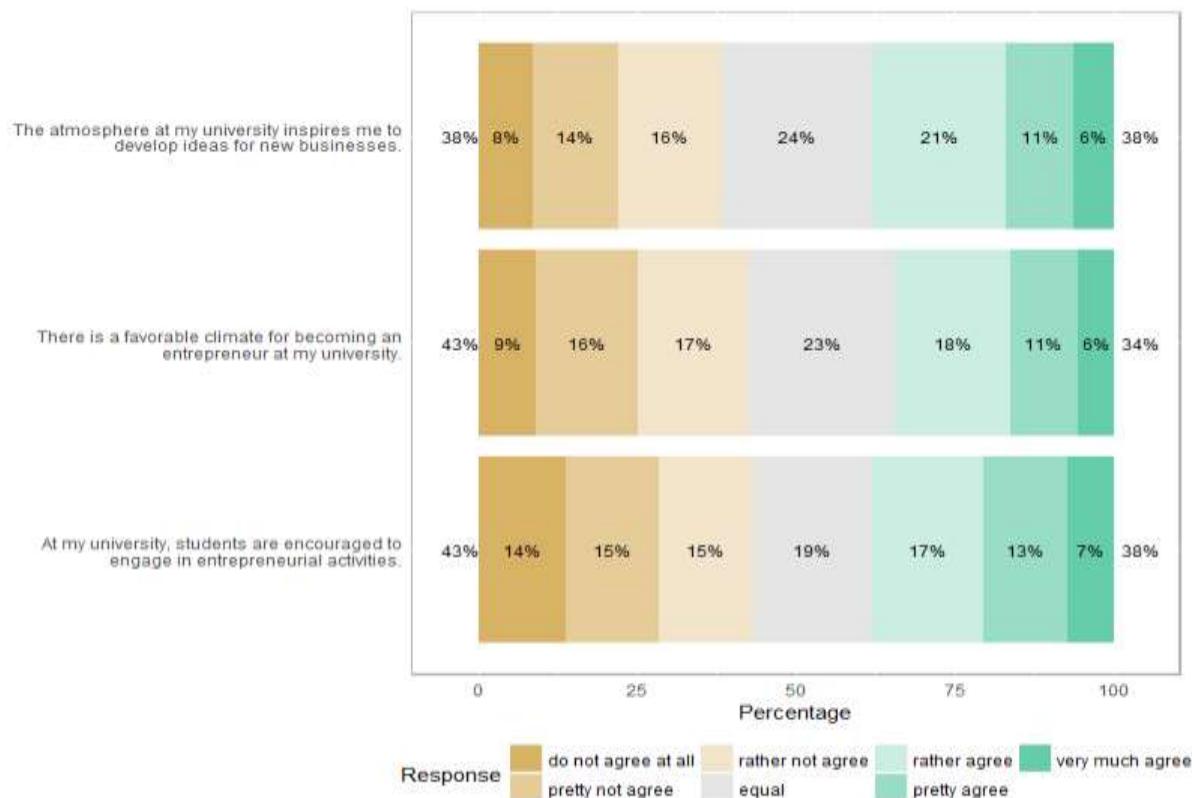
Source: Own processing

4 Drivers of entrepreneurial intentions

In the Czech Republic, in 2014 according to Eurostat data, 45% of young people between 20 and 24 years of age and more than one-tenth of 25 year olds were studying at universities. This is the same in other European countries.⁴

Eurostat statistics shows that the young Czech people work less during their study than in other countries of the European Union. At the age of 20-24, one tenth of the students works, in the countries of the European Union it is every third student. The reason could be the complexity of the study, the lack of adequate professional jobs and small offer of positions on a part-time basis. Figure 7 brings information about the climate for becoming entrepreneur at university.

Figure 7: About the University environment



Source: Own processing

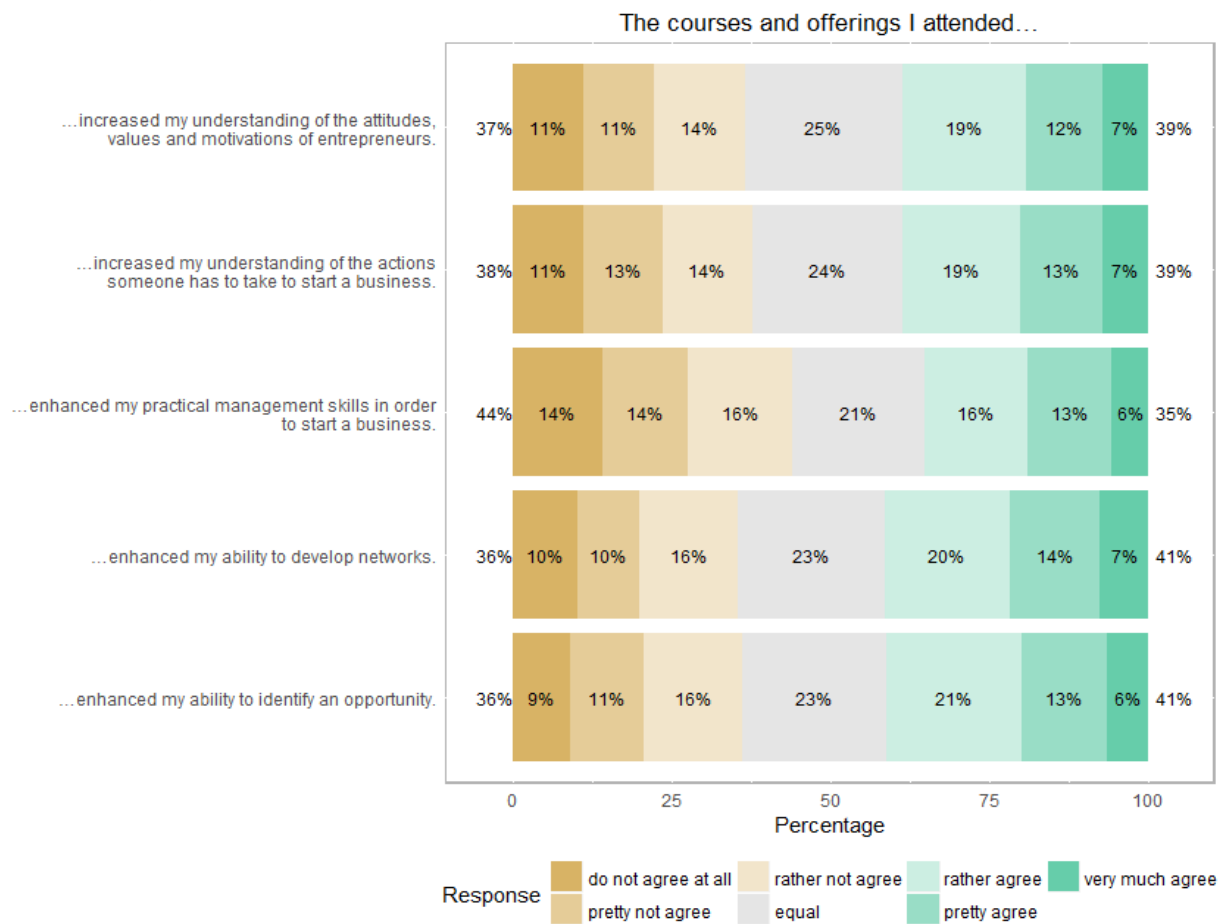
The recommendation of the European Parliament and of the Council is that the key competences for "sense of initiative and entrepreneurship" are necessary. The sense of initiative and entrepreneurship means the individual's ability to convert ideas into practice, creativity, the ability to introduce innovations and to bear the risks and plan and manage projects in order to achieve certain goals. This ability is useful in a daily life at home and in society, helps employees understand the implications of their work and allows them to transfer the opportunities to reality. This is the foundation for more specific skills and knowledge needed by entrepreneurs engaged in social or commercial activities. These activities are taught or should be taught at universities. It implies from

⁴ See online EUROSTAT. Education and Training, <http://ec.europa.eu/eurostat/data/database>.

Figure 8 that one third of the students from the research is influenced by the climate which encourages entrepreneurship activities. Higher education should reflect that entrepreneurship is a combination of mind-sets, knowledge and skills. As mind-sets take shape at an early age; entrepreneurship is something that should be already fostered at school.⁵

Figure 9 brings the information on courses oriented towards the opportunity to start the business. Special attention should be paid to systematically integrating entrepreneurship training into scientific and technical studies and within technical institutions, to facilitate spin-offs and innovative start-ups, and to help researchers acquire entrepreneurial skills. There are needs to focus more on developing the skills necessary for fully exploiting innovation and knowledge transfer activities in combination with the commercialisation of new technologies. Academic spin-offs are increasingly seen as important means of enhancing local economic development. However, in their new roles, scientists and universities must build business and managerial competencies. We can see that again one third of the courses is oriented towards the practical management skills.⁶

Figure 8: About your studies

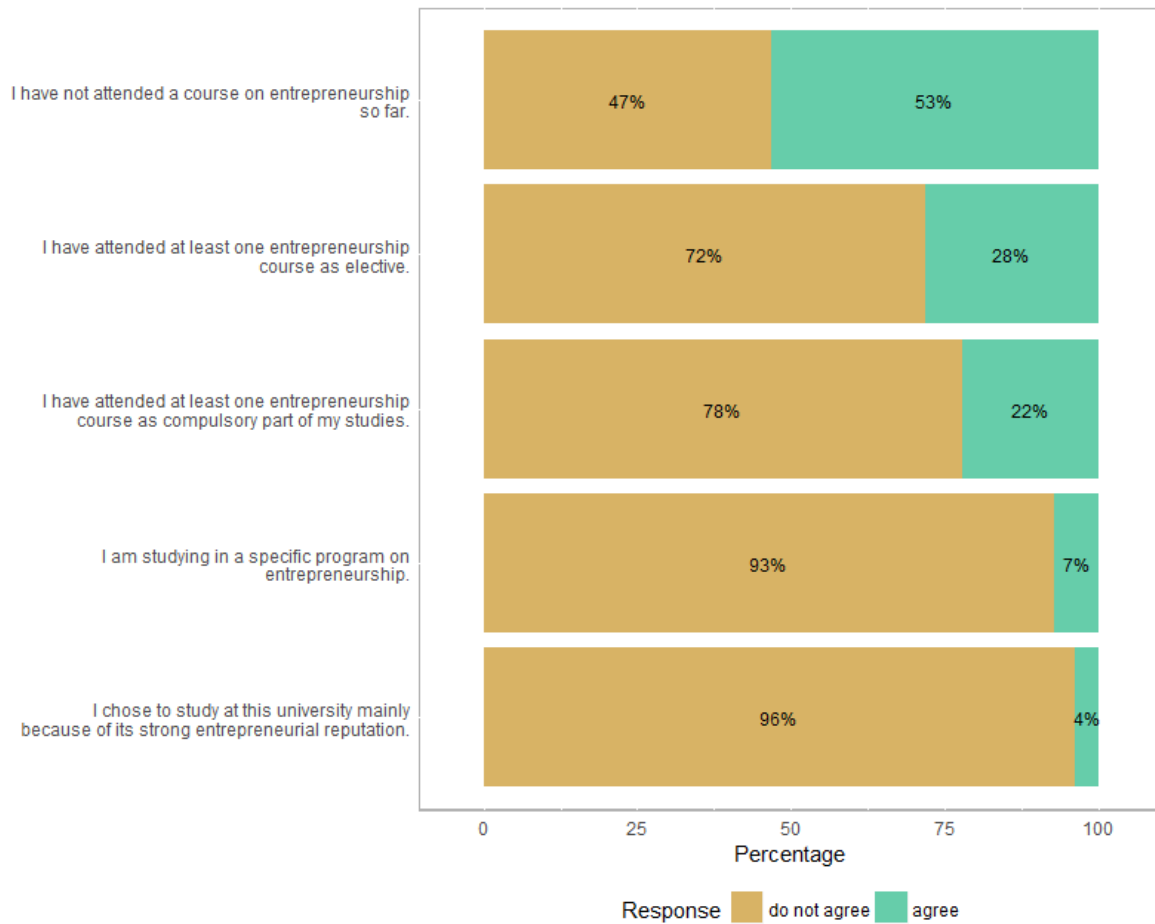


Source: Own processing

⁵ See online Strategic framework – Education & Training 2020, http://ec.europa.eu/education/policy/strategic-framework/entrepreneurship_en.

⁶ See online at the same place.

Figure 9: Interest in complementary business courses



Source: Own processing

4.1 Respondents and entrepreneurship

There is a wide documentation that family businesses usually begin from an individual member of the family who develops the business and later involves the other family members⁷. Thus, the family influence is an important factor that provides the background experience and motivation for students to lead entrepreneurial activities.⁸ This claim is supported by Anderson, Jack and Drakopoulou who agree that social relations and networks play an important role to develop good entrepreneurs.⁹ In a related study, Robson and Bennet posit that families and friends act as the preferred source of advice for small-medium enterprise owners.¹⁰ Basically, new graduate entrepreneurs rely on informal sources such as family members, colleagues and social networks as

⁷ Davis, J. 1996. From generation to generation: Life cycles of family business. Boston: Harvard Business School Press.

⁸ Bagheri, A. and Z. A. L. Pihie. 2010. Role of family leadership development of university students. World Applied Science Journal 11(4): 434–442.

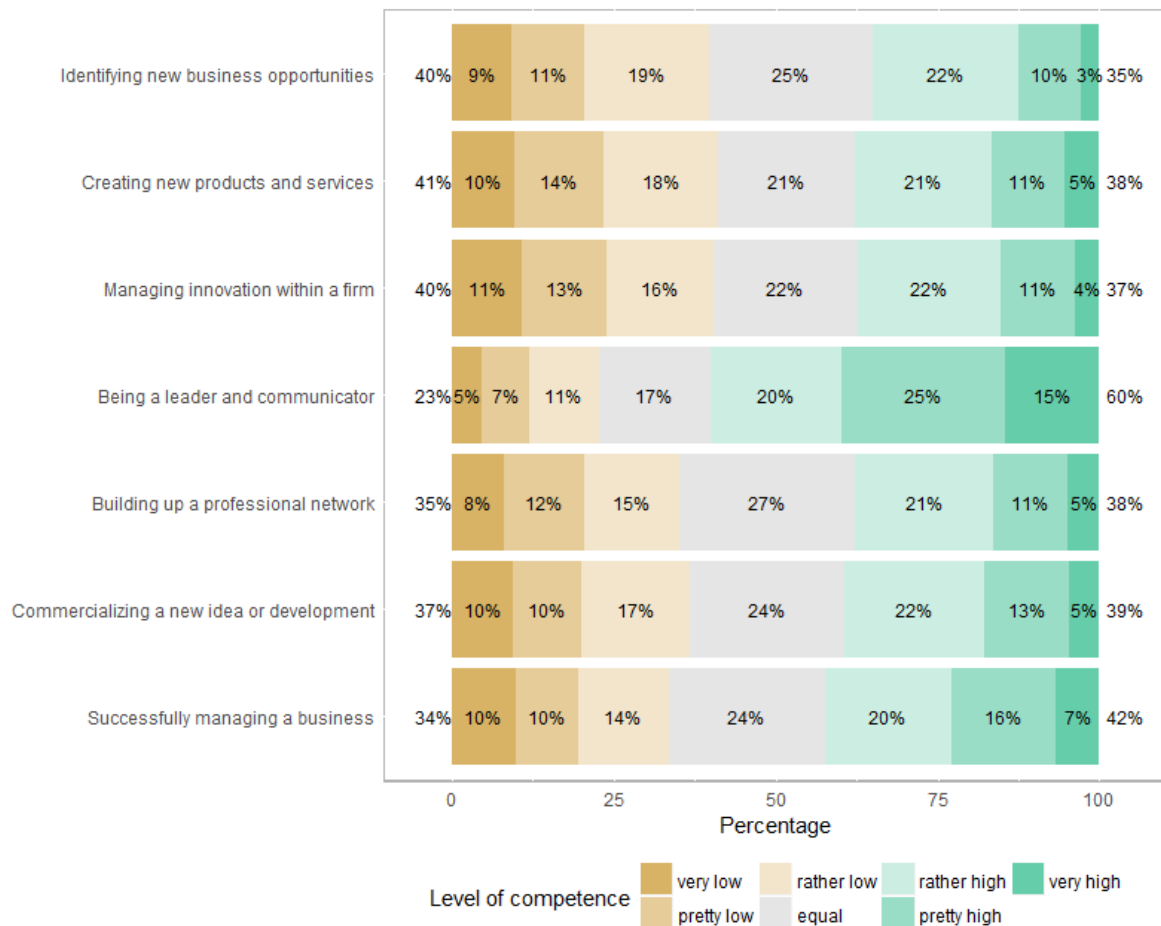
⁹ Anderson, A., S. Jack and S. Drakopoulou. 2005. The role of family members in entrepreneurial networks: Beyond the boundaries of family firms. Family Business Review 18(2): 135–154.

¹⁰ Robson, P. and R. Bennett. 2000. SME growth: The relationship with business advice and external collaboration. Small Business Economics 15(3): 193–208.

well as universities for support and guidance in business.¹¹ From our data we can see that the family and friends have a very big influence on the decision to become an entrepreneur.

Students also had to indicate their level of competence in performing the different tasks necessary for the entrepreneurship. They indicate on Lickert scale from (1=low competence, 7=very high competence). As influence for their decision to be an entrepreneur, they indicate friends (72%), close family (64%) and fellow students (60%).

Figure 10: Level of competence



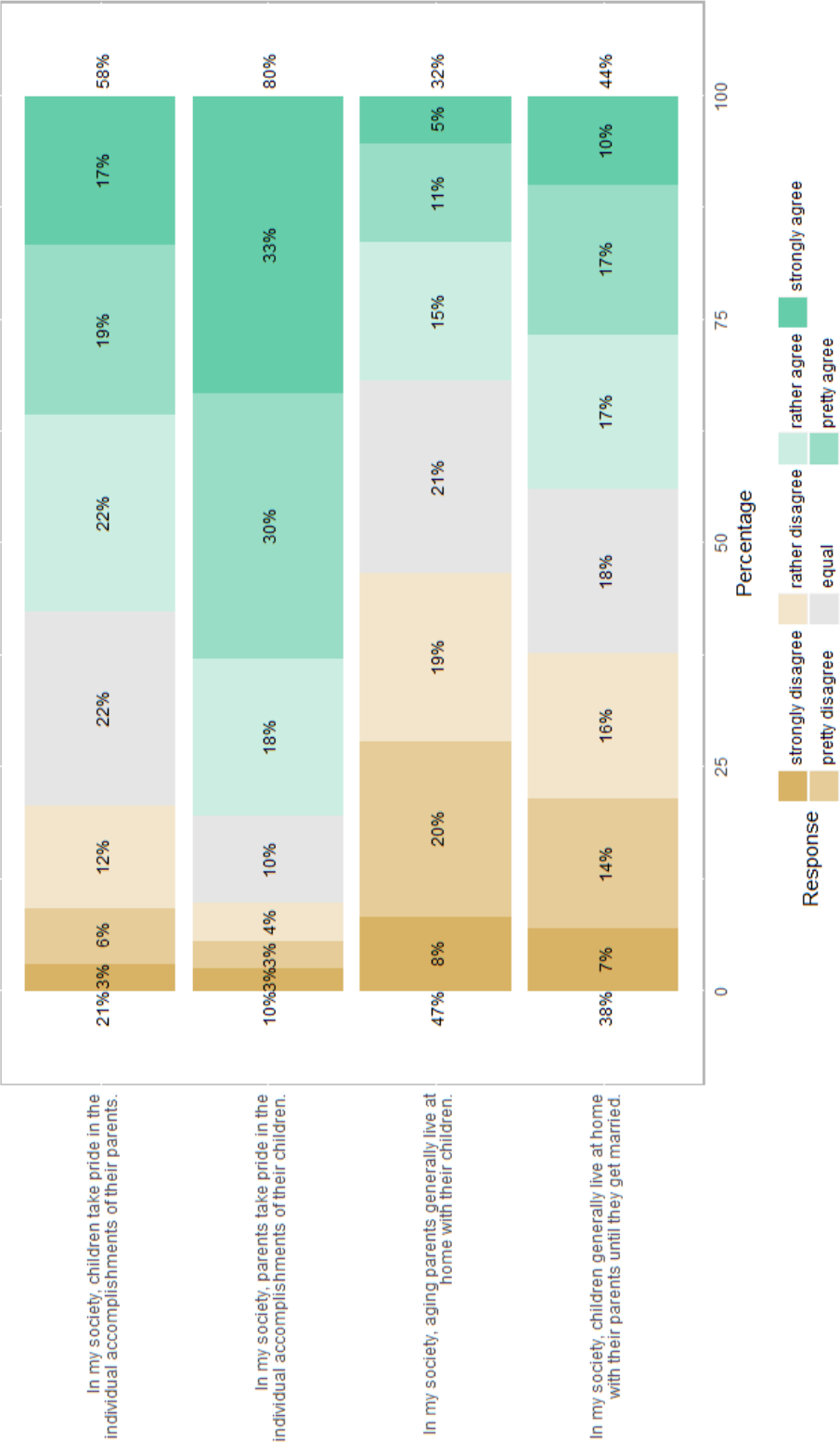
Source: Own processing

4.2 Family background of the students

The parents of 61% of students of the searched group are not self-employed. 39% respondents mentioned that at least one of the parents (mother, father or both) is an entrepreneur. Next question was about the ownership. 24% of respondents indicate that at least one of the parents (mother, father or both) is the owner of the bigger part of entrepreneurship.

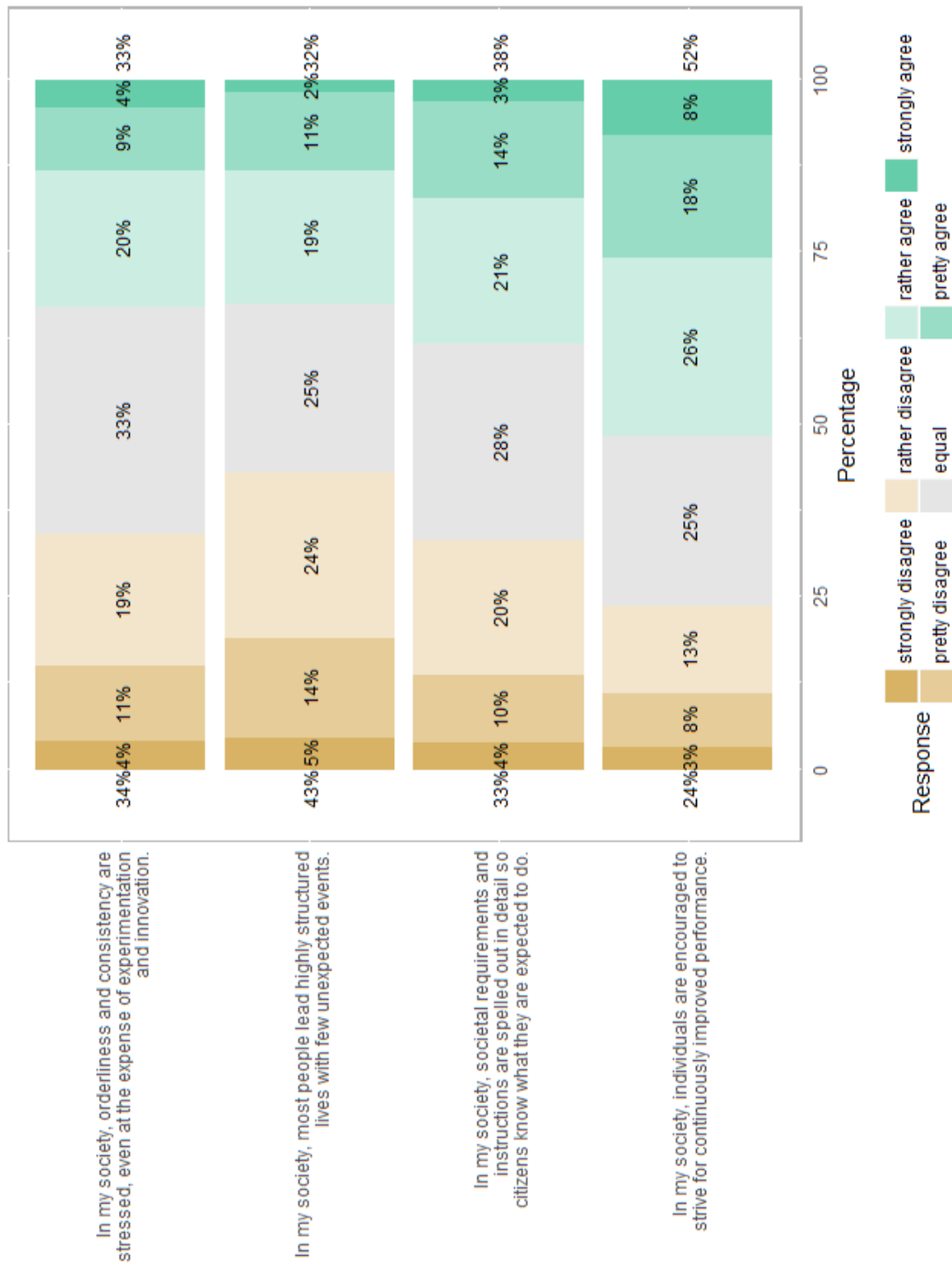
¹¹ Greene, F. J. and G. Saridakis. 2007. Understanding the factors influencing graduate entrepreneurship, research report 007/2007. National Council for Graduate Entrepreneurship (NCGE), March. Retrieved from <http://www.ncge.com/> (accessed December 2013).

Figure 11: In my society (agree/disagree) – A



Source: Own processing

Figure 12: In my society (agree/disagree) – B



Source: Own processing

Other questions included the society where the students live and the ability to contribute to the society (see answers in

Figure 11 and Figure 12). 37% of students agree that it is possible to contribute to the society, 47% indicate that a person's influence is based primarily on the authority of one's position. 16% of students said that they did not know.

51% of students think that in their society the followers are expected to question leaders when in disagreement and 29% believe that in their society the followers are expected to obey without question. 20% of students do not know.

23% of students think that in their society the power is shared through society, 57% of students think that the power is concentrated at the top and the rest 20% of students do not know.

30% of students agree with the opinion that "Major rewards are based on only factors other than performance effectiveness (e.g., seniority)", 42% of students think that major rewards are based on only performance effectiveness and 28% of students are not decided how to answer.

50% of students think that being innovative to improve performance is generally substantially rewarded, 24% of students think that being innovative is not rewarded and 26% of students do not know.

5 Nascent entrepreneurs

From the number of 150 planned entrepreneurship, there are 48% of females and 52% of males. When we look at their age, we can see that 73% of them are under 24 years old, 24% of them are from 25 to 29 years old, 1% is between 30 and 34 years old and 3% are over 35 years old. Regarding the type of entrepreneurship, 19% of students are oriented towards the Advertising / Design / Marketing, the next is IT and business (both 18 %), see Table 6.

Table 6: Sectors of planned firms

Sectors	Count	Percent
Advertising / Design / Marketing	28	19
Architecture and Engineering	6	4
Construction	2	1
Consulting (HR, law, management, tax)	8	5
Education and training	10	7
Financial services (incl. banking, insurance, investment, real estate)	6	4
Human health and social work activities	3	2
Information technology (IT) and communication (incl. software & IT services)	18	12
Manufacturing	13	9
Tourism and leisure	13	9
Trade (wholesale/retail)	18	12
Other services (e.g., transportation)	7	5
Other	18	12

Source: Own processing

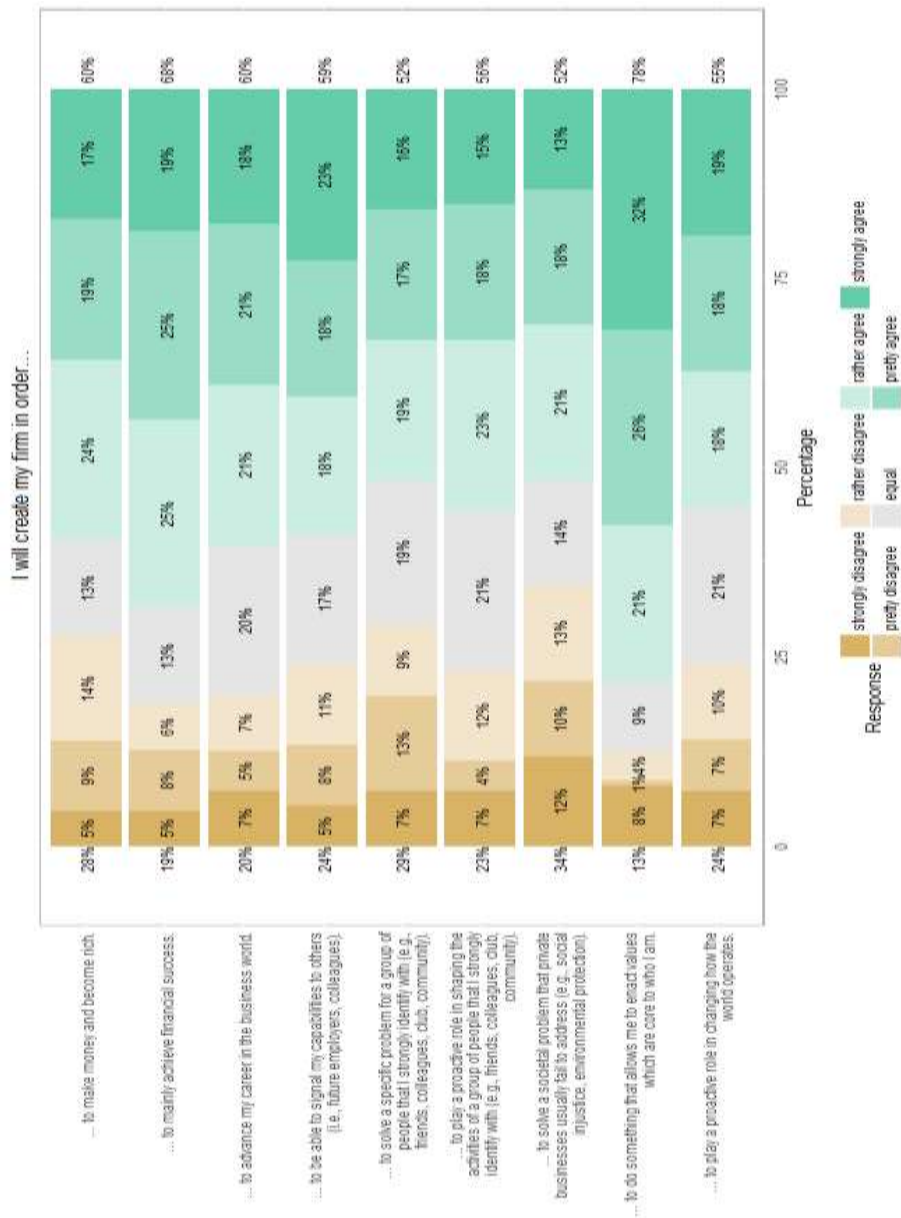
The questionnaire showed that students plan to start their business within 19 months (59%). Also 66% of the students plan their business to become their main occupation after graduation. On the other hand, we can see that students do not have any previous experience with entrepreneurship, 83 % of students said that they had not set up any business before. Furthermore, they identified which activities they already carried out in order to start their own business. 49% discussed the product or

business idea with potential customers, 63% collected information about market or competitors, 25% have written a business plan, 32% started product/service development, 21% started promotion, 26% purchased material, just 9% attempted to obtain some external funding, 1% applied for patent or trademark, 13% registered the business activities, 20% sold their product or service and 19% did nothing of the above.

5.1 Characteristics of nascent entrepreneurs

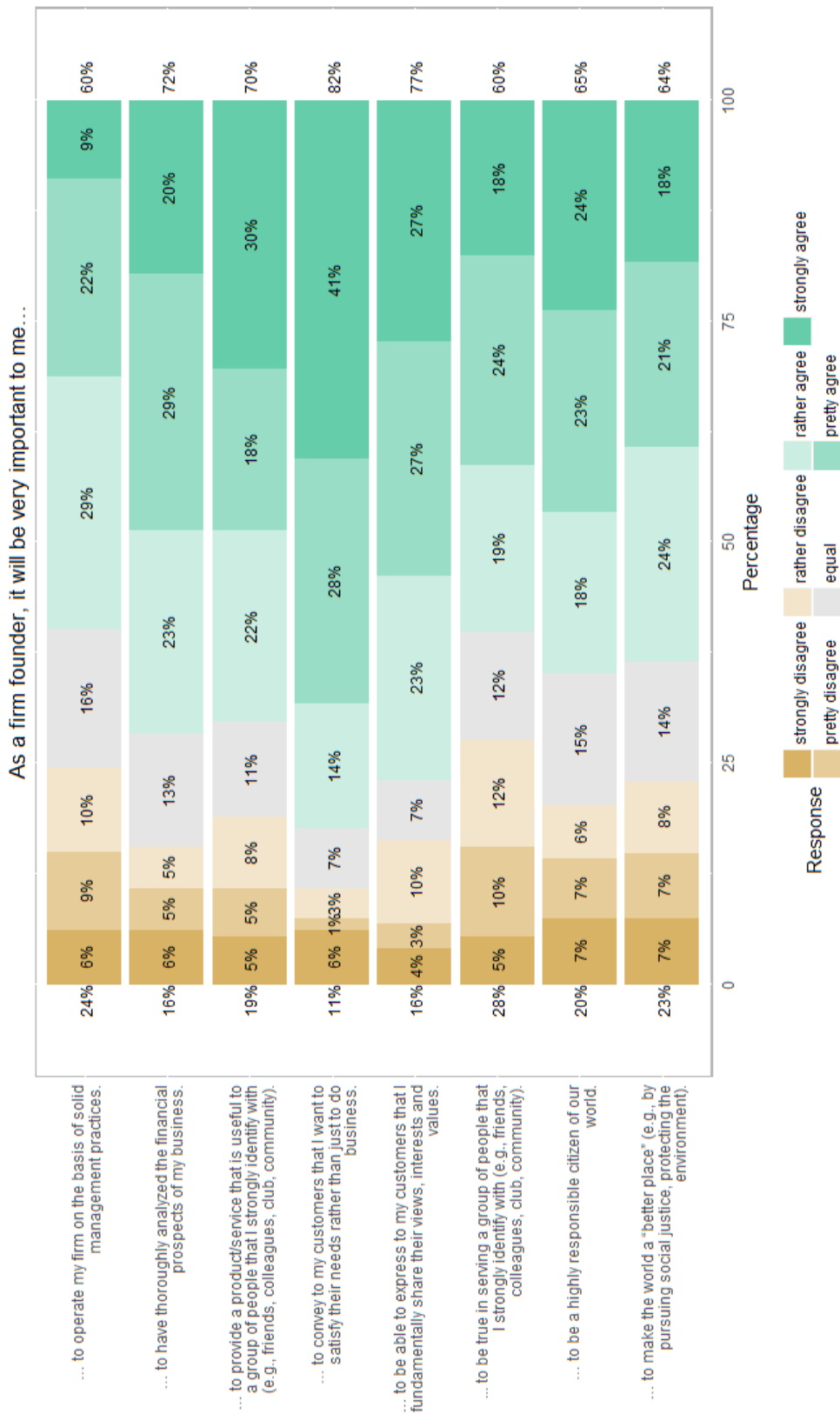
Figure 13 explains the motivation of the planned entrepreneurship. The next two figures (Figure 14 and Figure 15) explain what the students consider important during establishing entrepreneurship.

Figure 13: Motive (nascent entrepreneurs)



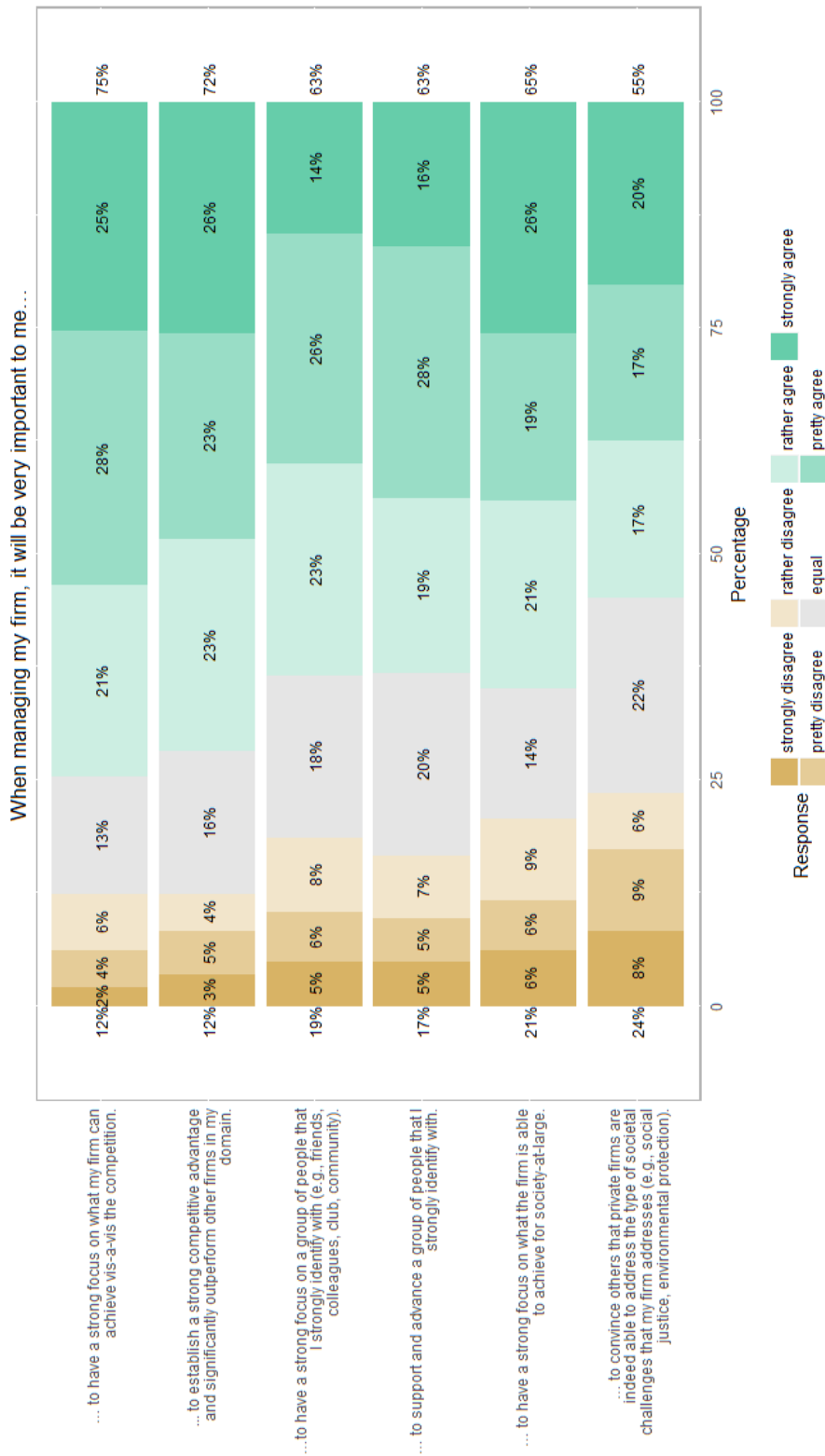
Source: Own processing

Figure 14: Founder-Importance (nascent entrepreneurs)



Source: Own processing

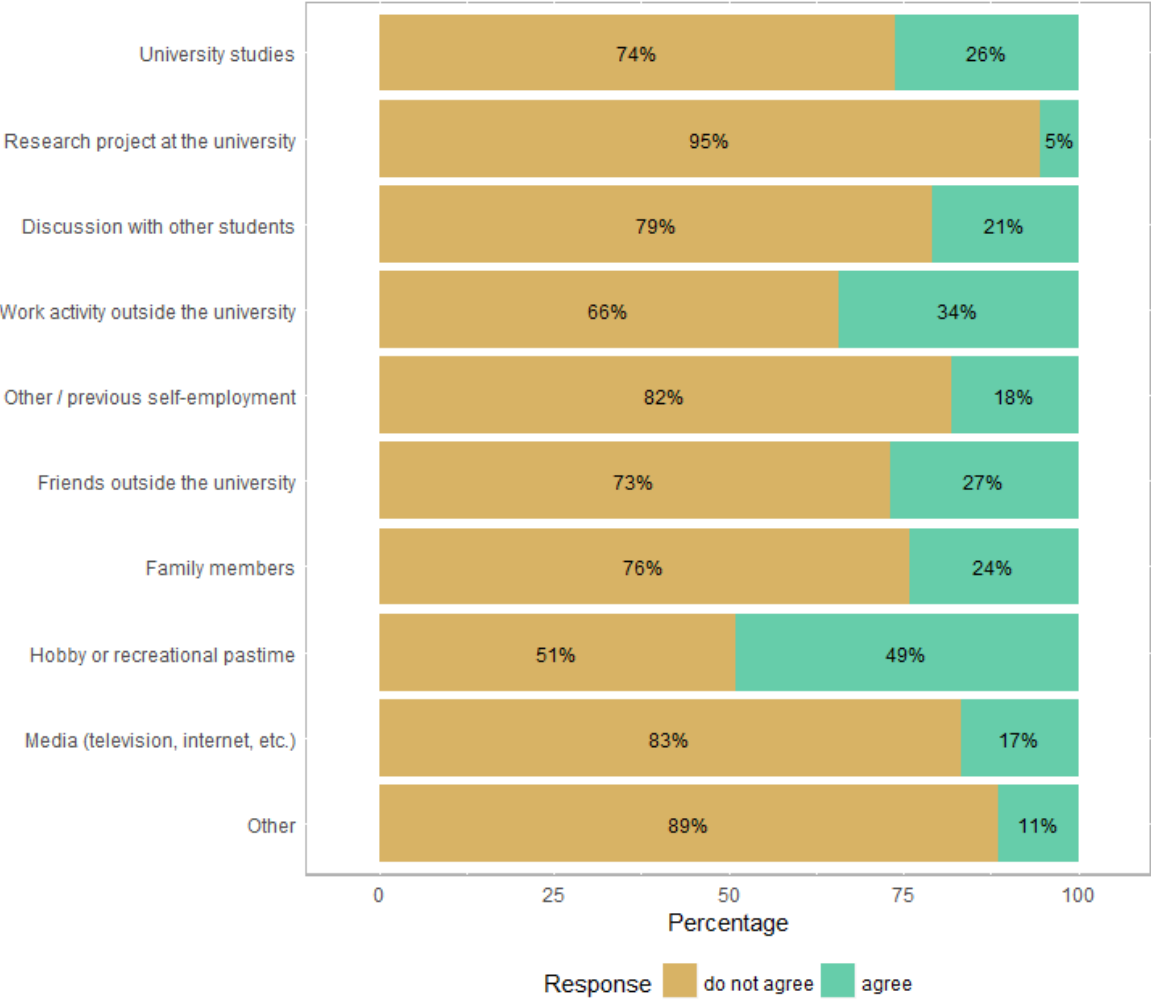
Figure 15: Managing-Importance (nascent entrepreneurs)



Source: Own processing

Figure 16 explains from where the idea for new business comes from.

Figure 16: The idea for new business



Source: Own processing

6 Active entrepreneurs

This part of the research is focused on respondents who indicated that they had already started their own businesses. 36% established their own business within years 2009 and 2013, 53% in the years between 2014 and 2016. 53% of students do not have any employees, 19% have 1 employee and just 3% have more than 25 employees. 49% want their business to become the main occupation after graduation. The following Table 7 explains in which economic sector their business is active.

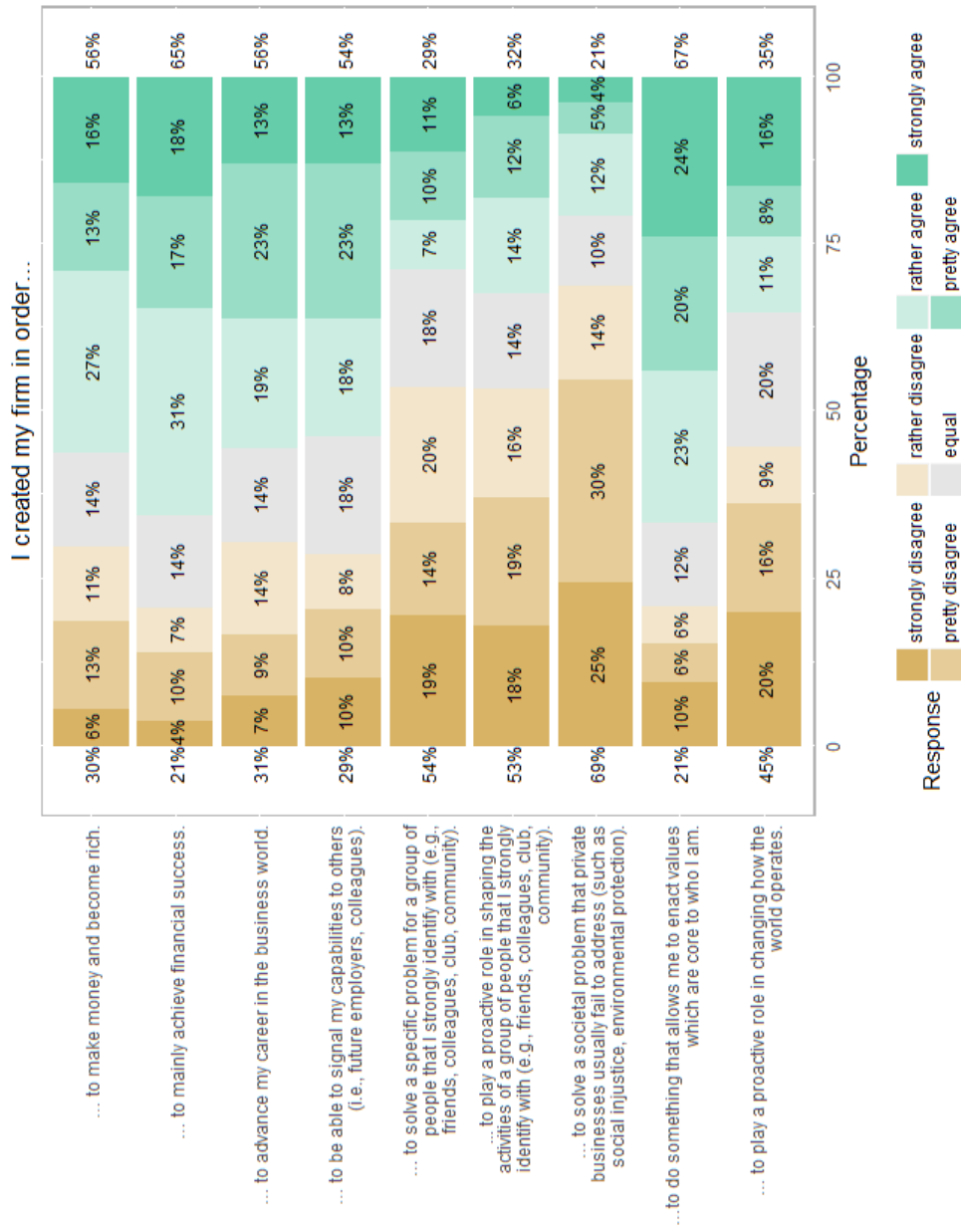
Table 7: Sectors of existing firms

Sectors	Count	Percent
Advertising / Design / Marketing	13	12
Architecture and Engineering	6	6
Construction	2	2
Consulting (HR, law, management, tax)	12	11
Education and training	6	6
Financial services (incl. banking, insurance, investment, real estate)	9	8
Human health and social work activities	1	1
Information technology (IT) and communication (incl. software & IT services)	22	20
Manufacturing	5	5
Tourism and leisure	9	8
Trade (wholesale/retail)	10	9
Other services (e.g., transportation)	4	4
Other	10	9

Source: Own processing

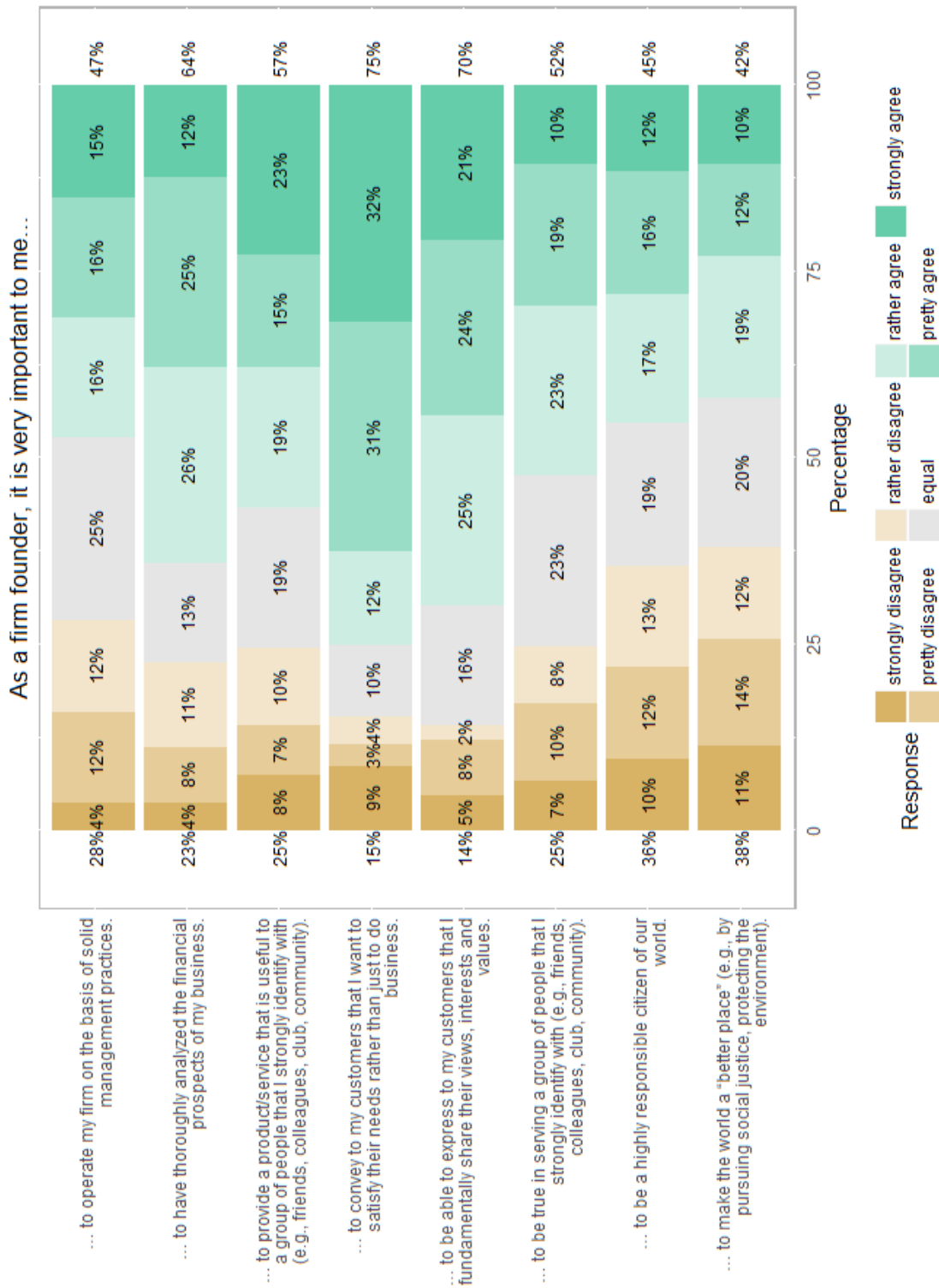
Next three figures bring information about the motivation to become the active entrepreneur, about the reasons of missions, goals and management methods.

Figure 17: Motivation and goal (active entrepreneurs)



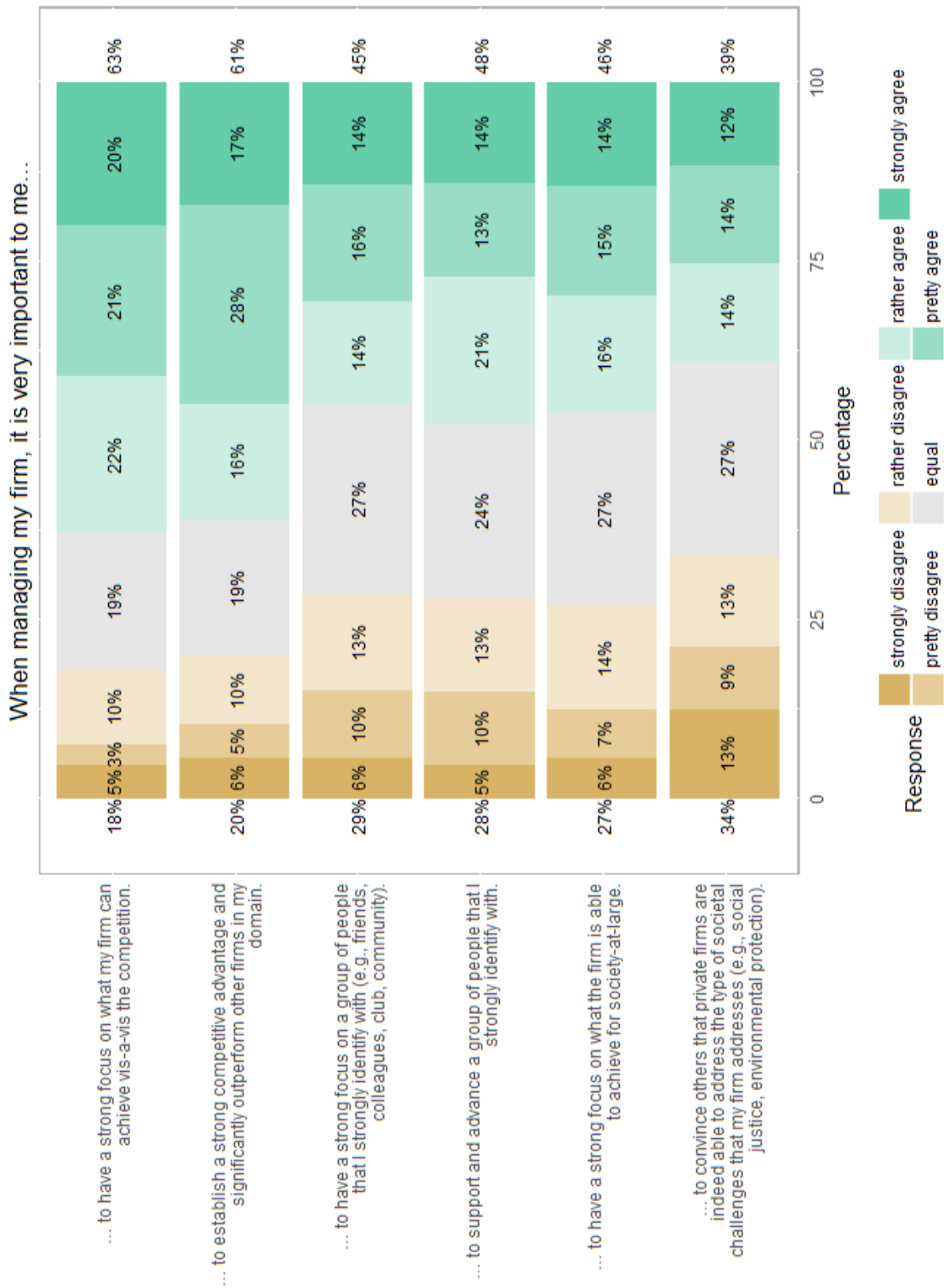
Source: Own processing

Figure 18: Founder-Importance (active entrepreneurs)



Source: Own processing

Figure 19: Managing-Importance (active entrepreneurs)

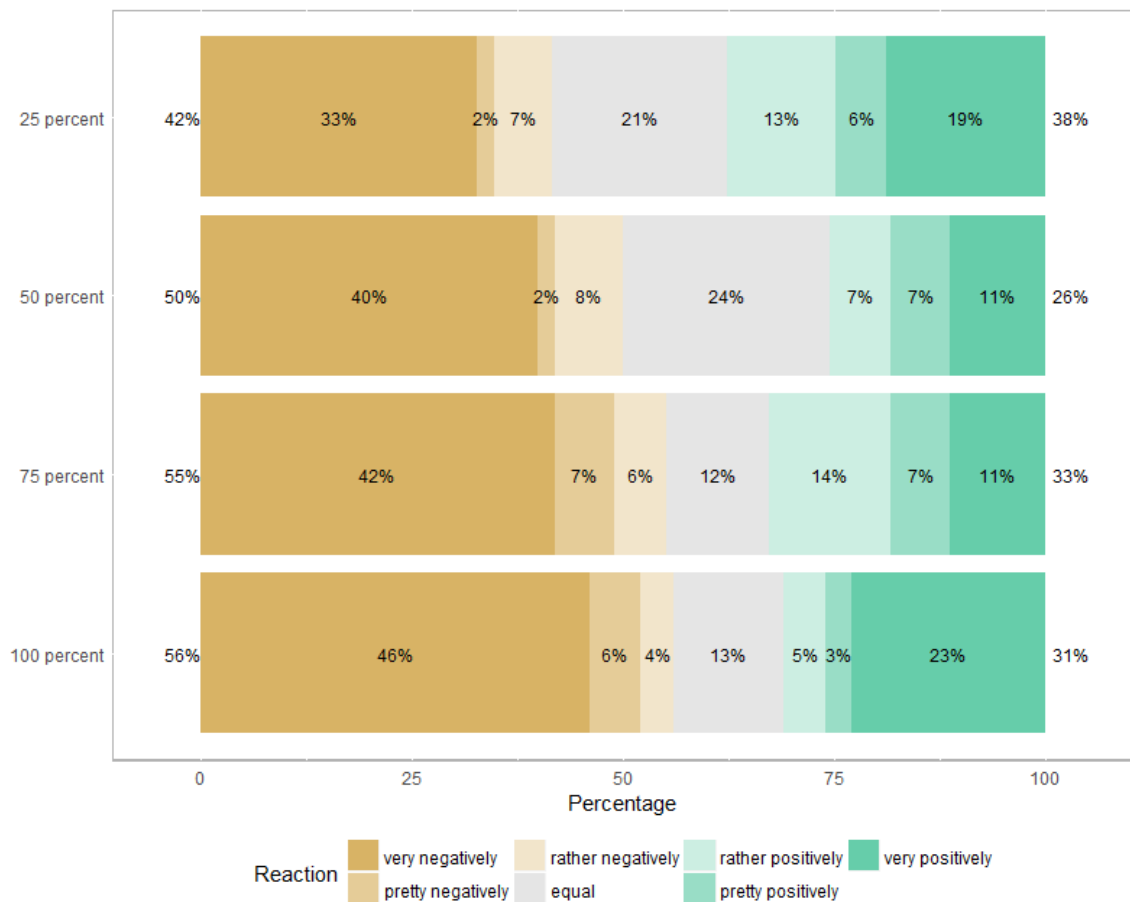


Source: Own processing

Further questions for **active entrepreneurs** focused on business outcomes and employment.

- Do you generate any sales revenues in your business? 78% of active entrepreneurs said YES.
- Do your sales revenues cover the costs of the business? 79% of active entrepreneurs said YES.
- Do you make financial profit? 82% of active entrepreneurs said YES.
- How would you judge the following increase in the number of employees in your business in 5 years from now? The entrepreneurs responded rather negatively, the answer is evident from Figure 20.

Figure 20: The number of employees in business in 5 years from now



Source: Own processing

Implications and summary

GUESSS is an acronym of the survey about the entrepreneurial spirit of students and it is oriented towards the attitude, ideas and activities of university students in the world. The first survey was realised in 2003 at University St. Gallen in Switzerland. In the last survey (2013-14) 109,000 students took part. This year (2016) the questionnaire was filled in by 122,509 respondents from 50 countries including the Czech Republic. This long term research explains the student's preferences in their future occupation; in their interest for the start-up their own businesses and the atmosphere at the universities about the entrepreneurship courses. Other results of the survey are the evaluation of the specific condition for the start-ups in different countries. The research was distributed on-line within cooperating universities. In the Czech Republic the questionnaire was filled in by 1,135 respondents, only 8 % of the students study the course oriented at the entrepreneurship.

It is evident that 28 % of the research sample students would like to start their own entrepreneurship within 5 years after graduation. Only 2% of students are thinking about the possibility to be a part of their family business. Still, 11 % of students do not know if they want to be employees or to start their own business after graduation. We can see from the research that students prefer to be employees rather than to be entrepreneurs. The same results were obtained in a research organized by the Association of SME in the whole Czech Republic. The research showed that young people think the entrepreneurship environment is not convenient in our country. Also, the opinion of the students about the climate at university – supporting and developing the ideas for new businesses – is not very satisfactory. From the research we can see that 40% of students consider the inspiration and the support for becoming an entrepreneur very poor at Czechs universities. Similar results were also gained regarding the evaluation of the additional courses focused on entrepreneurial skills.

When we compare the results of the career path related to the number of answers from the given university, we can see that the highest interest in the business is at the University of Economics in Prague (30% of students), further at Skoda Auto University (24% of students), the Technical University of Liberec and the University of Hradec Kralove (both 17% of students).

Recommendations

The report on family businesses in Europe (2014/2210(INI))¹² states that it is necessary to support and educate the entrepreneurship activities at the universities. In the Czech Republic, there can be found some courses oriented at the specifics of family entrepreneurship.

Historically, the university environment was perceived mainly as research and educational. Nevertheless, with the development of the society it is crucial to expand its role to entrepreneurial. At the Technical University of Liberec, therefore, the Student Business Club has been established with the aim to help students with the transformation of their entrepreneurship ideas into real life. Apart from this activity, it is also necessary to innovate accredited study programmes including family business specifics.

The Czech Republic as other post-communist countries has some specific problems with the development of private enterprises. These entrepreneurial traditions, especially in family businesses, were discontinued by the process of nationalization of businesses, liquidation of private business and introduction of central planning of the economy after World War II.

¹² Niebler A. Zpráva o rodinných podnicích v Evropě (2014/2210(INI)) pro Evropský parlament, str. 8, odst. 22 a 25, reg. č. RR/1067364CS ze dne 30. června 2015.

The research project¹³ of The Faculty of Economics, Technical University of Liberec is oriented at the problems of family businesses. We can see that it is not easy to statistically express their percentage representation among other companies because they are not statistically identified in the Czech Republic.

For a family business, a significant overlap between family and business elements is typical. In the area of financing the development of family business, family's own capital is more often used in comparison with equity. In this connection, we can speak about the so-called patient capital. In the area of income tax, there can be, therefore, considered the possibility to reduce taxable profits based on the interest of one's own capital, so as in the case of interest on equity.

Small and medium enterprises including the family businesses play a key role in regional development and employment; therefore, significant attention should be essential.

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¹³ See <http://vyzkum.ef.tul.cz/td03000035/>.

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