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PODPORA A ROZVOJ MALÝCH A STŘEDNÍCH PODNIKŮ V ČESKÉ REPUBLICCE

THE SUPPORT AND DEVELOPMENT OF SMALL AND MEDIUM ENTERPRISES IN
THE CZECH REPUBLIC

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ABSTRAKT

Diplomová práca sa zaoberá analýzou iniciatív podpory a rozvoja malých a stredných podnikov (MSP) v EU a Českej Republike, s konkrétnymi návrhmi odporúčaní rozvoja podnikania v Juhomoravskom kraji. Tento koncept vyplýva zo skutočnosti, že malé a stredné podniky predstavujú najväčší podnikový segment na Európskom trhu a v národných ekonomikách členských štátov. Prvá kapitola opisuje teoretický základ MSP a ich význam na európskom a českom trhu. Druhá kapitola analyzuje európske, české a regionálne možnosti podpory a rozvoja MSP. Tretia, záverečná kapitola hodnotí jednotlivé možnosti podľa ich možnosti využitia pre MSP v Juhomoravskom kraji a ponúka autorove návrhy pre ďalšie možnosti podpory a rozvoja MSP do budúcnosti.

ABSTRACT

Diploma thesis deals with analysis of support and development initiatives of small and medium enterprises in the EU and the Czech Republic, with particular proposals of business support recommendations in South Moravian Region. This concept results from the fact that small and medium enterprises represent the largest business segment in European market and national economies of its Member States. The first chapter describes theoretical background of SMEs and their role in the European and Czech market. The second chapter analyses European, Czech national and regional possibilities of the support and development of SMEs. The third, the final chapter evaluates particular possibilities according their use for SMEs in South Moravian Region and proposes the author's recommendations for further possibilities of the support and development of SMEs to the future.

KLÚČOVÉ SLOVÁ

malé a stredné podniky, podpora MSP, rozvoj MSP, fondu Európskej únie, Small Business Act, operačné programy, Juhomoravské inovačné centrum, Juhomoravský kraj

KEY WORDS

Small and medium enterprises, support of SME, development of SMEs, funds of the European Union, Small Business Act, operational programs, South Moravian Innovation Centre, South Moravian Region

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Brno, 15th July, 2016

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Bc. Marcel Rypák

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INTRODUCTION

The role of small and medium enterprises (SMEs) in European Union and in national economies of its Member States has been always experiencing the significant position. From all businesses, the small and medium enterprises create 99% of all businesses in the market. Public subjects on European and national levels realise the importance of this business segment and provide continual initiatives of their maintenance and development. Nevertheless, the navigation in the offers and the structure of such quantity of initiatives is very difficult to understand. The problem is on both sides. The institutional structure of support is often very bureaucratically outstanding and on the other hand, unfamiliarity and disinterest of entrepreneurs towards the public sphere is considerable.

The objective of the thesis is to analyse the current options of the support and development for small and medium enterprises in the Czech Republic and to assess the importance and relevance of selected options for the purposes of SME development. Finally, the thesis aims to propose recommendations for the support and development of SMEs in the South Moravian Region and author's insights for further possibilities of the support and development of SMEs

The thesis is divided into three main chapters and the structure is as follows. The first chapter provides theoretical background and the role of SMEs in the European Union and the Czech Republic. The first chapter also analyses advantages, disadvantages and barriers of SMEs development from different point of view of author. Moreover, the chapter provides insight to legislative framework of entrepreneurship Competition protection which regulates the public support of business sector.

The second chapter is devoted to analysis of the main European initiatives and the legislative framework supporting the SMEs development in new program period for years 2014-2020. Moreover, the national initiatives in the Czech Republic are analysed altogether with Small Business Act analysis with comparison to Germany. Finally, second chapter describes of non-governmental and regional initiatives in South-Moravian Region with particular insight to South Moravian Centre (JIC) as the most popular initiative in the regions.

The last, third chapter deals with evaluation and proposals of recommendation for the support and development of SMEs in South-Moravian Region based on practical example, case study and interview with representative of South Innovation Moravian Centre (JIC).

The data used in thesis are secondary data obtained from various publication or articles and the chapter analysing the South Moravian Innovation Centre has been enriched by primary data from interview with representative of South Moravian Innovation Centre and by observations of personal experience of author.

PROBLEM DEFINITION AND AIMS OF THE THESIS

PROBLEM DEFINITION

Small and medium-sized enterprises are considered as significant drivers of European economy and national economies of its Member States. They are called “backbone” of economy because of creation up to 85% of vacancies in EU. However, the consequences of economic crisis starter to cause the decline in number of SMEs and the decision makers decided to draw more attention to support and development of SMEs. This thesis aims to notify the entrepreneurs with current possibilities of support and development in South-Moravian Region in order to avoid vanishing of SMEs because of unfamiliarity in circumstances.

Objective:

The objective of the thesis is to analyse the current options of support and development for small and medium enterprises in the Czech Republic, to assess the importance and relevance of selected options for the purposes of SME development and to propose recommendations in the field of support and development for SMEs in the South Moravian Region.

The opportunities of support and development of SMEs are various. This thesis is going to provide overview of those in EU, the Czech Republic with particular emphasis to the South-Moravian Region. Author’s presents following partial objectives which are going to alongside with support the main objective.

- Theoretical background of importance and position of SMEs in the European and Czech market is analysed. Furthermore, the history and legal framework of SMEs in the Czech Republic is documented.
- The thesis analyses advantages, disadvantages and the biggest challenges and barriers of SMEs.

- The role of business plan and role of competition protection are demonstrated because both factors play important role in supporting SMEs. Business plan is the main tool in applying for any kind of support. Competition protection regulates providing support in the market.
- Analysis of current possibilities of support and development of SMEs in European and national level for program period 2014-2020.
- Additionally, external form of financing opportunities for SMEs in the Czech Republic is analysed and evaluation and proposals of recommendations for support and development of SMEs in South Moravian Region with practical example of a company and case study are provided.

METHODOLOGY

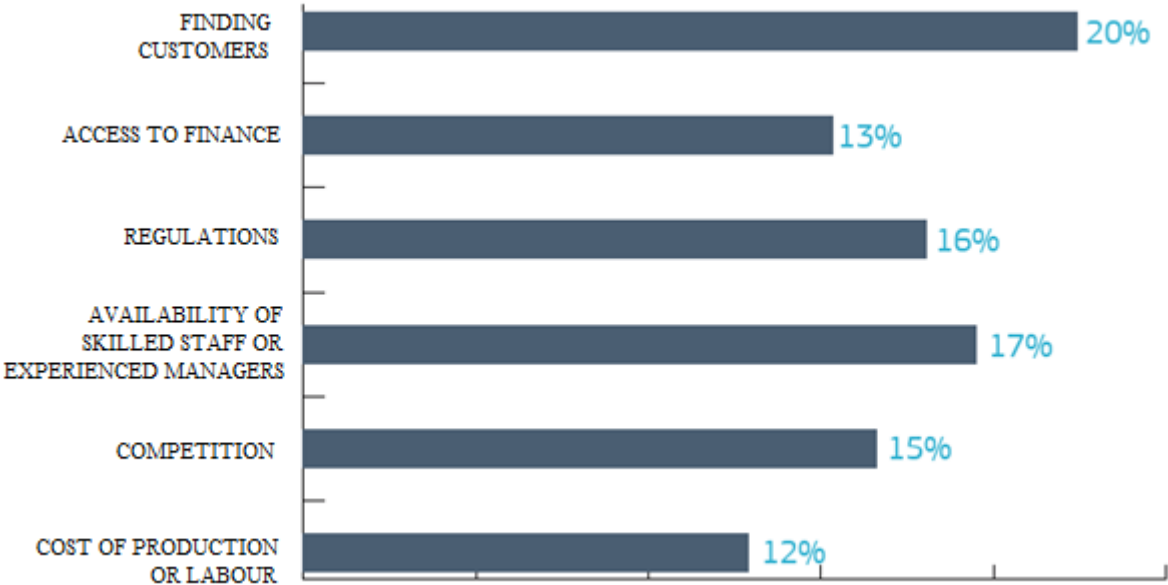
The evaluation and proposals in this thesis consider insufficient familiarity of financing and development of small and medium-sized enterprises and lead to recommendations for small and medium-sized entrepreneurship support and development. The proposals consider the role of SMEs based on its theoretical background in the first part, using the method of description and critical analysis of role of SMEs in European and Czech market environment. Furthermore, their role is also supported by critical analysis and comparison of different authors' views to advantages, disadvantages and barriers of SMEs development.

Second part uses analysis and comparison of the main and core initiatives supporting SMEs on European and national level with administrative accountability and the entrusted management bodies. Chapter two also evaluates Small Business Act initiative and at the end provides analysis of external sources of financial support for SMEs.

Finally, third part evaluates particular form of support and development for SMEs in South-Moravian Region based on practical evidence and brings proposals of SMEs support in region for potential companies.

1 Contemporary background and importance of Small and Medium-Sized Enterprises

Small and medium-sized enterprises – SMEs, represent independent and important business segment in European economy and in national economies of its Member States. The official number of all European businesses represent 99,8 % and create 67,1% work places in private sector. Undoubtedly, the SMEs enormously contribute to economic growth, creation of new jobs and introducing innovations to practice (Ec.europa.eu, 2016 and Euractiv, 2009).



Graph 1: Most pressing problems facing SMEs in EU28 in 2014 (Source: Iconographic, 2014)

However, the crisis in 2009 caused that many of them began to face sort of existential problems connected with working business well. As seen on Graph 1 the biggest and remaining current problem is finding customers, secondly availability of skilled staff or thirdly, government regulations, etc. As no one supposes the financial problems are placed almost at the end of the chart of contemporary needs of SMEs. In a fact, almost 200 thousands enterprises disappeared after crisis right because of these challenges. The crisis caused the increase of unemployment rate, worse access to quality of goods and services, or innovations development decline.

Therefore, the situation has been changed when the decision makers realised the importance of SMEs in the market. Subsequently, there were still many initiatives already from crisis time up to now which support creation of favourable and effective business environment. Moreover, these initiatives secure appropriate support and development in many important needs of SMEs (Ec.Europa.eu, 2016, Klímová, 2009 and Beaver, 2002).

1.1 History of the Small and Medium-Sized Enterprises

Entrepreneurship as it is seen today is the result of many transformations. History itself proves the importance of SMEs through all ages and provides evidence why the decision makers should pay more attention to this type of businesses also nowadays. Basically, the bases of small enterprises were the crafts which originated alongside with development of towns in 16th and 17th century in Europe. Craftsmen used to gather into the guilds which had the special status in every town because crafts were founders of change and innovation in society and provided good products. The guilds executed the administration and social organisation of crafts, how many masters there should be in the town or how many apprentices to recruit. Over time the guilds decided to concentrate the production to the one place alongside with using the machines and energy. As a result, the craftsmen were expelled from the market and the only form of their protection was introduction of cooperative entrepreneurship (Chodasová, 1996). Entrepreneurship of legal persons was additionally labelled as collective enterprises in form of stock companies or limited companies. The special kind of micro entrepreneurship, so called tradesman, represented significant part of that time economy.

However, the whole history can be divided into three phases. The first phase started with the beginning of autonomous Czechoslovakia until the end of WWII. In that time, the Czechoslovakia belonged to fifteen the most developed countries in the world with free market economy and export to western countries. SMEs had been developed very well with domination of micro enterprises. The trade licences were divided into crafts, commercial, licenced and freelancers.

Second period began with the WWII and lasted until the year 1989. After WWII all enterprises first over 500 employees and later over 50 employees were nationalized in 1948 and the economy of central planning began. It meant that the private sector had been strictly prohibited. The only forms of entrepreneurship were higher forms of social entrepreneurship

as cooperation or collective state enterprises ruled by national organs. Many of crafts and micro enterprises were incorporated to that higher ones. The emphasis of such companies was given to heavy industry, energetics or oil processing. Although, the micro entrepreneurship was partially allowed from 1982, absolute freedom was established after 1989 when the third phase began. The new political situation required to create new legislation for new free market economy and its new emerging private businesses. As evidence shows, already in 1992 there were 19 000 registered companies, and the number constantly rose to more than one million. The only time when the SMEs recorded the decline in their number was in 1998 caused by restrictive government policy, high interest rates and big inflation. Nevertheless, in following time the economy was significantly growing (Klímová, 2009 and Mpo.cz, 2016).

Although, while the SMEs in the western world began obtaining its importance already in the second half of the 20th century, the origin of SMEs in post communistic countries is a result of the big transformation of economy and liberalisation of market in 90s through privatisation of big state owned companies into smaller units. The number of new SMEs constantly increased and still occupies 99,8% of enterprises in EU and similarly in national economies of its Member States (Euractiv, 2009).

1.2 Definition of the Small and Medium-Sized Enterprises

The exact definition of SMEs differs from state to state. For example in United States the SMEs are recognized based on specific way which depends on industry, ownership structure or different staff headcount, typically, up to 500 employees. On the contrary, in the European Union, SMEs are defined according to specific amount of revenue and employees (Investopedia, 2006). The new definition generally secures obtaining more intensive national and regional support from the European Union. These financial charters for small and medium-sized enterprises are available also for micro enterprises which can be classified among SMEs as well (OECD, 2005).

The definition of the European Union is registered in EU recommendations 2003/361 as result of long term legislative aim to spread the definition of SMEs and to unify the different perceptions of SMEs in Member States. For the enterprises in the Czech Republic there are the same conditions as in the whole European Union which uses three to five main criteria how to recognise SMEs (Eur-lex.europa.eu. 2016):

- » **Staff Headcount**
- » **Annual Turnover**
- » **Balance Sheet Total**
- » **Independence**
- » **Time Condition**

In practice, these criteria specifically determine following enterprises types:

- » **Medium-sized enterprise** – the *staff headcount* is set up to 249 included, with the *annual turnover* 50 mil. € and *balance sheet total* is up to 43 million € included.
- » **Small enterprise** – the *staff headcount* is set up to 49 included, with the *annual turnover* and *balance sheet total* up to 10 million € included.
- » **Micro enterprise** – the *staff headcount* is set up to 9 included, with the *annual turnover* and *balance sheet total* up to 2 million € included.

Table 1: Small and Medium-Sized Enterprises' definition (Source: Eur-lex.europa.eu. 2016 EU Recommendations)

Company Category	Staff Headcount	Turnover	or	Balance Sheet Total
Medium-Sized	< 250	≤ 50 mil. €		≤ 43 mil €
Small	< 50	≤ 10 mil. €		≤ 10 mil. €
Micro	< 10	≤ 2 mil. €		≤ 2 mil €

Criterion of *Independence* represents deeper division of SMEs which is important in terms of property relations and influence to SMEs from other enterprises. For instance, the European union do not accept as SME an enterprise where the 25% and more of the capital, or suffrage are directly or indirectly in the hands of a third individual or another company. Therefore, three types of enterprises are recognised (Vodáček and Vodáčková, 2004):

- » **Autonomous enterprises** – represent any kinds of enterprises which are not classified as partner of linked enterprises.

- » **Partner enterprises** – are enterprises which are not classified as linked enterprises and the enterprises has the following relation: from 25% to 50% of the capital or of the suffrage are in hands of superior enterprise or superior group of enterprises.
- » **Linked enterprises** – are enterprises represented by more than 50% of the capital or the suffrage in the hands of another subject or subjects. It means that another subject has the dominant influence and right to attain and revoke the most of Administrative board, Management Board or Board of supervisors.

Table 2: Character of *independence* Small and Medium-Sized Enterprises (Source: Blahušiak, 2008)

Type of Enterprise	Autonomous	Partner	Linked
Connection in %	0 – 24,9	25 – 49,9	50 - 100
Netting Share in %	0	25 – 49,9	100

Time condition is linked with obtaining a financial grant from the European Union, enterprises has to hold the status of SME minimally two accounting period running (Blahušiak, 2008).

1.3 Legal framework and competition protection of SMEs

Legal framework of SMEs defines the differences among SMEs as it was mentioned in chapter 1.2. Moreover, the legislation also provides definition of notions regarding entrepreneur, enterprise/manufactory and entrepreneurship. It also notifies towards some chosen amendments of law. Furthermore, the competition protection competition is characterised on European and national level.

1.3.1 Legal framework of SMEs in Czech Law

After the transformation of central economy to free market, Czech government approved the Act No 299/1992 coll. about state support to SMEs which was in 2002 replaced by the Act No 47/2002 call. and competition of the Act No 2/1969 coll. This Act is the basic pillar of state policy towards SMEs (Vojtík, 2009).

Additionally, the new Civil Code (2014) defines the business terms as follows:

Entrepreneur

The Czech Republic's government introduced new innovation in Civil Code in 2014. Based on Law Codex numbered by Act 89/2012 coll. in §420, §421 and § 422 is an entrepreneur defined as person:

- » Doing gainful activity independently, to own account and own responsibility by sole Trade Licence or similar way with the constant aim to gain profit
- » For the need of customer protection and contract payment according to § 1963, the entrepreneur is consider a person who signs contracts connected with own business, production or business activity, or another person dealing on the account of entrepreneur
- » The person is registered in the Trade Register of the Czech Republic and the conditions about enrolment are defined in another law
- » The person has the right to Sole or other type of entrepreneurship defined in the law
- » The entrepreneur does not have an enterprise; entrepreneurship is dealt under own name. Each entrepreneur is also the owner of enterprise or manufactory in Czech law

Manufactory or Enterprise

- » Manufactory or enterprise (as before) is set of property created by an entrepreneur's will which serve to all business activities done by entrepreneur Civil Code § 502 coll. (2014).

Entrepreneurship

- » Based on new Civil Code (2014) in above mentioned paragraphs, entrepreneurship is and constant activity, executed by an entrepreneur in own name, own responsibility and with aim to gain the profit. The motivation of entrepreneur is considered to be financial reward of his effort and aim to become an expert in the field, and in society. Current definition of the term entrepreneurship is introduced in Act No 89/2012 coll. Moreover, the definition about Sole Trade is defined in Act No 455/1991 coll., Act No

563/1991coll. and Act No 235/2004 coll. providing entrepreneurship conditions of the activities necessary such as financial accounting and Value Added Tax (VAT).

1.3.2 Competition protection

The connection of Competition protection is closely related to providing support for SMEs. Competition protection regulates using of mainly financial support, in order to not cause harm to other subject in the market. Free market economy would not be free any more if it is disturbed by artificial support of some chosen SMEs. Importantly, the European Union has committed to protect free market by Competition protection as one of its policy priorities.

Competition protection represents the tool how to reach the sustainable development, stability, improving living standards and existence of common internal market. The main administrator of competition protection is European Commission with European court in relation to all businesses and national governments regulations. Therefore, on base of the Treaty of EU (1992) the European Union is supervisor in order to avoid common contracts among companies which are able to influence internal market and abuse their dominant status. Moreover, the European Union has right to give the penalties, or executes the controls or to provide the exceptions in specific cases.

On the other hand, competition protection in the Czech Republic has aim to create healthy competitiveness, constantly increase quality and decrease the prices of goods and services. Economic competition is natural way how to overtake other subjects on market, especially operating in the same filed. Therefore, misuse of competition through unfair negotiations about prices, contracts about demand or supply or illegal trusts are not allowed and can lead to criminal proceeding and prohibition of business (UOHS, 2016 and BusinessInfo.cz, 2016).

1.4 Importance and role of Small and Medium Enterprises

Enterprises act as legal entity according to law but in order to understand entrepreneurship in the practice it means to know following facts. The role of SMEs is supported by the fact of their significant participation in the European Union's market or in national economies of its Member States comparing to large enterprises. They are generally seen as important subjects for development in contemporary society because of quicker adaptability and flexibility to

change and innovation introduction. Basically, the significance can be seen: firstly, as social benefit which leads to autonomous realisation of people in productive age and as the opposite to political power. Employees in SMEs are more responsible and conscious about potential failure; therefore the commitment to work is bigger which also supports stable society in regions and in country. Secondly, the economic benefits according to Fetisovová, Vlachynský and Sirotko, (2004) support the meaning of SMEs given by creation of goals such as:

- » **Profitability** – such as all companies, the SMEs have the aim to maximise profit
- » **Specific production** – mainly specialised goods and services which do not attempt to large enterprises for their production
- » **Middle class creator** – strong economy requires constant support of this strong social class, which is sort of life style where the people create bigger value for whole society and economy by doing activities they like

Moreover Fetisovová, Vlachynský and Sirotko (2004) provide arguments that SMEs are seen as drivers for economies and their importance is amplified by the general functions of enterprises which help to reach the goals and eliminate the risk. The functions are divided to two main divisions as hierarchic and economic functions. The hierarchic division consists of five main following functions:

- » **Production function** – as the transformation process based on automation and natural processes where the inputs in the form of factors of production are transformed to products, outputs.
- » **Business function** – is the realisation of inputs and outputs, and its specific characteristics are buying of the factors of production and selling the goods and the services. This function is complemented by sort of market analysis and marketing function.
- » **Economic function** - SMEs are significant supporters of goods and services for market with the close relation to customers and creating respectable value.
- » **Social function** – the right for free entrepreneurship and business activities and independence for businessmen to fulfil own and social needs.

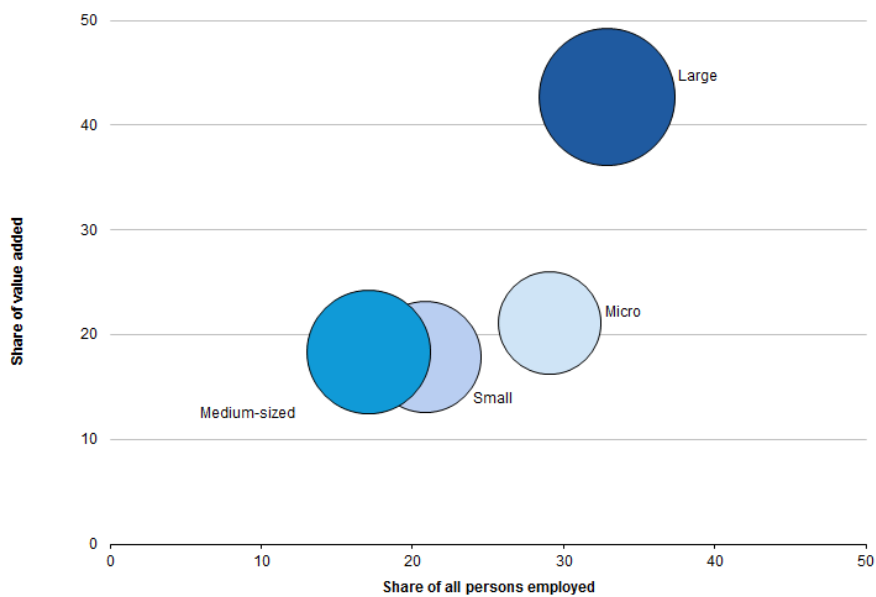
- » **Judicial function** – is the aim of enterprise to enter business-judicial relations as independent subject under own name with the full responsibility for all activities and commitments (Beaver, 2002).

From the economical function, firstly, the social function lays in providing employment for inhabitants in country, where they develop their personal skills and education. Employees are responsible for their work and enhancement of environment around led by the management. Secondly, the economic function is represented by quick adaptability of SMEs to change in the market. Moreover, in time of economic crisis SMEs still more less secure the production and delivery of goods and services. Thirdly, employment and conjuncture function has the aim to create vacancies for people also in demanding economic times. Since the structure of SMEs has not been so huge, more people can be hired very quickly and effectively.

Further functions include function of market supply where the SMEs are able to react very promptly to the market changes; customers need a feedback and lead effective transformation in order to fill the market by tailored goods and services. Structural function helps to diminish the regional disparities in regions. Function of export base, helps to secure export policy. Function of grow, is for securing access to innovations and important investors altogether with the function of education and business culture (Fetisovová, Vlachynský and Sirotko, 2004).

1.4.1 Importance of SMEs in the European Union

SMEs are considered as the backbone in the European Union's economy. The number of SMEs in the European Union is more than 20 million which represents 99,8% of all businesses and creates the most jobs (see Appendix 1, 2 and 3). The considerable employment rate in the European Union of 67,1% is created by SMEs. Additionally, the Gross Added Value (GAV) represents 58% which are recorded by GAV which measures the amount of goods and services produced, less the costs of raw materials and inputs (Investopedia, 2008). Therefore, the SMEs are definitely key partners in creating local and regional communities in our society (Ec.europa.eu, 2016). The formation of activities supporting development of SMEs requires positive access to the needs mentioned in Graph 1, Chapter 1. Additionally, as Belanová (2012) supports, the SMEs have been seen key source of economic growth, flexibility, new products, job creation, social integration and innovations in the European Union.



Graph 2: Proportion of Small, Medium-Sized and Large Enterprises in EU market (Source: Eurostat, 2012)

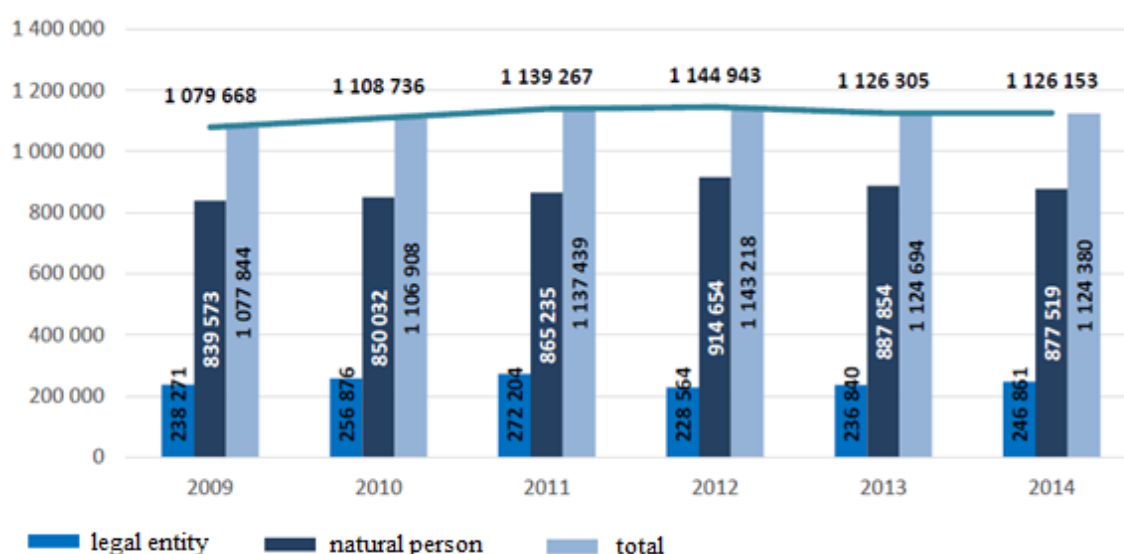
The whole European Union's decided to support SMEs by the European charter for Small and Medium-Sized Enterprises (2000). This document also calls for bigger attention in all Member States in terms of:

- » More educational programs and availability to obtain business knowledge for entrepreneurs
- » Simplifying of tax and financial – EU and national levels
- » More effective and cheaper establishment of business
- » Technical development and better online services
- » Support of national programs for SMEs and legislative recommendations in order to secure more advantages and high quality for SMEs (European Charter for SME, 2000).

Additionally, the Charter (2000) considers SMEs as the crucial base and advantage in European economy comparing to world economy. SMEs are the solution for employment, business and market development implementation of new goods, services and innovations (Vodáček, and Vodáčková, 2004).

1.4.2 Importance in the Czech Republic

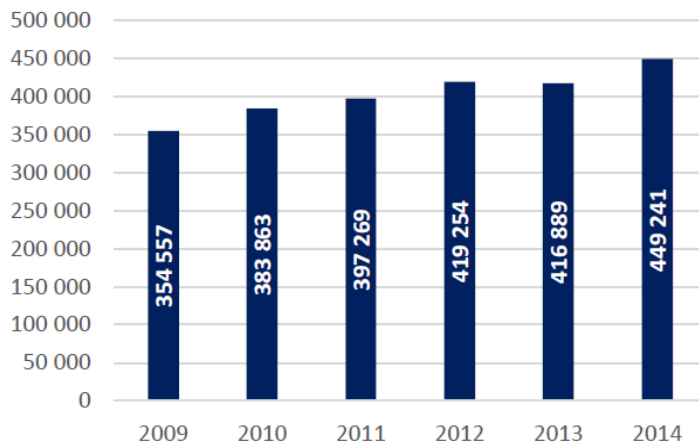
Like in the European Union, SMEs in the Czech Republic plays significant role as well. According to above mentioned criterions of SMEs, the 99, 8% of all enterprises are considered as SMEs (see Appendix 4). Comparing to large enterprises, the importance of SMEs is supported by high share on employment. SMEs provide employment for 60% of employees in the Czech Republic with the same 53,3% added value in country (mpo.cz, 2014). The development of SMEs is seen in following graph:



Graph 3: Development of number of SME 2009 – 2014 (Source: Czech Statistical Office (Czso), 2014)

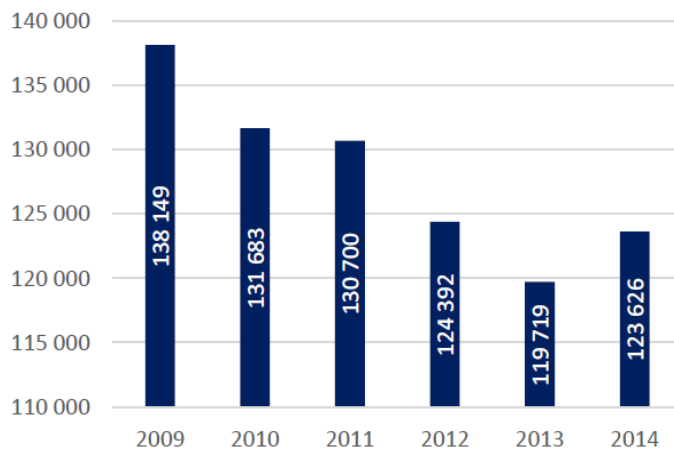
Graph 3 demonstrates moderate decline in number of SMEs from 2013. Although, the Czech Republic has a constant aim to support SMEs, the report from Doing Business.org (2016) ranked the Czech Republic on 36th position, comparing to year 2015 with the rank on 33rd position.

Importance of SMEs in the Czech Republic dominates in four biggest business sectors. The first strong industrial sector is represented constant growth in number of SMEs from the after crisis in 2009. The only weaker year 2013 brought the decline just around 0,38% (Graph 4), but the date from 2014 confirm that the sector employed almost 0,6 million employees. The average wage rose by 2,6% and added value increased from by 7,76% in 2014.



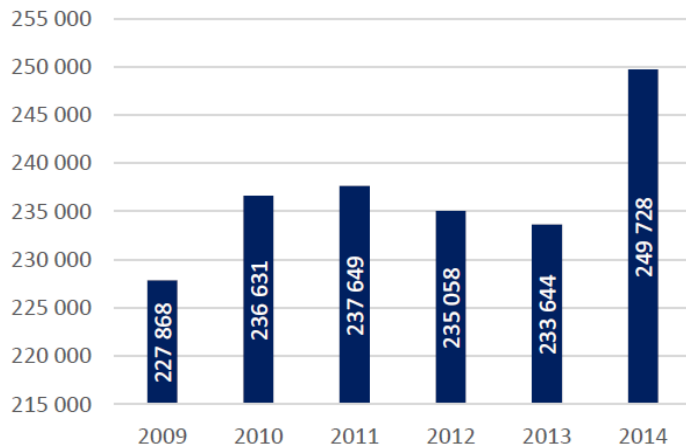
Graph 4: Added value of industrial sector of SMEs in the Czech Republic in mil. CZK (Source: Czso.cz, 2014)

The second most popular business sector is represented by construction sector, see Graph 5. However, constant decrease in number of SMEs from 2009 the sector has recorded a significant transformation. In 2014 the number of SMEs rose again by 2,9% but the wages fell by 3,3%.



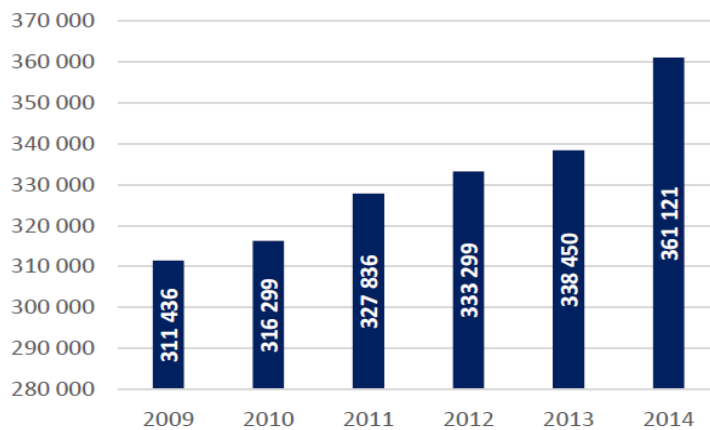
Graph 5: Added value of construction sector of SMEs in Czech Republic in mil. CZK (Source: Czso.cz, 2014)

Oppositely, the trade sector has recorded the most significant grow in number of SMEs after the year 2009 (see Graph 6). The added value increased by 6,9% in 2014 and has growing tendency since the trade sector is still more attractive and occupies more place in the market.



Graph 6: Added value of trade sector of SMEs in the Czech Republic in mil. CZK (Source: Czso.cz, 2014)

Fourth, the largest and the most important business sector is represented by service sector (see Graph 7). The SMEs employed almost 0,4 million employees and contributed with the added value by 6,6%. Moreover the overall investments in service sector increased in tangible and intangible assets by 6,68%.



Graph 7: Added value of services sector of SMEs in the Czech Republic in mil. CZK (Source: Czso.cz, 2014)

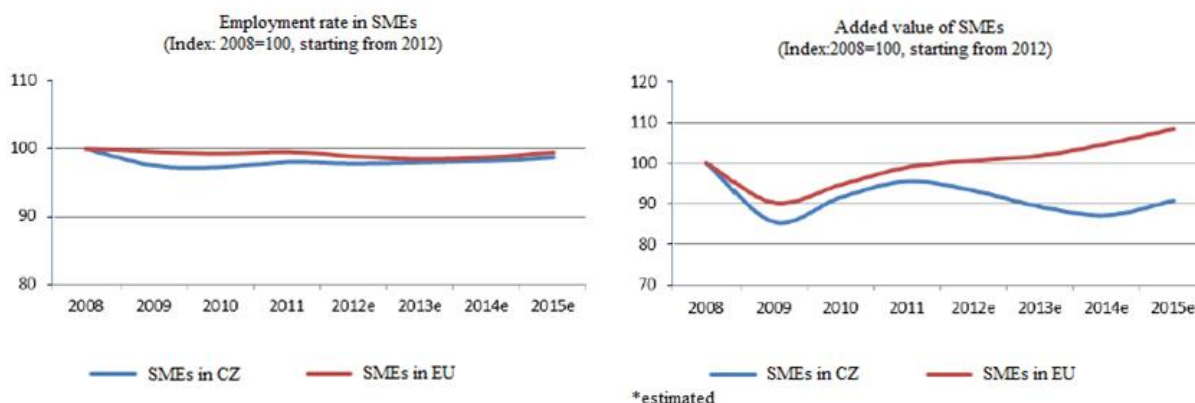
Investments of SMEs reached the 7% growth which helped to reach the average wage of 800 € per month. This fact also reflects international development and export growth in the strongest industrial and business sale sector in the country. Statistically, the export share of SMEs is bigger than of large companies, especially to neighbored countries. This growth in production is based on subcontracted relations with larger companies, therefore if the large

companies export, SMEs are given systematically opportunity to export as well. Further statistics recorded export to countries out of Europe with share of 49% in 2015 (30% in 2012).

Table 3: Export share of SMEs goods and services in the Czech Republic (Source: Czso.cz, 2014)

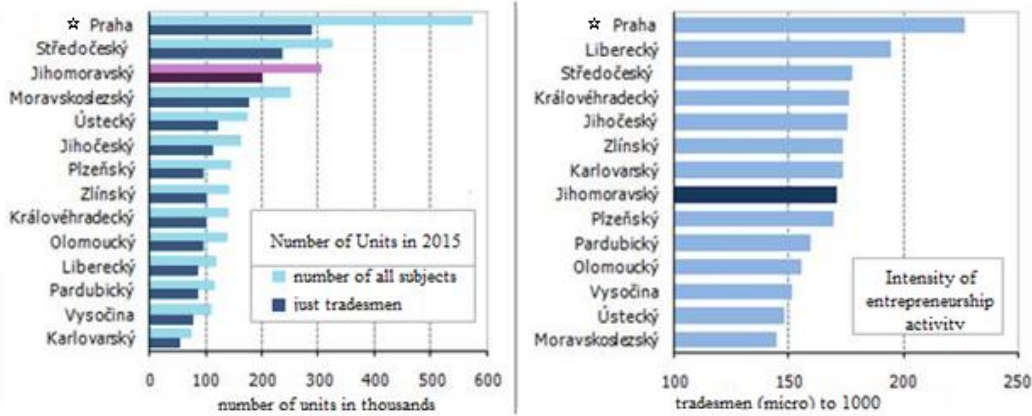
Business Sector	Total export share in %	
	2013	2014
Machinery and vehicles	54, 9	54, 9
Crude materials	17, 3	16, 5
Industrial customer goods	11, 8	11, 8
Chemicals + related goods	6, 4	6, 6
Food and live animals	3, 7	3, 6
Mineral oils	3, 0	2, 7
Raw materials	2, 7	2, 4
Beverages and tobacco	0, 7	0, 7
Animal and vegetable oils	0, 3	0, 3
Others	0, 2	0, 5

Further significance of SMEs in the Czech Republic is proven by employment rate and overall added value of SMEs. Number of employees approached to EU average in 2013 and the share of employees on overall number of business in the Czech Republic declined to 59, 39% in 2014 of 2,62% in 2013. Development of added value was influenced by the crisis which the rapid decline in 2013, but from 2014 added value constantly continues to grow.



Graph 8 & 9: Employment rate and overall Added value of SMEs in the Czech Republic in mil. CZK (Source: Přehled údajů SBA, 2014)

Additionally, importance of SMEs in all regions of the Czech Republic is shown on following Graphs 10 & 11 which demonstrate the strong numbers of business units. South-Moravian Region is placed on third place as third the most developed region and beyond capital region of Prague and its neighboured region Stredočeský region with dominance in industrial and construction sector. On the other graph, the intensity of business activity shows the number of tradesmen or micro entrepreneurs to 1000 inhabitants. Lower position of South-Moravian Region is caused by strong representation of large companies employing more inhabitants.



Graph 10 & 11: Number of business units in register and business activity in regions (Source: Czso.cz, 2015)

Additionally, the statistics about the significant number of SMEs in South Moravian Region support the role of SMEs in region as well. The Table 4 demonstrates growing tendency of SMEs from 2013 which serves as evidence of growing interest of entrepreneurship-

Table 4: Number of economic subjects in South Moravian Region 2013 - 2015 (Source: Czso.cz, 2015)

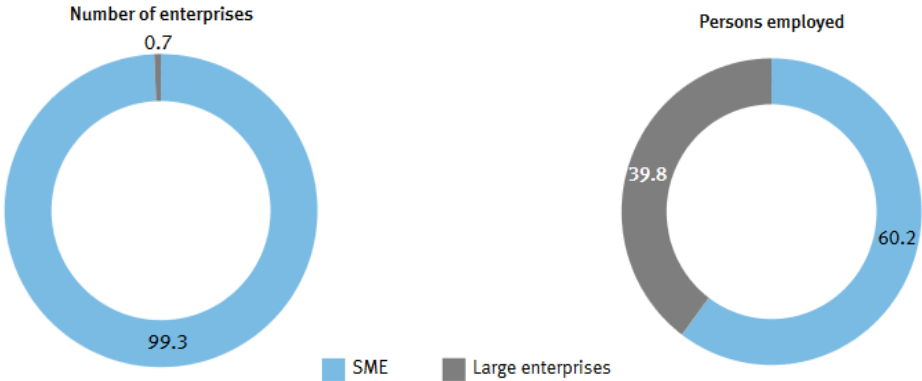
Size	2013	2014	2015
Micro	25 847	95 433	95 476
Small	5 193	26 455	26 358
Medium	1 162	5 199	5 227
Large	218	1 174	1 196

1.4.3 Importance of SMEs in Germany

The above mentioned the Czech Republic belongs to among so called post communistic countries where the origin and development of SMEs began later on after transformation of

central economy. To compare where the Czech Republic would be without communistic regime would lead to similar situation as in Germany or another western country. This chapter provides statistical data about SMEs in Germany as the biggest driver of European economy.

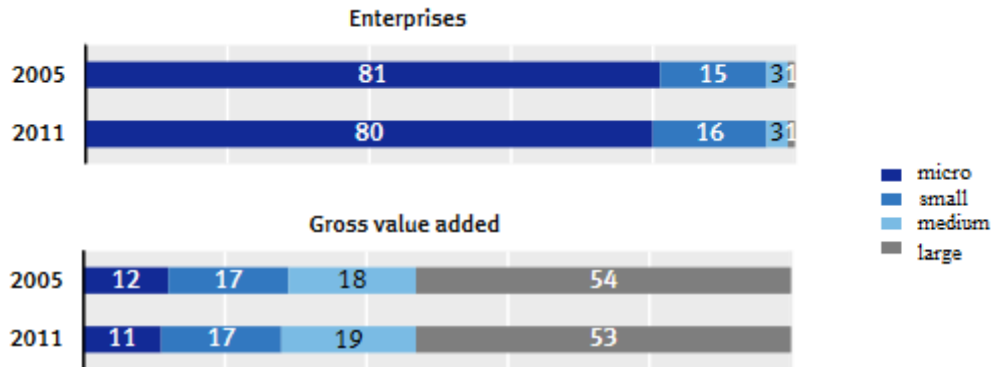
Statistics say that the SMEs in Germany create 99% of all enterprises. The employment rate is more than 60% as seen in Graphs 12 & 13 what represents ins fact 26.2 million of people working in SMEs. The exact number of SMEs depends on a sector. In particular with occasional changes in the order, the most dominated sector were construction, accommodation services and then food services, especially energy supply. It is evident that the SMEs dominate the economic market in Germany similarly as it is in whole European market. Therefore, the decision makers in government always try to pay attention to SMEs and provide steps how to support them.



Graph 12 & 13: Proportion of enterprises and employment in SMEs Germany (Source: Oecd, 2016)

Moreover, the data obtained from 2011 show that in German markets SMEs dominate in wholesale and retail trade where almost 0,6 million SMEs operates, following almost 0,4 million in scientific and technical activities and almost 0,25 million in construction.

The significant role of SMEs in Germany is supported by constant high number of microenterprises as seen on the Graph 14 & 15 between years 2005 and 2011. Moreover, the GAV as shown on the second Graph 15 did not changed significantly over the years and is still kept by the SMEs support.



Graphs 14 & 15: Number of enterprises and GAV of SMEs in Germany (Source: Oecd, 2016)

German SMEs have a different perception of enterprise dependency. Most of dependent enterprises are medium enterprises that mean that more than 25% are in ownership of another company in so-called partner company, or in linked company if the ownership of another subject represents more than 50%. Such companies with strong dependency especially belong to electricity, gas or water supply, mining or manufacturing sectors. This dependency is proven by the supportive fact that German SMEs are very active on the international market. The most of parent companies of SMEs came from countries such as Netherlands, Switzerland, USA, United Kingdom, France, or Austria.

Therefore, the situation of the Czech Republic without communism would bring a brighter situation in the SME market. Nevertheless, the reality as seen in chapter 1.4.2 shows a really significant and fast change after the transformation of the central economy of the Czech economy among the developed economies in Europe and in the world (Oecd, 2016).

1.5 Advantages and disadvantages of SMEs

The importance of SMEs has been proved on many statistics and examples on European and national Member States level. In comparison to large companies, advantages and disadvantages are considered as more-less the same for each environment or business market. As following authors would agree, the advantages and disadvantages of SMEs are seen as almost balanced, nevertheless the significant numbers of SMEs are accompanied by specific benefits which exceed the negatives. Moreover, the negatives can be removed by systematic government's aim.

1.5.1 Advantages of SMEs

According to Malach et. al. (2005), the main advantages of SMEs are characterised by following results:

- » **Flexible reaction to changes** – is based on more sensitive perception of market changes and capital changes. SMEs are not limited by huge amount of capital or suffrage, therefore they are able to reorganise the subject of entrepreneurship and to undergo relative short and more effective decision making which results from its simpler structure.
- » **Innovation attitude** – there are less limiting factors in terms of SMEs and the enterprises have bigger space for innovation and their introduction to practice. Moreover, the new innovation is done with less cost and in case of unexpected results the situation can be renewed with lower costs.
- » **Employment opportunities and new vacancies** – the main reason lies in the fact of lower costs to employee. Moreover, the vacancies are completing the gaps made by large companies and they disinterest. Typical example is that employees leave large company and start their own business which does not need large organisation structure and offer closer relationship between manager and workers.
- » **Crisis resistance** – SMEs are ready to take immediate decision which have impact on whole company in short time and is proven by flexible reaction to change with low costs.
- » **Development of disadvantaged regions and municipalities** – many municipalities are dependent on import of many goods and service and face huge unemployment and migration to work. SMEs offer solution how to support local market and employment with lower costs.
- » **Entrepreneurship development and education in society** – many of SMEs are supporters of change and awareness of local need of its inhabitants. This need is

connected to access to goods and services and acknowledgement of activities and how businesses contribute to development their lives.

- » **Specific goods and services** – providing goods and services which are not interesting for large companies. Moreover, these goods and services are more custom made and produces with specific requirements of customers Synek and Kislíngrová (2010) support.

Additionally, to above mentioned, SMEs contributes to regional development by significant benefits in competitiveness and healthy entrepreneurial environment which is against monopolies. Similarly, SMEs supports plurality and free society and significant human capital development. Their policy is more dynamic, stand for creative solutions with close contact with customer, Klímová (2009) adds.

1.5.2 Disadvantages

Malach et. al., (2005) also state, that SMEs are also confronted to disadvantages which provides critical reflections and should be taken into consideration in creation of structural programs and development of SMEs in EU.

- » **Lower financial capital** – which creates limits in size of production and limited possibilities to reach economy of scale. Moreover, low capital capacity made financial institutions not interested in offering and financing their activities and consider them as risk group. Therefore, SMEs have to be more effective in organising finance.
- » **Ability to liable for the commitments** – is connected with lower financial capital that makes SMEs less trustworthy.
- » **High administrative burden, marketing and research costs** – many of SMEs try to lead effective operation without unnecessary processes and marketing cost which sometimes weak the enterprise in obtaining new customers.
- » **Higher business risk** - if the company survive depends on many other subjects such as government or social changes. If the government decides to support large

companies, SMEs are given opportunity to grow in case if government supports national and regional self-sufficiency.

- » **Intensive work conditions** – SMEs are always places in limited capital background and therefore they need to struggle with competitiveness. To succeed in SMEs means to work hard and put more work effort in the role of a manager and all employees without exception.

- » **Suitable workforce and employee care** – is a presumption for hard work and common participation on vision of the company. SMEs are usually not able to give huge financial sources to looking for new employee, therefore the process have to be with the highest care. Moreover, SMEs have to support trust and health human relations among them and with managers.

Typical example for SMEs is inability to reward the employee with sufficient wage as the competitors and therefore when a SME employs any workforce and invest the financial resources to training and know-how, what usually happens is that employee decides to leave the company because of higher salary in another company. Moreover, the owners of SMEs have to usually stand for more roles in a company and they are unable to exploit the full potential of their workforce which also contributes to employees' leave Synek and Kislingerová (2010) conclude.

1.6 Opportunities and barriers of Czech business environment

Based on above mentioned, economic level of Czech market has good assumptions to belong among the leading countries of fast economic development in post communistic countries. Nevertheless, Czech economy face some challenges and barriers which do not help to SMEs development in terms of discovering innovation potential and internationalisation processes connected with spreading business abroad, as Tabas, Beanová and Vavřina (2011) claim. The sad fact is that these barriers have not been significantly changed from EU Accession in 2004 and or the process of change is constantly very slow and bureaucratic because of other priorities of government, Malach el. al. (2005) support.

1.6.1 Opportunities of SMEs in the Czech Republic

The SMEs in the Czech Republic have good conditions to create competitive business environment and to produce quality in goods and services. The biggest opportunity (defined in Infographic from Chapter 1) is to develop trade to foreign market through support in expansion and internationalization in order to find more customers. OECD (2009) calls these opportunities as the barriers to internationalisation of SMEs in the market. Consequently, to know these barriers means to transform them to opportunities in the Czech Republic, especially in South-Moravian Region that has big advantage in introducing new products and services because of the large innovation and research innovation centres altogether with enough potential in Middle Europe.

Moreover, the support and development program is country and region provides wide range of services how to support particular enterprise in its needs. Therefore, alongside with production of goods and services in industrial and craft sectors it is important to support educational and informational activities which would familiarize the public about the importance of SMEs in country and region mostly through new infrastructure and good qualification. These activities should be also concentrated to companies themselves in a way where to find support for business and what development opportunities are offered there (Mpo.cz, 2013).

1.6.2 Barriers to development and current challenges of SMEs

Tabas, Beanová and Vavřina (2011) generally name the biggest factors that influence SMEs development. The barriers are divided into four groups, as follows: the main problems lay in government perception of support, legislation, tax policy and regulations. The second group represents access to financial resources, third group consists of research and development initiatives and the last four factors are summed in company own perception of institutions and support. The barriers to development of SMEs used to be the same through all business sectors. Moreover, Madrid-Guijarro et. al. (2009) say, that the barriers can be divided to external and internal. From external barriers represents: lack of financial resources, inappropriate human resources, high cost and high risk and from internal resources: lack of information, lack of government support and unstable business environment. The following paragraphs bring the discussions about the most current and challenging barriers for Czech market:

- » **Legislation** – there was big increase of SMEs soon after revolution in 90s and government approved many laws to secure working economy. Nevertheless, the requisition of the law has not any certain condition, therefore the legal act is not working properly. Moreover, the high administrative burden causes that taxes are the reason of decline of many SMEs.
- » **Taxes** – on the one hand there is frequent changes in tax law restatement, which complicates administration of tax law and on the other hand the whole tax system is very disarranged and complicated comparing to large companies.
- » **State regulations** – any exaggerate interference of state power to free market are the reason of limitation in many fields of SMEs. The state power' decisions are often not well discussed and lead to unconstructive restrictions.
- » **Limited access to capital** – bad access to financial resources causes insufficient development and the inability for SMEs to obtain bank loan because of untrustworthiness to repay obligations. Bank prefers to provide a loan for larger subject with long lasting obligations.
- » **Insufficient demand** – is a barriers connected with higher level of public administration, particularly lower economic performance in Eurozone after crisis. The slowdown of international trade demand caused in many SMEs problem with sales of goods and services. Recently, the Russian restrictions cause loss of European supply. Moreover, as Malach et. al. (2005) once pointed, actually, the current situation in Britain with Brexit can lead to unexpected decline in demand.

Internal barriers consist of insufficient know-how, mainly of manager of SMEs, especially younger who do not have low experience with private entrepreneurship. Furthermore, barriers are not good or sufficient motivation of people and employee and low level of their expertise. Each SME constantly facing these internal barriers and to bring effective solution can be in establishing longer time for planning and concentration to specific and particular activity and become an expert, as Messina (2015) adds.

The Czech Republic as a Member State of EU is addressee of document called *Small Business Act* for Europe (SBA) approved in 2008 which consists of political actions toward SMEs

development divided into main chosen principles of governments and demonstrated in Graph 5 and 6.

Government of the Czech Republic considers development of skills and innovations which should improve access to finance and the most current needs of SMEs. Nevertheless, there should be taken many actions to balance the EU average. Moreover, the Second chance principle standing for settlement of insolvency reduced from three years to two. The biggest problems still remains in supporting in dynamic administration and internationalization but it makes all other principles average which can be achieve through giving more attention and awareness of the SMEs (Přehled údajů SBA, 2014). For deeper analysis see Chapter 2.1.7 of Czech SBA and comparison to Germany in Chapter 2.1.8.

1.7 The role of business plan in SMEs

The additional part of SMEs support and development is a business plan. Most of new businessmen still try to avoid a systematic plan of activities and their aim to do business often times ends desperately. Following chapter provides brief guidance about the role and reasons why the business plan is still valuable part of a business. Moreover, the business plan is still the first most important tool used as the gate to any kind of application for support or development, as Ministry for Regional Development of the Czech Republic (2016) argues.

Many experienced businessman agree that although it seems that business plan is no more important or the businessmen do not have enough time to create one there are main reasons why the business plan is wanted. The business plan provides clarity about what the business is doing and is going to do. It acts like a map of the future and manage cash flow. Moreover, the market can be also understood more when is analysed. Activity without plan is just empty act. The business plan helps to make you accountable and deliver your message, Additionally, it establishes a kind of benchmark where the businessman can compare different time periods and check the improvement of remaining challenges and support growth (SmallBizTrends, 2013).

Klímova (2009) also advises about different types of business plan which can be used for SMEs:

- » **Elevator pitch** – as the presentation in elevator is short half a minute lasting presentation which should invoke the attention of a potential supporter.

- » **Executive summary** – is a short introduction to a business plan.

- » **Abbreviate business plan** – consists of all structure headlines but with just short description of main intentions in order to keep business secret.

- » **Rife business plan** – more descriptive version which is given to potential investors signed in Non-Disclosure Agreement which obliges an investor to use the information just in case he is decided to support particular business.

Author if thesis mentions the most current used business model in business environment how to answer the questions stated in paragraph above and how to innovate any business model simply and more effectively by Business Model Canvas (see Appendix 5 and 6).

2 Analysis of support and development possibilities for Small and Medium-Sized Enterprises

The European Commission and the national governments are aware of the constant need to support the SMEs in their activities. All programs and assistance are an important part of business environment which should support employment and competitiveness of SMEs. Among many challenges face by SMEs, particularly, public support constitutes counterweight to insufficient amount of own capital and of impossibility to get the loan which is to help to stabilise business environment of SMEs and bring bigger demand in goods and services, increase in economic growth and bigger awareness of business in region (Klímová, 2009).

Klímová (2009) claims, that public support for SMEs has two points of view. The first, favourable attitude has good impact on empowering small and medium-sized entrepreneurship in region, eliminates the barriers to entrepreneurship, support of innovation development and its positive application to practice.

On the other hand, public support can cause harm to SMEs or other subjects which are not provided by any public support and their operations are performed just with own sources. Therefore, support of one subject should not damage another subject or subjects in another Member State as well.

Regarding business sectors, namely, health or education sectors are sectors where the public support is considered as very useful. All supporting activities realised through organs of EU or its Member States must observe the regulations and obey the law given by the European Union and the Member States', Klímová (2009) concludes.

Talking about financial support, generally, the public support is forbidden, but it is allowed in case of legal exception defined by law, for example according to Treaty establishing the European Community (1992), the public support is strictly regulated and in case if the support is provided in incompatibility with internal market, the receiver has to return whole grant with interests included. The Treaty presents four criteria the supporter must be aware of in providing a funding: *the support is provided by a state or from public sources; this support gives advantage to certain sectors or enterprises; the trade among Member States is affected and finally, the competitiveness of the market is sort of disturbed.*

Anyhow, grants and funds are seen as an easy way of access to financial resources for free which then can lead to improper handling and corruption. Because of the fact these public supports are one-off issues the SME which was received a grant will always be in more competitive position in comparison with other SMEs and therefore, thorough analysis of the company's market share and definition of relevant market where the company intends to sell have to be carried out, in order to assess real competitiveness of applicant. Nevertheless, the money from support are given to SMEs mostly after the project is implemented, therefore a SME has to identify another source as soon as possible. The question remains, if the SME really need the public support of grants Klímová (2009) questions.

The public support of SMEs can have two divisions (see Table 5). The first division names the direct and indirect forms of support taken according to form of providing. The direct form is simply form directly provided to business. Since the direct support is considered to be very controversial because it used to be provided just to limited number of applicants and it can harm other subjects. Therefore, the conditions are strictly defined in legislation (Malach, 2005).

Table 5: General divisions of SMEs support (Source: Author according to Klímová, 2009)

Business Support	
Form of providing	Administration
Direct	EU level
Indirect	National level
	Regional level
	Communal level

Direct forms of support can be provided in form of donations, repayable financial assistance, soft loans, guarantees or financial contributions. The common sign of these forms is that receiver does not need to return the money received, just in case of repayable financial assistance, business has to return all financial resources. Soft loans provide advantageous interest rate or longer repayment term and are good option if case the business is not allowed to obtain the loan from bank. In terms of guarantee a business is provided by the loan from a bank but State provides guarantee for this loan. Financial contributions are bound to specific purpose, for example accreditation or qualifications in business processes. Particularly,

financial resources are provided to approve project which has the aim helping broader society or more businesses.

Further division consists of mainly, dividing of financial support for development of SMEs as see in Table 6, which demonstrates the structure of internal and external financial resources. Moreover, the Table 6 provides brief outline of support dividing into Bank, Public and Other sources. We are going to analyse in the following chapters the possibilities of support and development for SMEs from EU and national level of the Czech Republic. Additionally, the Chapter 2.3 presents other possible sources of financing SMEs in terms of Czech market, such as: Venture Capital and Business Angels, etc

Table 6: Structure of internal and external financial instruments (Source: Author adapted on Režňáková, 2012)

Financial Resources		
Internal	External	
Founder finance (Personal sources)	Bank loans	Bank sources: - Long-term - Mid-term - Short-term
Retained profits	Bank overdrafts	Public sources: - State aid - EU Funds
Family and friends	Business angels	
	Loans and grants	Other sources: - Venture capital - Business angels - Factoring, Forfaiting, Leasing

Among indirect forms of support are activities which help to improve business environment, therefore the financial resources are not sent directly to particular business. For example, indirect forms of support are provide through establishment of consultancy and advisory centres, lists of consultants in country or web applications. Furthermore, the indirect support

contributes to simplifying administrative burden and bureaucracy in terms of legislation changes. For example, establishments of business, particularly through online services or establishment of central business register for quicker enrolment (Malach, 2005 and Klímová, 2009). Secondly, following the dividing of the business support, Business Support document (Mpo,cz, 2007) of Ministry of Industry Business in the Czech Republic divides general and specific form of support.

The scope of general forms involves:

- » **National programs** for SMEs development
- » **Operational programs** – from Structural Funds
- » **Research, development and innovation** support
- » **Employment market** – in charge of Ministry of Labour and Social Affairs
- » **Information, advisory, education**
- » **Banks loan and venture capital** – provided by private sector

And the scope of specific forms belongs to:

- » **Energetics**
- » **Internationalization and export**
- » **Quality support**
- » **Environment**
- » **Tourism**
- » **Agriculture**

Finally, the third dividing as Malach (2005) concludes, the forms of support are divided from geographical view as transnational, national and regional. From transnational forms of support is known for example CIP - *Competitiveness and Innovation framework Program*. National forms of support are in the competences of Ministries for whole country supporting regions apart from capital region where the support is executed through Operational program documents, for example *Operational program: Entrepreneurship and innovation*.

2.1 Support of SMEs from the European Union

Business support for SMEs is mostly based on European long-term goals among which the support of small and medium-sized enterprises lays at the first place in legislation and structural funds documents. This legislation can be divided to legislation about structural funds and legislation for competitiveness protection. Every support undermining the competitive business environment is strictly prohibited. There are exceptions which allow avoiding some restrictions in terms of public support for SMEs, support of unemployment or education and regional development support. Moreover, the support and development programs which are approved on the national level have to be approved by European Commission as well. Following projects involved are approved just on the national level. For example the Operational Program Business and Innovation had to be approved by European Commission, but projects applied in national calls do not have to be approved by EC (Treaty establishing EU, 1992). Additionally, EU recognises two basics ways of public support, in order to avoid competitive environment disruption on the market.

Support *de Minimis*

De Minimis represents support in small size which cannot influence trade among Member States and therefore there is no notification obligation. The financial support provided to one subject cannot exceed the amount of 200 000 € in during recent three years. The only exception applies to the transportation sector where the amount equals to 100 000 € under same condition. *De Minimis* support can be applied to all sectors apart from fishing industry, primary production in agriculture, coal industry exporting at the expense of domestic good or to the business which is in troubles (Regulation (EU), No 1998/2006 and Klímová, 2010).

Regional map of public support

According to Regulation (EU) 800/2008 the map defines the maximum amount of public support or investments to particular cohesion region NUTS II. The cohesion regions consist of Czech regions joint into higher units according to specific statistical measures in order to estimate approximate performance and need of support comparing to all regions in EU. Regional map of public support in the Czech Republic divides Czech regions to NUTS 2 and NUTS 3 based on number of inhabitants. As Table 7 demonstrates which means facilitating the statistical comparison and measurement of current position of regions comparing to other region in EU and provides easier way how to assess the development and growth of region.

Table 7: Statistical classification of regions in EU Source (Author according to BusinessInfo, 2016)

NUTS Classification		
NUTS	NUTS 2 (8) Cohesion Regions	NUTS 3(14) Regions
	Praha	Praha
	Střední Čechy	Středočeský
	Severozápad	Ústecký
		Karlovarský
	Jihozápad	Plzeňský
		Jihočeský
	Severovýchod	Liberecký
		Královohradecký
		Pardubický
	Jihovýchod	Vysočina
		Jihomoravský
	Střední Morava	Olomoucký
		Zlínský
	Moravskoslezsko	Moravskoslezský

2.1.1 Legislation and recommendations of EU

Legislation governing structural funds of the European Union, about financial expenditures, propagation and executive are given in:

- » Regulation (EU) of the Council of the European Union No 1083/2006 and Regulation (EU) of the European Commission No 1828/2006 with delivering rules about European Fund for Regional Development, European Social Fund and Cohesion Fund. This regulation is a basis use of fund for given program period 2014-2020. The document describes processes, rules, evaluation, financial management and execution of programming and partnership.

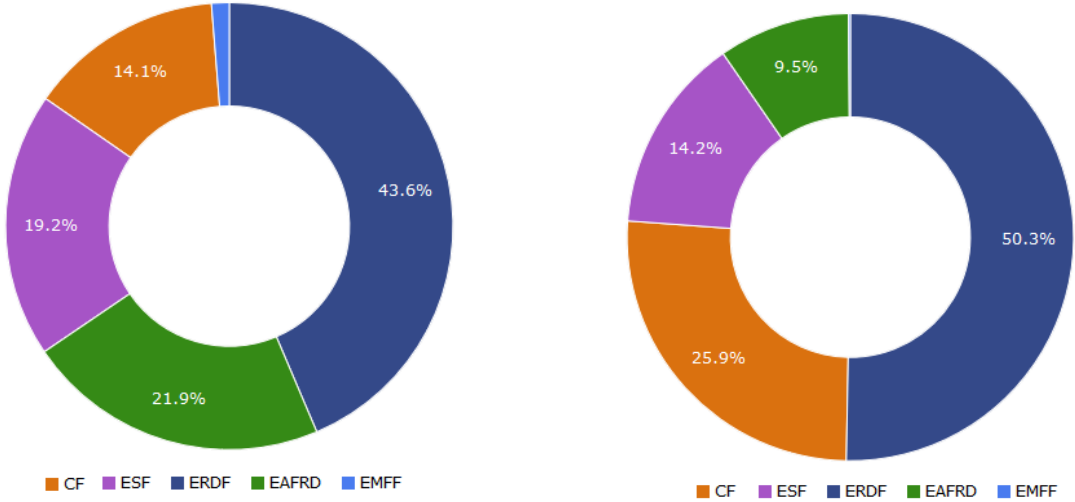
- » Regulation (EU) of the European Parliament No 1080/2006 on the European Fund for Regional Development delivering activities which are allowed to be financed from the fund. The role of EFRD is to reduce the regional divergences among regions in EU Member States with the goals of regional competitiveness and employment and European regional cooperation through investments to vacancies, infrastructure, regional development of municipalities and environment.
- » Regulation (EU) of the European parliament No 1081/2006 on the European Social Fund. The fund aims at curbing discrimination, social and demographic differences and supporting active economic population, education and equality.
- » Regulation (EU) of the Council of the European Union No 1084/2006 on the Cohesion Fund which provides support for new Member States in terms of infrastructure as trans-European transport network and natural environment protection.

Regulations to competitiveness protection given in Treaty Establishing the European Community (1992), under § 87 and § 88 define public support as an activity with four main criteria which have to be observed to be kept: support of public resources, discounting region or business sector, threat of competitiveness disruption and impact to trade among Member States.

2.1.2 European Cohesion and Structural Policy

European cohesion policy is an initiative which aims at developing of all regions in the EU into steady economic and social regions as policy of economic and social cohesion. It is kind of solidarity act from the EU where the rich countries contribute to the development of weaker regions and countries in order to reach balance and quality of life in the whole EU. Policy of cohesion is approved for 7 years period and concentrates on reduction of differences among economically stronger and weaker regions in the EU's Member States. This policy of supporting the SMEs has the priority in economic policies of the EU because of cohesion development in many different fields such as economics, social affairs or geography. The structural funds are the main tool for implementation of the European cohesion policy

Particularly, EU recognises three European and Structural Policy funds which are used as the tools of creating European Cohesion and Structural Policy. The first fund is the European Regional Development Fund (ERDF), second is the European Social Fund (ESF) and the third is the Cohesion Fund (CF). They support the SMEs in increasing competitiveness, innovation or growth. Additionally, ESF supports SMEs indirectly through programs supporting employment policy and know-how of employees. Two more investment funds concerning fisheries and agriculture are not part of the Structural and Cohesion Policy. We won't elaborate in details on them as they are more investment funds. Regarding financial resources of ERDF, ESF and CF funds are mostly provided from European Investment Bank and rarely from the European Union sources (Ec.europa.eu, 2016).



Graphs 16 & 17: Financial proportion of European Structural and Investment Funds (Source: European Commission, 2015).

Strategic aims which are in charge of this Cohesion and Structural Policy are as follows:

- I **Convergence** – development of growth and employment in less developed regions through investments into material and human resources, support of innovation, research, environment and lean administration. Financial resources are provided from ERDF into NUTS II regions where the GDP per capita is lower than 75% of EU average or if the GDP of a Member State is lower than 90% of EU average.

II Regional competitiveness and employment – financial resources from ERDF and ESF for regions which do not meet the conditions in goal I. The support concentrates to innovation development, environmental protection and increasing regional attractiveness.

III European territorial cooperation – is sort of goal I. and II. and concentrates to regional development of NUTS III regions and cooperation in transnational relation among neighboured regions (European Commission, 2015).

2.1.3 European Investment Bank initiative

Above mentioned structural tools are indirect forms of support. They which are applied through the national organs in a Member State, nevertheless European Commission has created more initiatives altogether with European Investment Bank (EIB). These common initiatives are considered as direct tools with more specific goals in order to support Convergence Policy where the SMEs can directly apply for support to EIB programs. Particularly, the following program is the most popular program designed for SMEs by EIB which remained to the new program period 2014-2020:

- » **JEREMIE** – represents the initiative (Joint European Resources for Micro to Medium Enterprises) which is offered for EU's Member States and through their national or regional authorities and provides the opportunity for SMEs to use the finance directly from Structural Funds for their support and development. The program calls for tool for better access to financial resources for SMEs. Resources from ERDF are provided in form of hedge funds, venture capital as investments to business in form of own capital, loans or guarantees (EIB, 2012).

Each SME in each Member State of the EU can become part of this holding fund through its national authorities which means sharing the management of Structural Funds altogether with finance form national resources by providing particular financial products directly for SMEs such as guarantees, loans or other financial products.

The European Union designed JEREMIE initiative in order to secure sources of finance and sources of support for SMEs in each stage of their existence. This holding fund can contact

national institutions directly or indirectly through service contact which also allows to delegate some of the tasks connected with setting criteria, appraising, negotiating, etc. To delegate to appropriate professionals, as portal Eib.org (2016) describes.

Holding fund acts as umbrella fund and partner with another organisation responsible for financial support in each different stage of company’s existence, as shown on Figure 1. Thus, JEREMIE initiative provides for example advantage of flexibility, expertise and leverage of financial sector through public/private co financing.

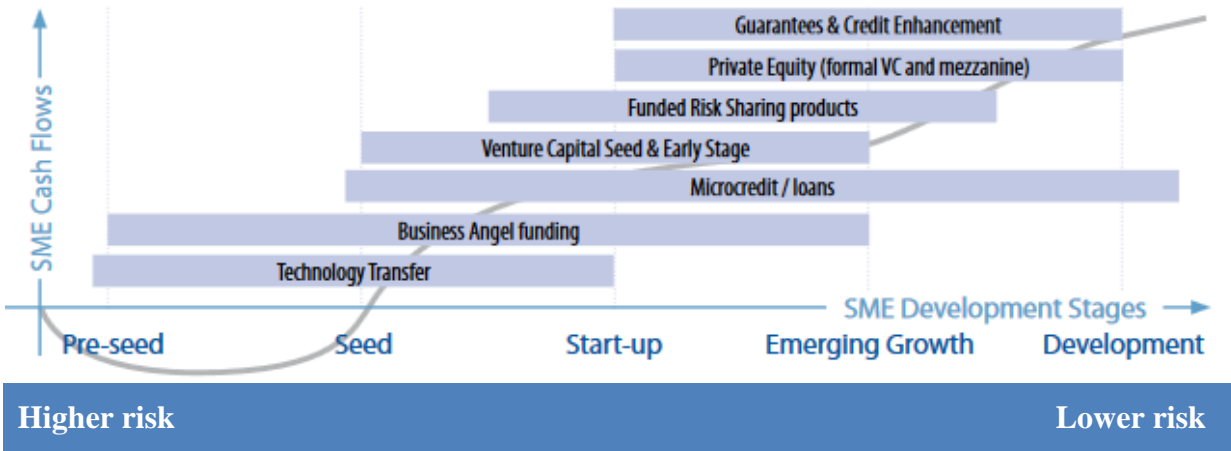


Figure 1: EIB potential products for JEREMIE (Source: Eib.org, 2016)

2.1.4 European Communitarian Programs

Communitarian programs of EU has aim at creating of deeper cooperation in problem solving in Member States of the EU and represent facilitation and simplification the strategy and financial resources for program period 2014 – 2020 based on long-years experiences consequent from support and development the businesses from structural policy. The strategy creation and the responsibility for the implementation bears the European Commission, just chosen programs are in responsibility of national authorities. The most current initiatives are analysed in following paragraphs:

COSME

Full name of program - Competitiveness of Enterprises and small and medium-sized enterprises is European program concentrated onto competitiveness and employment in European SMEs in 2014 – 2020 (Mpo.cz, 2016). The program is administrated and implemented directly from budget of the EU via European Commission according to Regulation (EU) No 1287/2013.

The program is direct successor of former Competitiveness and Innovation Program - CIP (2007 – 2013). Financial resources from COSME can be used for particular goals such as improvement of access to finance for SMEs, broader access to European markets, better business culture and better conditions for starting companies. Overall sum of money represents 2,3 billion € is divided to four main goals:

- 1 Improvement of access to finance for SMEs (60%)**
- 2 Foreign market entry improvement (21,5%)**
- 3 Improvement of competitiveness framework conditions (2,5%)**
- 4 Business support (11%)**

The whole program works on two financial tools: providing guarantees and capital growth tool. More information about access to this sources are provided by agencies for SMEs accessible online and via European Enterprise Network where the potential applicant can find current calls and more detailed condition and support (see Appendix 7a). Additionally, the responsibility of COSME in the Czech Republic is in hands of Ministry of Industry and Trade (MIT) altogether with Ministry of Finance (MF) and Ministry of Regional Development (MRD) (mpo.cz, 2016).

HORIZONT 2020

Another program supporting SMEs and managed by the European Commission falls under the program HORIZONT2020 (Mpo.cz, 2016). This is the key tool for financing of Union of innovations, that means the joint system of all European financial instruments for research and innovations such as Competitiveness and Innovation Program and European Innovation and Technological Institute. Moreover, the aim of this instrument is to support SMEs on their way to internationalise and innovation implementing products particularly made by own research and development worldwide The budget of program HORIZONT 2020 is approximately 80 billion €. Therefore, the resources are divided in following priorities:

- 1 **Excellent Science** – this priority aims at securing constant development of EU competitiveness based on research. The aim is to support the best ideas and talents in Europe and to create access to research infrastructure and increase the attractiveness of Europe.
- 2 **Industrial Leadership** – making Europe a more attractive place for investments in innovations and development, also eco innovations in key industrial sectors.
- 3 **Social Challenges** – has aim to devote resources to social issues which directly or indirectly influence the support and development of SMEs such as: health, demographical changes, health environment, food security, sustainable development, integrated transport, effective use of energy and climate protection

Information about current call, see Appendix 7b.

CREATIVE EUROPE

Further form of support is provided through program Creative Europe which joined two programs Culture and MEDIA and started in 2014. Its budget for years 2014-2020 represents 1,26 billion €.

The main goals of Program is to support economic growth and employment in cultural sector and in creative industry of artists, professional or groups in order to reach the audience of Europe and out of Europe. The program is concentrated mainly to support SMEs in creative sectors.

The program Culture contains 56% of budget which supports SMEs in their internationalisation and international mobility in project such as: European Integration Projects or Literary Translation. The program MEDIA contains 31% of budget and its aim is to increase the competitiveness of European audio visual industry, digital era and media literacy. The support is designed for independent artists, distributors, and organizations of festivals or other subjects.

The rest of budget (13%) is provided for activities connected with access to financial resources from bank institutions. The most popular tool of Creative Europe program is European Capital of Culture initiative or EU Award for cultural heritage care. More about current calls in the Czech Republic and its requisites see Kreativnievropa.cz (2016).

2.1.5 Erasmus for Young Entrepreneurs

Erasmus for Young Entrepreneurs (EYE) is exchange program which provides opportunity for mainly new entrepreneurs to learn from more experienced entrepreneurs of SMEs. The program is an analogy to Student Exchange Program Erasmus and its aim is to support know-how exchange, creating new businesses or support networking among different entrepreneurs. The plan of this initiative is to achieve 650 exchanges with 2000 newly registered entrepreneurs. Moreover, the initiative still grow, therefore the aim is to cover at least 25 countries of EU with overall project financial resources 6 million €. The responsibility on national level is in charge of Economic Chamber of the Czech Republic which also actualises the current calls (Erasmus-entrepreneurs.eu, 2016).

2.1.6 European Enterprise Network

In order to support economic growth in single European market among all initiatives, the EC has created international network for business support called Enterprise Europe Network (EEN). The main role of EEN is to support SMEs in internationalisation and international cooperation.

The main goals of EEN are to provide:

- » Empowering cooperation among business partners through integrated services
- » Constantly keep the access to quality and professionalism
- » Increase the awareness among SMEs about environmental and energetic impact of SMEs
- » Increase the awareness about structural funds and cohesion policy
- » Securing the complementarity among third subjects
- » Reducing of administrative burden

EEN is represented by more than 600 contact places in more than 50 countries. The Czech Republic is administrated in EEN through Economic Chambers in regions, Business Innovation Centres (BIC) or regional innovation centres, for example JIC as Jihomoravské Inovační Centrum (in english – South Moravian Innovation Centre) in South Moravian Region. For more information and current calls information, see Enterprise-europe-network.cz/en, (2016).

2.1.7 Small Business Act of the Czech Republic

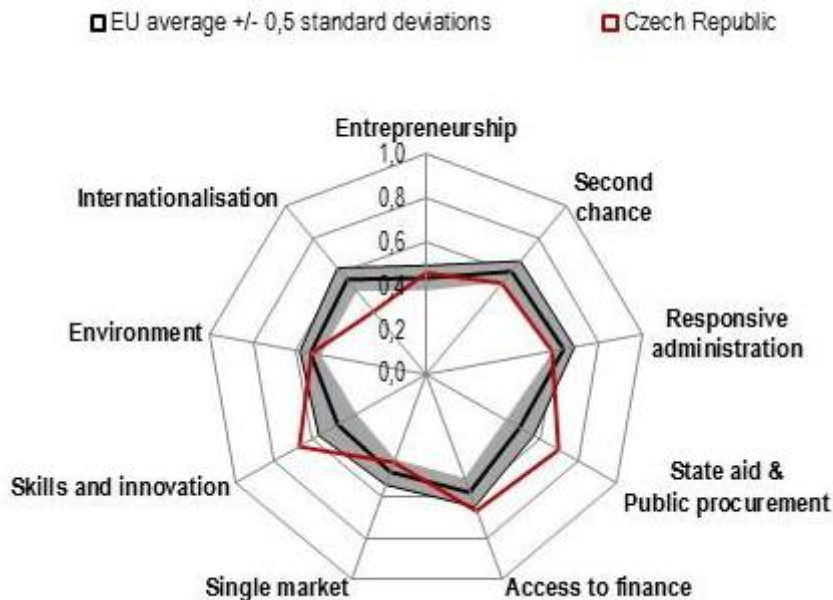
Initiative Small Business Act (SBA) represents specific initiative of EU towards SMEs. The initiative consists of ten political actions whose measurement can lead to improvement of them in practice. Ten actions are represented by following statements:

- 1 **Entrepreneurship** – creation of suitable business environment in which the entrepreneurs and family business can grow and to be rewarder for their effort
- 2 **Second chance** – to honest entrepreneurs who have faced bankruptcy quickly get a second chance
- 3 **Responsive administration** – designing of rules: firstly think small
- 4 **State aid and public procurement** – to reach the awareness and support from public administration and state
- 5 Additionally to point 4 – facilitating the access to public tenders for SMEs
- 6 **Access to finance** – facilitating the access to finance for SMEs and securing the appropriate legislative and business environment
- 7 **Single market** – exhortation of SMEs to the possibilities of single market of EU
- 8 **Skills and Innovations** – supporting skills and innovation potential of SMEs
- 9 **Environment** – help to transform environmental challenges to opportunities
- 10 **Internationalisation** – support of grow and expansion internationally

According to Small business Act diagram is very various as Graph 16 in red line shows. The Czech Republic is successful in leading of state aid altogether with skills and innovations initiatives, which can be proven by author experience through internship in South-Moravian Innovation Centre in Brno (see more in Chapter 3). On the other side Czech public administration remains very slow this has negative influence to trade and internationalisation. Therefore, the opportunities of single European market are not used maximally. Regarding other indicators, the Czech Republic has reached the average which does evoke neither success nor failure.

It is important to point out some indicators which have undergone fewsome improvements, for example *second chance* indicator has lowered from 3 to 2 years which helps the bankrupted companies to start again more easily. Moreover, from 2013, Czech government has started some improvements in accessing finance for SMEs therefore the start of new companies is supported with bigger public attention and interest.

The document supporting SMEs in the Czech Republic is called Conception of support for SMEs 2014-2020 (Mpo.cz, 2013). The domination of support belongs to especially, access to financial resources for SMEs and skills and innovation improvement. Obviously, such oriented Conception can bring risk that other indicators will be far from EU average in following years.

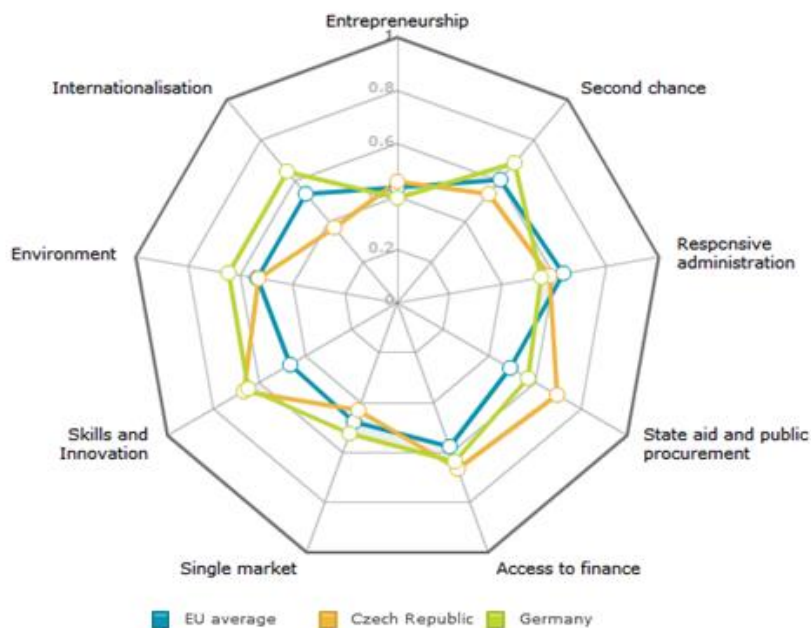


Graph 18: Small Business Act diagram of the Czech Republic, 2015 (Source: Přehled údajů SBA, 2014-2015)

2.1.8 Small Business Act of the Czech Republic vs Germany

The analysis of this thesis also compares SBA diagram of the Czech Republic with market locomotive or the most developed economy of Europe, with Germany (see Graph 17). Evaluation of German economy through SBA diagram demonstrates most of indicators far above from EU average. Although, the most developed economy has still something to improve, especially, in terms of responsive administration, entrepreneurship or single market indicators. Nevertheless, this economic leader is considered as the pattern for Czech economic future. The stagnant indicators mentioned in German economic analysis are connected with greater geopolitical administrative responsibility which is in charge of EU. Therefore, Germany stands as economy using the biggest potential in Europe. Nevertheless regarding EU community; Germany feels some limitations which can be change just in transnational EU

level. By the side, this is one of argument discouraging inhabitants of EU project of common market.



Graph 19: Small Business Act diagram, the Czech Republic vs. Germany (Source: Interactive SMEs database, 2016)

For deeper analysis, the thesis provides also comparison of Czech SBA with United Kingdom's SBA diagram in Appendix 8.

Consequently, the development policy of the Czech Republic regarding SMEs is very pragmatic with the emphasis to skills and innovation development altogether with tender access. As the SBA for the Czech Republic (2014) analyses, this development will lead to empowering the competitiveness of country in following years. Moreover, the tender access should be also possibility how to easily obtain financial support from EU. Nevertheless, most of mentioned actions are undervalued and placed under EU average. The biggest remaining challenges are firstly, *Responsive administration* which invites government to be more interested in SMEs and constantly increase awareness in public sector. Secondly, *Internationalisation* action invites the decision makers to create appropriate condition for SMEs in order to become competitive in international markets trade or obtaining know-how (Ec.Europen.eu, 2016).

2.2 National initiatives of SMEs support in the Czech Republic

Possibilities of support and development of SMEs in the Czech Republic are realised through its Ministries. Especially Ministry of Industry Trade (MIT) is the main subject supporting SMEs. MIT rules the strategic and program planning of activities for SMEs development. Moreover, MIT establishes some agencies and commissioned organisations which are in charge of particular role in business development in country. Financial resources and support costs provided for SMEs development are obtained from European Structural and Investment Funds or from state budget (Klímova 2009). Additionally, as Vojtik, 2009 states the SMEs support in the Czech Republic is created by two frameworks: Legislative and Institutional.

Legislative framework is based on Act No 299/1992 coll. about state support of SMEs which was replaced by Act 47/2002 coll. The law defines main state policy about SMEs in the Czech Republic after transformation of economic market in 1989. Institutional framework defines the placement of core competencies supporting SMEs to the hands of Ministry of Industry and Trade, Ministry of Regional Development with cooperation with other ministries. Additionally, Czech government brought changes in facilitating administrative burden of SMEs by 36,82% from 2005-2013 (Mpo.cz, 2014).

Importantly, the strategic aim of the Czech Republic is defined in new Conception of national support and development for SMEs is based on EU program period for years 2014 – 2020. The main priority of the Czech Republic is support of competitiveness of SMEs as proven in Chapter 1 and importance of SMEs in all levels. Moreover, national support has aim to create appropriate business environment, innovation development, reducing costs and constant growth of employment. This conception can be summarized in four main strategic priorities:

- » **Cultivation of business environment, consultancy** services development and **business education**
- » **Business development** based on support of research, **innovations** and **business infrastructure**
- » **Internationalization** of SMEs
- » **Sustainable** farming with energies and support of innovations in energetics

Importantly, the business support and development depends on quality of business environment which is used to be created by many conditions connected with legislation,

institutional infrastructure of market functioning, as Klímová (2009) adds and as SBA (2015) analysed.

2.2.1 Support programs of Ministry of Industry and Trade

Ministry of Industry and trade is key intermediary between European Initiatives supporting SMEs and in national initiatives supporting particular projects in SMEs. The main role of MIT is to form strategic goals and act as the first instance provides impulse about SMEs support to its regional agencies and contributory organisations. MIT's support is based on cooperation from EU operational programs and priorities which are supported from structural funds and national and regional budgets. There are two most important operational programs in new period 2014 – 2020, the program Competitiveness of Enterprises and small and medium-sized enterprises (COSME) and Operational Program Business and Innovations for Competitiveness (OPPIK/OPBIC) which are designed particularly to support SMEs in the European Union.

Operational program Business and Innovations for Competitiveness (OPBIC)

MIT's priority in European context is to support innovative SMEs whose products are results from realised research, development or innovations as stated in cohesion policy 2014-2020. This goal is realised through Operational program Business and innovations for competitiveness (OPBIC) and priorities.

OPBIC in Czech is one of operational program through which the ministries work in order to draw money from structural funds, nowadays in period 2014 – 2020. OPPB is primarily designed to support investments of Czech businessmen but also for subject of state with emphasis to SMEs and business sectors such as research, development, energy saving and ICT in its further 25 programs. OPBIC is the sequel of former Operational Program Business and Innovation (OPBI) s in 2007 – 2013. The program met the set strategic goals, made the SMEs more internationalised and empowered networking and sharing of know-how through new means such was mentioned above EEN and EYE.

The major priorities of OPBIC are presented in following paragraphs and are divided to five main priorities:

1 Research and Innovations development

Technical and non-technical innovation support and cooperation of own research and research subject. Moreover, support of activities in industrial property rights. The main goal is to support the innovation technology and innovative products and services especially in companies with own research and development.

2 Business development

There are two fields of development. First, support of competitive SMEs with limited access to external finance. Second, technical equipment innovation and purchase of new ICT is supported. This priority has aim to support SMEs which do not have enough capital to obtain external financial sources. The support is aimed to introduction of technologies and balanced regional growth.

3 Efficiently energy

This priority creates the strategy supporting SMEs in order to reduce and transform energy intensity of industrial production into green energy orientation and activities with renewable resources usage.

4 Business development services

Support programs in terms of sixth priority has aim to support development and quality of services providing consultancy and information for businessmen. The whole support concentrates especially, in starting a new businesses, implementation of innovations and technology, on regional level. Moreover, the services providing information about international opportunities and foreign markets are also developed through consultancy and marketing.

For comparison the author of thesis provides two more priorities from former program period of (CIP) 2007 - 2013 which have been managed successfully.

Formation of new enterprises

It was the first axis of former program period 2007 – 2013 which consisted of two main goals. Firstly, the attention was devoted to creation of conditions for new businesses formation, especially support of innovative SMEs. It is generally know, that there was and still is lack of motivation in society to start a business, therefore this first priority had aim to support beginners. Secondly, it continued to facilitate the access to financial resources for new

entrepreneurs. Financial resources were provided from venture capital or financial instruments such as JEREMIE program based on cooperation of private and public funds.

Environment for business and innovations

Further axis from former program period put attention to formation and development support of innovative entrepreneurship in terms of infrastructure and innovation development of SMEs and among business and educational sector. The fifth priority concentrated firstly, using of brownfields – abandoned industrial objects and secondly, to creation of cluster – regional joint companies and organisations in order to empower the competitiveness, research, development and innovation. Moreover, this priority considered alternative form of financing in so called cooperation of PPP projects – public private partnership (Mpo.cz, 2014).

Talking about conditions for obtaining financial resources in OPBIC, they are defined in particular programs' manual. Nevertheless, the general procedure includes good business plan and finding grant module suitable for company's strategic goal. The rest procedure and application is done in online account. If the application is successful organisation the applicant can start working on project. During the realisation of work administrative authorities may control whole process. Finally, it is important to notice, that financial resources are reimbursed just after realisation of project (Mpo.cz, 2016)

Hence, OPBIC has aim to support innovative potential of SMEs with the strict attention to definition of SMEs set in regulations of the European Union. The statistical analysis, of support in share of SMEs in 2014 reached 87, 9% which fulfilled given aim of business support of two thirds comparing to large companies as see in Table 8, measured in CZK. Moreover, comparing to year 2013 the number of SMEs supported in OPBI increased, especially in projects supported in category *de minimis* which symbolises projects with maximum financial support of 120 000 €.

Comparing the proportion of support SMEs with large companies in current available statistics from 2014, the Table 8 demonstrates the majority of support belonged to SMEs with overall amount of more than 2 billion € which is almost seven times more than to large companies..

Table 8: The number of enterprises in the Czech Republic and the proportion of grants (Source: Czso.cz, 2014)

Size	Number of enterprises	Grants, loans and guarantees provided	The proportion of grants, loans and guarantee
Small and medium	11 168	2 191 184 932	87,2%
Large	571	322 871 229	12,8%
Total	11 739	2 514 056 161	100,0%

OPBIC has the aim to accomplish the set goal at the end of program period. As prove, last program period ended with positive growth in indicators of employment where the 34 697 vacancies have been created. Economic growth increased to 26,2% altogether with employment increase in research and development sector with 4458 new vacancies (the goal was 3100). Therefore, from new program period the Czech Republic can expect at least the same and better results from good prepared Conception.

International technological cooperation

Program supports technological cooperation among Czech enterprises and enterprises out of Europe. The main attention is devoted to engineering, electro technical and electronic, energetics and clean technologies SMEs. The whole program was launched in 2015 based on former Gesher/Most program (cooperation with Israel). The program supports 50% of project eligible costs up to 200 000 € (support *de Minimis*). Further administration and responsibility is in charge of CzechInvest agency (CzechInvest, 2016).

CzechInvest

CzechInvest is agency for business and investments support established as state contributory organisation by MIT bas on Act No 47/2002 coll. CzechInvest has an aim to support competitiveness of businesses through supporting SMEs. Soon after the Czech Republic entered the EU, the agency became the most important supporting organisation based on structural funds and programs from EU. Agency CzechInvest has 13 subsidiaries which work on regional level. Their main role is to provide information about state and European opportunities and challenges for support. Moreover, agency accepts applications and serves and control organisation in receiving financial assistance for SMEs (CzechInvest.cz, 2016).

CzechTrade

Organisation is subordinated to MIT and its main role is support of export for SMEs. The CzechTrade concentrates to support Czech SMEs on international markets through increasing competitiveness and performance and searching partners and customers for them. CzechTrade works on regional level in many foreign countries through seat in each county and altogether with the Czech Republic Economic Chamber which helps to make business services more effective, create access to other institutions or project implementations, mostly with Export Guarantee and Insurance Corporation or Czech Export Bank. CzechTrade uses the most popular tool supporting SMEs in the Czech Republic web portal BusinessInfo.cz (Czechtrade.cz, 2016; BusinessInfo.cz, 2016 and Ceb.cz, 2016).

Business Council

Regulation of MIT Act No 34/2007 coll., the Business council was established as advisory body with inter-resort character which has aim to develop business environment and competitiveness of the Czech Republic. The head of Council is minister of MIT and the highest power is in charge of 29 representatives from public and private sectors. The main obligations of the Council are analysing of the problems of business environment of the Czech Republic; preparation of particular proposals in field of development of business; defines the problems in state support; provides recommendation to effective use of opportunities from EU and finally, cooperates with other subject of government in order to create single policy (Klímová, 2009 and Mpo.cz, 2016).

2.2.2 Support programs of Ministry for Labour and Social Affairs

Operational Program Employment (OPE) 2014 - 2020

The support programs of Ministry of labour and social affairs create active policy of employment through resources which are not directly provided for SMEs but to activities of employment participation among disadvantages and unemployed persons. The financial resources are provided from Operational Program Employment. Most of the financial sources have been exploited for realisation of employment in social offices and community services (Dotaceeu.cz, 2014-2020).

Active Policy of Employment

MLSA supports policy of employment through indirect initiatives which are not primarily intended for SMEs but for problem solving of unemployment of disadvantaged people from

Operational Program Employment 2014 – 2020. The program finances project aimed to strategic goals of employment support equal opportunities for men and women, support of international cooperation in social innovation of employment or further education. These projects have more-less character of educational seminars and courses in order to raise the awareness about business environment, possibilities and right of unemployed people. The Ministry aims to support different social group each year, for example from 2015 the priority is to support unemployment of young people up to age of 30 years which currently represent the most disadvantaged majority in domestic market not just in the Czech Republic but in whole EU.

Social entrepreneurship

Social entrepreneurship is becoming more popular in the Czech Republic and therefore Ministry of Industry and Trade altogether with Ministry of Labour and Social Affairs prepare legislation about social entrepreneurship to specify social enterprise, vision and its signs. The program “*Guarantee*” – *Záruka* has been prepared for period 2007 – 2013 to support SMEs by guarantee in applying for bank loan, especially for enterprises social intention. Social enterprise can obtain financial contribution up to almost 20 000 €. The overall number of project provided by financial support was 122 in the period from 2010 to 2014 which represents exploitation of fund just to 89%. Additionally, the support of social entrepreneurship is done through traineeship organised by MLSA and social entrepreneurship education.

National Educational Fund

This is the fund established in 1994 by Ministry of Labour and Social Affairs but nowadays it is working independently as NGO. The main role of NEF is to support development and prepare restructuring of human resources through educational programs which indirectly affect the development of SMEs. Nevertheless, empowering know-how and education can lead to strong competitive advantage of SMEs in the future (Mpsv.cz, 2016).

2.2.3 Support programs of Ministry for International Affairs

The main aim of MIA is to provide support of SMEs in entering international markets in forms of three initiatives:

Projects of economic diplomacy and export support

The main goal is to support Czech entrepreneurs entering the foreign market through support on exhibitions, trade shows or seminars and presentation activities. The most of the project had the character of nanotechnologies, informational and communicational technologies, energetics, environmental technologies, agriculture or mining industry. Geographically, the most projects had been realised in Europe 21, Asia 19, America 9 and Africa 2. Moreover, the Ministry organises international visits of minister guided by entrepreneurs from country which are part of entrepreneur missions.

Advisory Centre for Export

ACR was established by MIT, CzechTrade Agency and MIA as guidance for SMEs and large companies which search the expertise, conditions and services about entering international markets.

Projects of international developing cooperation

All entrepreneurs who want to be part of international developing cooperation are offered by regular demand of services or partner projects supporting international cooperation through Czech developing agency (CDA). Moreover, SMEs can take part on program of MIT *Aid for Trade* helping to overcome barriers in state administration and determination of condition and strategies leading to liberalisation of trade. Projects of international developing cooperation has also aim to connect the Czech Republic with more developed countries and to exchange and obtain new technology access and know-how.

Program OECD “Eurasia”

Supporting and empowering regional and national competitiveness of European and Caucasus areas. The project is concerned more about agricultural and food SMEs.

2.2.4 Support programs of Ministry for Regional Development

Integrated Regional Operational Program (IROP) 2014 - 2020

Ministry for Regional Development supports activities also executed by SMEs in terms of tourism support in local region in National support program for tourism. MRD supports regional programs concentrated to industrial subject development on level NUTS II. Financial resources for these activities are provided from state and regional budgets or from European

fund for regional development (ERDF) and through national initiative of Integrated Regional Operational Program.

SMEs are considered as big supporter of building local infrastructure, attracting tourism through activities of environmental protection and improperness of informational systems and applications to help visitors to get to the place and find the services according to their needs or handicaps (Dotaceu.cz, 2014 – 2020). There are two organisations established by MRD in order to support subject in regions and regional development:

Regional Development Centre of the Czech Republic

The main role is execution of policy of MRD and EU program implementation in the Czech Republic. Moreover, the Centre provides information about EU support programs or receives the applications (crr.cz, 2016).

Czech Development Agency

CDA is a government institution established by MIA. Its main responsibility is to identify, formulate, realise and monitor all developing projects. CDA cooperates with NGOs and commercial sector for which provides information about opportunities of EU or other subjects supporting business (Mzv.cz, 2016).

Czech-Moravian Guarantee and Development Bank

CMGDB was established by Ministry of Industry and Trade, Ministry of Finance and Ministry for Regional Development as Joint Stock Company. Some more stakeholders are partners from some commercial banks. The main role of the Bank is to help government with execution of economic policy for SMEs, their development altogether with sector development in close sphere. The Bank realise its policy through providing guarantees, capital or loans funding from state and regional budgets or structural funds from EU (Cmzrb.cz, 2016).

Development policy of CMGDB is realised through, first, national program GUARANTEE which supports SMEs business ideas through advantaged guarantee and bank loans. Second, program INOSTART which support innovative project of new starting SMEs in the Czech Republic. Moreover, the program has aim to create sustainability of these innovative projects through consultancy services. Both programs are in administration of CMGDB and more information about current calls can be obtained on the web of Cmzrb.cz (2016).

2.2.5 Support of SMEs from other ministries

Ministry of Agriculture

Ministry has the aim to support regional development activities with contribution to sustainability, environmental protection and reducing negative impacts of intensive agriculture. The activities are financed from European Agricultural Fund for regional development. This aim has four main goals: increase the quality and competitiveness of Czech agriculture and forestry products; biodiversity growth; quality of life in countryside and partnership between public and private sector in order to preserve natural and cultural heritage.

Ministry for Physical Education, Youth and Sport

Support program of Ministry for Physical Education, Youth and Sport provides programs mostly with support in research and development. The applicant can be also SEM in some cases for example in program EUREKA which has the aim to support international cooperation in terms of applied and industrial research and innovation activities. Program EUROSTARs supports SMEs in which the business consists of research and development activities. The GESHER/MOST program connects the Czech Republic and Israel in similar activities as EUROSTAR, moreover in research of agriculture, communicational and informational technologies (Dotaceeu.cz, 2014 – 2020).

2.2.6 Non-Governmental organisations

Beyond the above mentioned national initiatives supporting SMEs there are some further initiatives labelled as non-governmental of sometimes they are covered by any institution but their work is more-less independent or in accordance with superior aims. For example:

Economic Chamber of the Czech Republic

Economic Chamber is divided to communities and associations on national and regional level. The main responsibility of this organisation is to register and subsequently control the freelancers. Moreover, the Economic Chamber provides expertise and information services for its members in the form of consultation for SMEs for example, issue of the internationalisation.

CEBRE

Abbreviation CEBRE covers the full name Czech Business Representation to the EU created by Economic Chamber of the Czech Republic and Association of industry and transport, in order to present the interests of Czech business in front of European institutions and in other European business subjects in Europe, especially after entering the EU. CEBRE is guaranteed by MIT and CzechTrade agency. From 2016 CEBRE presents new brochure available for all subjects interested in international support and assistance to foreign countries 'markets (Cebre.cz, 2016).

Association of small and medium-sized enterprises and tradesmen in the Czech Republic

Is organisation gathering SMEs of the Czech Republic and tradesmen which have had created own Program of Development of SMEs. The association works in partnership with ministries and initiates the legislation processes which help to develop SMEs. Particularly, whole role of the Association if connected with legislation, tax simplifications, easier access to loans and support of employment. Moreover, the Association is member of UEPME (European Association of Craft, SMEs with more than 80 Economic Chambers in all Member States of EU (Amsp.cz, 2016 and Ueapme.com, 2016).

2.2.7 National support for Start-ups

The term Start-up represents new project or newly started entrepreneur connected with ICT or internet. The business environment for Start-ups is still not defined in Czech legislation, although there have originated about 10 000 new projects in the Czech Republic in 2013 (Mpo.cz, 2016). The gesture of support and development of Start-ups is in charge of MIT which has achieved the great positive step towards Start-ups up to now and it was caused by the general lowering of administrative burden which also touched Tradesmen and new businesses. The biggest challenge for new the projects have not yet the strong results of its sales or production. Nevertheless, Czech government realises the importance of new projects and also the fact that the appropriate business environment is needed. This is done through two programs which are still in development:

Czech Accelerator

New innovative SMEs operating in field of ICT, life science, health technology, nanotechnology of engineering have the opportunity to develop their ideas is well popular

centres such as Silicon Valley in USA, Boston, Israel or Singapore. The project are financed from operational program OPBIC and the realisation was done through CzechInvestAgency.

2.2.8 Regional initiatives and South Moravian Innovation Centre (JIC)

Regional initiatives

Support and development of SMEs on regional level is realised through various business centres, innovation and technological centres or business incubators. The most frequent is Business and Innovation Centre (BIC) which has aim to support and provide consultancy in business management and development initiatives. All BICs for example BIC Prague, ČVUT Prague, BIC Plzeň, BIC Brno are part of international European Business Innovation Centre Network.

Furthermore, there is more organisation providing support of SMEs on regional level. The most popular is JIC in Brno or Technological Innovation Centre in Zlín. More about JIC evaluation see the case study analysis in Chapter 3.

South Moravian Innovation Centre (JIC)

Another but the most popular initiative in South Moravian Region represents South Moravian Innovation Centre (JIC). JIC's importance is supported and recommended by author's own personal experience and evidence from his internship.

The JIC was founded in 2003 in Brno as association of significant public sphere and educational legal subjects of South Moravian Region, such as: The City of Brno, Masaryk University, Brno University of Technology, Mendel University and Veterinary and Pharmaceutical University in Brno. The main role of JIC is to help to develop innovative companies, researches, inventors or students with their unique ideas to practice. Moreover, JIC supports the cooperation among industries, public administration and research institutes. The whole centre acts as assistant providing expertise and interest in developing region and helping to fulfil the strategic vision of city of Brno, to transform South Moravian Region into technologically and socially innovative and attractive region so called "Czech Silicone Valley" (Jic.cz, 2016).

JIC has reached the place of honour among European accelerators and incubators as the third the best innovation and technological centre in 2011. JIC is the best internationally connected incubator aimed to technological Start-up. Its connection with outside world is so developed

that the JIC can easily help Czech companies to go international and to be successful (CT24, 2012).

JIC ENTER

The first very first program is designed for starting entrepreneurs with innovative ideas and invites the potential entrepreneurs with challenge to: Enter to the world of business with good business idea. The program lasts for six months and offers the assistance with writing business and act plan. Also many skills and tailored advices from experts, ongoing feedback, inspirational and innovative environment and basement is formed in personal contact with experts enriched by networking. Moreover, JIC ENTER provides workshops about particular topics for starting entrepreneurs such as idea verification, strategy creation, marketing and finally developing soft-skills. The program is designed very individual and for starting entrepreneurs or groups with technological and innovative ideas without any paying customers and with to scope in whole the Czech Republic.



JIC ENTER

JIC STARCUBE

The second program JIC STARCUBE represents three months international accelerator for Start-ups with innovative technological ideas. The program offers more than 160 hours of seminars and consultancy of tuning the strategy step by step. There are more than 80 experts and mentors willing to share experiences and skills how to avoid mistakes and to find the partners in the market. Moreover, the program offers covering the costs connected with fly tickets costs, visas of life costs to abroad program and the office for free. The emphasis of program is put on strong development of products, co working and business scaling. The program is designed for technological and innovative Start-Ups with at least two members from all over the world. Whole program is in English. Main condition is the costs which are determined as 2% from company's share.



JIC STARCUBE

JIC MASTER

The program is successor of former JIC Innovation Park with more than 100 companies advised. This individual tailored program provides the assistance for companies which want to grow fast and expand abroad. The experts from JIC MASTER help to analyse the company and create the strong strategy with application to practice with verified methodology.



JIC MASTER

The regular consultations with inspirational leaders in co working space are also led. Moreover, the program offers offices for rent, financial support and administrative, law and marketing support included.

The program is designed for technological and innovative companies with products or services not longer than three years in the market with already paying customers and turnover up to 10 million. The ambition of potential companies from the Czech Republic has to be expansion abroad.

JIC PLATINN

The latest service offered by JIC from 2013 is based on Swiss innovative model supporting medium-sized companies in searching new opportunities in the market. The program provides two services: first – Business program with strategic development of trade and intern processes. Second – Partnership program which creates partnerships

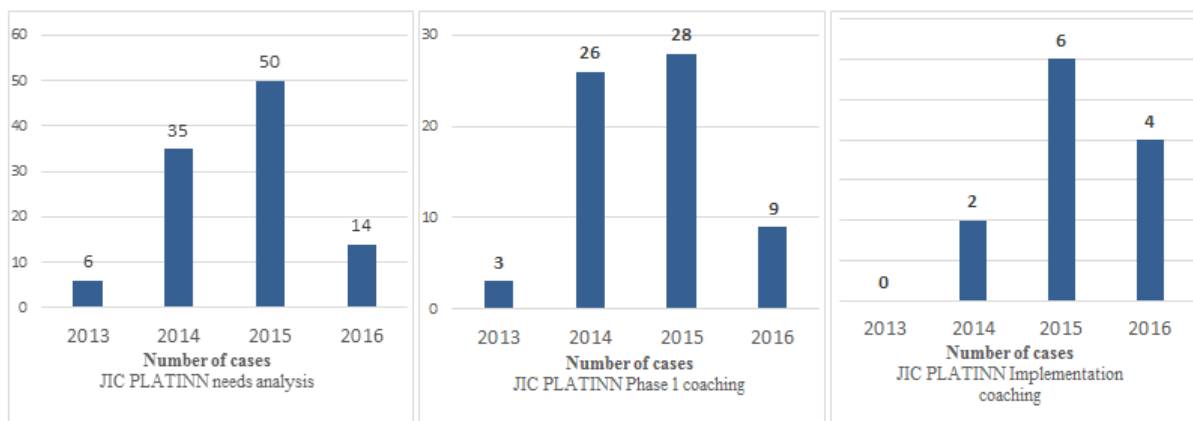


JIC PLATINN

with other subject, institutions or companies. Moreover, it assists with selling of good and services in the market. The program is designed for running companies with more than three years in the market and with more than 10 employees. Moreover, the potential companies have to be from South Moravian Region. Program provides 80 hours of consulting with 50% hours paid by JIC. The costs of programs represent 50% of business share just in second program Partnership.

Following collection of Graphs 20-22 demonstrate the number of cases at the beginning of JIC PLATINN Programme from 2013. The number of companies from rose from year to year, but in 2016 it has been recorded decline. The fact is that the number of mature companies in region is not everlasting. Therefore, this is potential argument for JIC to grow behind the South Moravian Region in terms of JIC PLATINN Program in following years.

Graphs 20-22: Number of cases initiated in JIC PLATIN 2013 – 2015 (Source: Tomíčková, 2016)



To see the more statistics about company's profile, see Appendix 9 and 10.

Additionally, the role of JIC is much wider. JIC is the most popular innovative and technological centre not just in regional but in whole republic. Among its four main services JIC cooperates with many multinational technological companies such as: YSoft, HoneyWell, Microsoft, or AVG Software which create competitive advantage in the market. Moreover, the initiatives of JIC are interconnected with public initiatives which are in charge of EU and Czech government. Therefore, the aim of JIC is to bring innovation and grow for overall republic through its programs and cooperation with public institutions apart from Program JIC PLATINN where the potential assistance from JIC is primarily determined by residence in South Moravian Region.

Concluding, regarding other public initiatives, JIC has helped 81 companies with grant consultancy and 28 asked for assistance with preparation and application to grant calls in program SME Instrument, Eureka, Eurostar and Fact Track to Innovation. As a result, JIC has a wide overview what other initiatives are in region and country and reliably recommend and assist also initiatives which are not primary part of its vision, but it gives it another competitive advantage.

2.3 Other forms of external financing of SMEs

Business is connected with support and development of bank institutions and its initiatives in form of providing the financial support by loans as well. Although, the thesis is concentrated to support and development initiatives, the author of thesis presents some basic possibilities of financial support provided by banks.

Businesses need the finance in order to work properly. As Režňáková (2012) claims, a business needs external finance at the three stages of its existence. At beginning, when it is important to invest the particular sum of money. Second, during expansion of business which is connected with investment opportunities and finally, in times of business restructuring to return the business stability and supporting remediation. External resources determine the sources which were obtained from activities out of particular business, especially loans. Oppositely, internal resources determine resource obtained from internal activities of particular business. Therefore, the internal resources represent own resources of financing and external resources represent long-term liabilities.

This chapter, additionally, provides basic view of the support and development which is offered for SMEs in terms of external sources of finance and which shall have the meaning in further grow of SMEs (Synek and Kislingerová, 2010). Oppositely, internal finance are obtained from the own assets or from profit in business. This finance does not involve costs. Nevertheless, finance are finite which means limited amount and shortage at some point. Consequently, external finance is money from sources outside the business which involve paying interest or part of the business. This money outside the business can be obtained from bank resources, public resources and alternative resources, Synek and Kislingerová (2010) conclude.

Bank financial resources

Bank loans

Bank loans are the most often used way of financing the business activities. Banks offer stability and flexibility, obviously if the business is able to meet the commitments connected with application to a loan. Bank loans are divided according to payment term to short-term (within one year), medium-term (from one to five years) and long term (more than five years) (Kislingerová, 2010). Banks offer few different kinds of loans:

- » **Current account credit** – is the most often used external source of finance. For SMEs, it is obviously provided smaller amount of money which can be drawn just once within given repayment period and with set interest rate. This period and interest rate is set by a bank according to market interest rate. Additionally, a business is obliged to provide many document and assets as the guaranty for a bank such as real estates, receivables, or business shares.
- » **Term loans** – is provides for investments connected with long-term assets development in business such as buildings or lands. The term loan is characterised by regular payment, firm interest rate and negotiated conditions.
- » **Mortgage loan** – is specific kind of loan which can be provided for a business after stoppage of any real estate. The conditions are set by a bank which tries to secure the money for the loan by selling the mortgage papers. This is very difficult process; therefore banks decide to offer this kind of loan just rarely.
- » **Overdrafts** – represent product in form of current account which is allowed to be overdrafted although there is not enough money on it. The bank borrows the financial resources up to allowable amount and the money is repaid by contracted interest rate. The bank determines the maximum allowed amount, but the firm payment is not determined, just the period is set in order to avoid the debit level. The specific form of overdraft represents revolving loan which has the specific account and specific purpose. The interest rate is significantly lower. .
- » **Microfinance loan** – some banks or other institutions offer small amount of finance in order to support new or very young businesses. The microfinance loan is offered for lower interest rate or sometimes without any interest rate. Some microfinance loans are offered by European or international institutions as well.

Another kind of bank support is bond financing. The bonds represent long-term commitment to the creditor with additional interest rate. Nevertheless, in terms of SMEs in Czech environment bonds are not used so often. Moreover, bond is SMEs environment are suitable source of finance for SMEs with long-term assets more than 1 billion € (Režňáková, 2012).

Furthermore, external financing included so called alternative resources of financing, and the most used example for SMEs are going to be explained in following paragraphs.

Venture capital

Venture capitalist is a stakeholder who searches for high innovative companies and invests to a company with big potential to grow. Ventures capital or private equity represents investments as the share on capital of a company. Specifically, an investor from a company who is interested in another business or its activities enters that business by increasing its capital but these activities are connected with higher risk. Therefore, this bond creates long-term share on capital in new companies which are not listed in exchange market and the risk is evident. Moreover, the investor is in closer relation to new business.

For SMEs, this mean of financial support presents couple of advantages, such as: more capital for business development and without paying interest during all financing; investor is more like partner and consultant which has an aim to transfer know-how and business skills to a small business. Finally, to obtain a good venture capitalist, the company has to convince the venture capitalist by attractive business plan (see Chapter 1.7) and conclusive product or service.

Business Angels

Business angels invest own money, skills or their contacts to the SMEs which have close vision to their interest and where they can become active partners, therefore the mutual trust between business angel and SMEs is important. The main advantages for SMEs aiming to capture business angels are more financial resources, new contacts and partners, new strategic goals and business processes or effective management. There is Business Angels Czech organisation in the Czech Republic from 2001 which is part of European Network of Business Angles (Eban.org, 2016). The main aim of these organisation is to help connect businesses with business angels and to support business with consultancy on this way. Concluding, there are three more tools supporting SMEs externally: Factoring, Forfaiting and Leasing, but the usage of these tools is very infrequent.

3 Evaluation and proposals of support and development for SMEs in South Moravian Region

Support and development initiatives for SMEs evidently belong among the highest priorities in European market and in Czech market as well. This significant business segment requires significant attention from institutions which have the power and the tools to secure health society, prospering economy and appropriate business environment. This fact was proven by the comprehensive analysis (Chapter 2) of the most frequent initiatives and programmes supporting development of SMEs in each level of their existence. The European Union as the supranational body which unifies 28 different national policies aims to support the SMEs and constantly improves supporting policy towards SMEs based on current needs of its Member States. This effort is made to such an extent resulting in dozens of programs and initiatives that often times make the support disarranged and the processes more demanding and more bureaucratic. Such an awareness remains in people perception and their aim to cooperate with public institutions is full of doubts and declines. Therefore, this Chapter withdraws from all mentioned examples the initiatives appropriate to SMEs development in South Moravian Region and evaluates for what purpose which possibility should be used for interrogative entrepreneur.

3.1 EU initiatives

Regarding overall supranational financial support from EU it is done in accordance with the Competition protection legislative which prohibits any activities supporting of any business apart from those projects which do not harm other subject operating on market. Because if an initiative supports one business and another is losing, there is no development at all. Economically explained, the existence of a business should be leaving to natural free market powers resulting from people's decisions in demand and supply of goods and services (Mankiw, 2009). Thanks to this fact, the market balance and appropriate prices are secured. European support and development is aware of these market serenities and set the support by using two tools: support *de Minimis* and Regional map of public support, as was explained in Chapter 2.

Evaluation of the relevance of the European initiatives for support and development for SMEs means to understand the both important part of support. Moreover, it is known that each project in EU or in state is started by some financial resources, money, but the other side the

support is almost always enriched by non-financial means such as know-how, skills, experiences, and ability to create vision, or leadership and networking, as well.

EU support in form of financial tools to SMEs are realised on the one hand, *indirectly* through Cohesion and Structural Policy financed from European Structural and Investment Funds (ESIF). These funds consist of five main funds which support specific business sector, as Chapter 2.1.2 analysed. For all SMEs and also the SMEs in South Moravian Region it means that they are already part of this policy and each sent application for obtaining the financial support is financed from this funds through, national authorities such as resorts or regional organisations. Structural and cohesion policy serves to compensate for the differences in conditions for SMEs in unevenly developed regions of EU and support the also needs of the SMEs in regions.

Further direct *union* initiatives called community programs such as COSME, HORIZONT 2020, and CREATIVE EUROPE brings to SMEs in regional development the attention of EU to the most common problems and challenges for SMEs, as Chapter 2.1.4 explained. Moreover, the biggest advantage is firstly, simplicity of financial support provided because there are no intermediaries in terms of national authorities and secondly, facilitation of control connected with transparent management of resources and with meeting of deadlines. Moreover, the community programs are result of successful EU policy towards SMEs and show the programs in implementing previous strategic goals.

Moreover, it is the further responsibility for European Commission to spread the competencies, employ more professional which also confirms its serious direct interest in supporting and development of SMEs.

On the other hand, the *direct* (in some programs indirect) and very specific financial instrument to SMEs provided by EIB is called initiative JEREMIE, the holding fund (Chapter 2.1.3). The initiative provides more flexible access to finance especially, in less developed regions facilitates the whole procedure for obtaining financial resources for SMEs and gives the minimal interest rate with short repayment period (EIB, 2012). JEREMIE initiative would not be preferable option for support and development of SMEs in South Moravian Region, because the high economic level of that which is visible in the strategic geographical position of region in the Middle Europe, moreover, the capital of region - Brno is the second biggest city in the Czech republic which concentrates important national and international institutions,

the region is also the seat of many multinational companies and last but not least the educational and research institutions operates in the significant number of population (BusinessInfo, 2011). Therefore, the author does not recommend the JEREMIE as the sensible tool for support and development of SMEs in South Moravian Region

The European Union realises the importance of non-financial means of support and development of SMEs. Therefore, it aimed has resulted in program Erasmus for Young Entrepreneurs (EYE) and European Enterprise Network (ENN), Chapter 2.1.5 and 2.1.6. Entrepreneurs, especially those from micro enterprises but also from other business involved in group of SMEs, can take part in business exchange to empower personal experience from entrepreneurship in the field of the intended business idea or already shortly realised business idea. The only condition is to prepare attractive business plan and feel like to travel and learn new things (see Chapter 1.7). Although, the free market in Czech regions has been being existing for a short time, the business environment used to change, but there are still not enough experienced and matured entrepreneurs who would be willing to share their know-how and experiences from business, in person. Therefore, this exchange program is suitable for all newcomers from region in order to lean from professionals, get new contacts and maybe to make the company international at once.

The program EEN is another form of sharing business know-how and experiences which cover many businesses' know-how and contacts from Europe and also from all over the world. The initiative works mainly on consultancy and advice level through educational activities increasing awareness of business, or activities pushing to decision makers to form appropriate legislative. On the regional level the EEN is represented by regional centres which particularly by South Moravian Centre (JIC) in South Moravian Region (see Chapter 2.2.8). The research and technological character of SMEs in South Moravian Region can be developed more by services such as finding new customers and promoting the product or result from research, in EU, the SMEs can be advised by new tenders and current regulations regarding their business view. Moreover, EEN provides to businesses to search and network new business partners costless through very close already mentioned advice centre in JIC Brno with wide expert base and various know-how from region, EU and world.

3.2 National (Czech) initiatives

National initiatives of the Czech Republic of the support the development of SMEs, have the aim to strategically develop Czech country and its regions, based on strategic goals of supreme power of EU and furthermore, based on obstacles and need of seen in Czech business environment.

Since the Czech Republic is a member of EU the strategic goals of businesses in EU are unified in initiative Small Business Act, as Chapter 2.17 has analysed. Thus, all challenges of SMEs EU are gathered into ten main indicators where the Czech Republic can also see the different position of its indicators comparing other Member States. Particularly based on analysis above, the author of thesis explains two indicators: the *Single Market* indicator and *Internationalisation* indicator, SMEs in whole Czech country, should take into consideration as the most important, in applying for support. Firstly, the *Single Market* indicator expresses the fact that the Czech business environment does not know the overall opportunities which are provided for SMEs support and development. Moreover, the own experience form various business conferences of author of this thesis, confirms, that the discussions of companies struggling with development used to be reasoned by the problem of corruption, disinterest of businesses to national and European institutions, mainly because of difficult administrative burden, tax policy and social and health contributions. Nevertheless, the way of delivering information about support and development to the SMEs became more and more practical using many web portals, regional field offices and it is just up to a SME representative to search the possibilities more systematically, for examples using the portal Strukturalni.fondy.cz or BusinessInfo.cz. Secondly, the indicator of *Internationalisation* position answers the situation for the lack of grow and international potential of SMEs in the Czech Republic as well. It is the natural development that a business grows and need to grow and innovate in order to keep alive long time. Many businesses had been established based on local condition and were satisfied with local sales. The business environment is not more like that. The open market European policy helps to spread the customer base of a company from national area to the whole Europe with around 500 million inhabitants. Moreover, the innovation spreads so fact that to be stay as a closed economic market means to weaken the national economy. Additionally, comparing to the SBA diagram of Germany or the diagram of the United Kingdom (Chapter 2.1.8 and Appendix 8), it is evident that the Czech Republic is very well equipped on the way to belong to world economies, just two mentioned indicators

are missed in order to meet the this goal and two indicators are the leaders, such as: *Responsive Administration* and indicator of the *Second Chance* with the Czech country's prosperity is. What fact is currently being disturbing the entrepreneurs in the Czech Republic are the new legislation VAT and its review reports which according to many entrepreneurs represents very absurd issue, Bábek (2016) writes.

Consequently, for Czech Government it means to put more effort into creating a constant press on government to put into practice the appropriate reforms of public administration and legislation in order to set the bases of good business environment. What is has been done up to now, see Chapter 2.2.

Most of the initiatives are gesture of ministries which supports the SMEs according their subject field and the ministries also delegates some kind of support and development of SMEs to established agencies (Chapter 2.2.1). Nevertheless, at the first place it is important to remind, that overall national support is realised mainly through ESIF financial resources altogether with financial resources from state budget. Similarly to EU processes, each national support of SMEs is not initiated by financial resources, but also with the qualitative part of the support and development, such are know-how, strategy must be hand with hand with overall support, knowledge and development aims. The great advantage of national support and development initiatives is its character of personal contact to the customer or potential company needs. Therefore, overall support is not just application to obtain cash amount but obtaining very specific know-how or consultancy, connected with specific demand of a company's problem. National initiatives are available for SMEs in South Moravian Region through regional field offices established by superior ministry or private organisations supporting SMEs for particular purposes. For example, South Moravian Region has established the offices providing national support through the regional field offices in charge of South Moravian Region administrative office or through the centre such as South Moravian Innovation Centre Act as the intermediary of some national initiatives of support and the development of SMEs, (see following Chapter 3.3).

Table 9: European and Czech national instrument appropriate for support and development of SMEs in South Moravian Region 2016 (Source: Author according to analysis)

	Financial	Advisory and Consultancy, Networking	Investments in CZ	Internationalisation and new markets	Business Size
European initiatives	<i>EISP, CSP, JEREMIE</i>	<i>EYE, EEN</i>			Micro, Small, Medium
Czech national Initiatives			<i>CzechInvest, CzechTrade, MIT (OPBIC), MFA, MRD (IROP), MLSA (OPE)</i>		Micro, Small, Medium
Regional SMR	<i>JMK Initiative</i>		<i>JIC</i>		Micro, Small, Medium

MIT

The biggest of national competences regarding support and development of SMEs was given to Ministry of Industry and Trade (MIT) and the Ministry uses operational programs in order to support SMEs in their business development, processes and services development or innovation development. SMEs in South Moravian Region are allowed to apply to projects announced from Operational Program Business and Innovation for Competitiveness (2014 – 2020). For operational programs evaluation, see the following Chapter 3.3.

In a practice, these operational programs represent the financial support from Cohesion and Structural Funds and are approached to the SMEs in South Moravian Region by CzechInvest Agency. This agency is an extended hand assisting in all process which are connected with whole application and executive process obtaining of the support from EU. The main purposes to obtain financial resources are provided for starting new business, new investments in region or business development and creating new vacancies. The agency helps to prepare tailored business plan and mentioned application to a call of support. The main advantage of CzechInvest national scope of activity concentrated to specific demands of region, moreover CzechInvest provides a sort of benchmark and business awareness among other companies in region and in state.

Another, national and transnational agency CzechTrade which was established by the MIT provides the support in terms internationalisation. CzechTrade Agency server through its field

offices in the most developed economies in EU and in rest of the world. In case, that a company want to expand to country without CzechTrade's fied office, the Agency is able to help the company with all aliments as it is used to do in other countries. The advantage of the Agency is in providing searching of suitable partners and customers in new market. CzechTrade cooperates with embassies and Czech Export Bank, therefore all financial and business issues can be done at one place and very effectively. Further information how to enter the agency's services is available online on the same named address. Moreover, the MIT has established web portal businessinfo.cz with the most current information about and development of SMEs in all spheres.

Finally, the business advisory centre established also by MIT provides the SMEs in South Moravian Region the seat to express and to influence the ideas connected with the legislation creation, to definition of the business problems in the Czech Republic or to give proposal what state should do in order to support SMEs effectively. Currently, the seat is situated in the capital city.

MFA

The support from Ministry of Foreign Affairs is in close relation to CzechTrade agency. Nevertheless there are some specific programs which can help SMEs in region to raise awareness about their business, especially for technologically innovative and research SMEs. The Ministry offers opportunity to enter the most developed economies or tradeshows in countries such as USA, China, UK or Singapore with guidance of diplomatic representatives. On the other side, MIA provides business opportunities also in developing countries (see Chapter 2.2.3). The main advantages of the support from MFA are the consultancy services and sharing the knowledge and the information of business environment, culture and law. Therefore, the company can save the time with administrative issues and can devote time for example to preparation of attractive exhibitions which are primarily designed for SMEs in order to empower their international experience.

MRD

Further assistance for SMEs in South Moravian Region is done through Ministry of Regional Development (MRD) initiatives. MRD provides announces the calls financed from ERDF in order to develop environment such as infrastructure, sustainable development, environmental protection or tourism. Although, the programs support indirectly in SMEs of South Moravian Region, the SMEs can apply to the call as the subcontractors and to share the creation of the

business environment in country. This also helps to spread the business environment awareness in region, supports employment and provides the SMEs the irreplaceable experiences and participation in government policy state (see the Agencies in charge of regional development, Chapter 2.2.4).

MLAS

MLAS provides social policies aimed at education and employment development, but new social policy also supports emerging social entrepreneurship. The potential entrepreneurs or unemployed people can obtain the loan almost 200 000 € altogether with comprehensive advisory services up to ten hours for free. This is opportunity which should be at least tries if somebody is unemployed, the Ministry states in its portal (Mpsv.cz). Social entrepreneurship support through MLAS program is still in its development because the statistics about this kind of support are still not available. Furthermore, there are many non-governmental or private organisations in South Moravian Region whose policy is significantly more developed, for example policy of South Moravian Innovation Centre.

Additionally, social entrepreneurship is very often connected with Start-ups scene. Above mentioned CzechInvest Agency helps especially ICT, health or engineering Start-ups to develop. This initiative is national activity, which in not so rich in expertise or experiences of its mentors as activities of innovation centres or incubators. Therefore, it depends, what needs a potential Start-up has. If they are connected with more government aimed issues such as status of a company or representation of country, the company should use national programs of CzechInvest agency. If the needs of a company are more less to innovate much and to serve the region, the company should prefer regional organisation such is South Moravian Centre.

3.3 Operational Programs evaluation

New program period 2014 – 2020 comparing to past 2007 – 2013 brings some new changes in Cohesion and Structural Policy of EU. The number of funds involved in Cohesion and Structural Policy is spread to five, including EAFRD and EMFF. The overall strategy is underlaid by the needs and problems of current EU market and business environment and therefore, the new period concentrates to development of SMEs and its competitiveness, saving of energy and development of ICT, therefore, this kind of support is being discussed as the base for SMEs. Continuing, the brand new tool is represented by the system setting

mechanism of structural policy which allows checking preliminary how the key condition connected with obtaining financial resources from EU are fulfilled. These conditions such as non-discrimination, equal opportunities, health insurance, public orders or natural environment impact assessment. Moreover, new program period put bigger emphasis to strategic management and planning and bigger measurement of the acquisitions form supported projects. The strategy is focused to transport of technology and cooperation in terms of research and innovation, building the innovation infrastructure, effective using of financial resources and bigger emphasis to results of applied research. Finally, the financial dependence is based on quality and the pace of using the financial resources. The program period 2014 – 2020 brings lowering of the operational programs and lowering seven regional operational programs into one so called Integrated Regional Operational Program (IROP). Moreover, Czech government approved the Conception 2013- 2020 (Mpo.cz, 2013) which has aim to secure unite the same rules through whole system and finally, the administrative burned has been simplified in a way of using just electronic documents.

Operational program Business Innovation for Competitiveness

OPBIC (2014 – 2020) is program supplements former successful OPBI (2007-2014) – Competitiveness Innovation Program. Under the term competitiveness it is meant the support of internationalisation and grow of SMEs altogether with sustainability of these SMEs in four basic priorities, as was mentioned in Chapter 2.2.1. The Czech Republic was provided 15% less support for business comparing to former period Table 6 demonstrates. Lower proportion of financial support is result of previous successful program period 2007 – 2013. Consequently, it meant that the OPBI successfully managed the set strategic goal and as also as the Table 10 confirms, the overall financial support in new period was lowered by 15% for all sizes of companies, but the most noticed segment still remains in role of SMEs.

Table 10: Comparison of Operational program in two different periods (Source: ByznisIhned.cz, 2014)

Maximal Sum of Support	OPBI 2007 – 2013	OPBIC 2014 – 2020
Small (enterprise)	60%	45%
Medium-Sized	50%	35%
Large	40%	25%

Operational Program Business and innovation for Competitiveness brings various grant categories for business development for SMEs. The most of the support is provided to business segment of SMEs in terms of four main priorities of Research, Competitiveness, renewable energy production and covering ICT. As Table 11 shows, in these priorities, a SME can apply for particular program aimed at particular business development issues:

Table 11: Particular field of support from OPBIC 2014 – 2020 (Source: Mpo.cz, 2015)

	Support program	Form of support	Beneficiaries
1st Priority Innovation and research		Grant	
	1.1 Increasing the innovation performance of business	Grant	SMEs, Large
	Innovation, Potential, application	Grant	SMEs, Large
	1.2 Increase research and innovation cooperation	Grant	SMEs
	Innovation vouchers	Grant	SMEs
	Partnerships	Grant	SMEs
	Infrastructure	Grant	SMEs, Large
	Cooperation	Grant	SMEs, Large
	Business development	Grant	SMEs, Large
2nd Priority Competitiveness development of SMEs		Grant	
	2.1 Increase in competitiveness	Grant	SMEs
	Technology, Advisory	Grant	SMEs
	2.2 Internationalisation of SME	Grant	SMEs
	Marketing	Grant	SMEs
	2.3 Infrastructure development	Grant	SMEs
	Real-estates	Grant	SMEs
	2.4 Expertise learning	Grant	SMEs
	Educational centres	Grant	SMEs
3rd Energy saving, renewable energy production		Grant	
	3.1 Green energy production	Grant	SMEs, Large
	Renewable sources	Grant	SMEs, Large
	3.2 Energy efficiency	Grant	SMEs, Large
	Energy savings	Grant	SMEs, Large
	3.3 intelligent distribution networks	Grant	SMEs, Large
	Smart grids	Grant	Large
4th Development of ICT		Grant	
	4.1 High internet connection	Grant	SMEs, Large
	Internet	Grant	SMEs, Large
	4.2 increase ICT competitiveness	Grant	SMEs, Large
	ICT and shared services	Grant	SMEs, Large

Operational program Employment

The overall aim of OPE is to improve human capital in regions of the Czech Republic and to create more competitive environment, as Chapter 2.2.2 analysed. OPE is in charge of Ministry of Labour and Social Affairs and comparing to past period, brings interconnection of education with practice in the market, according to the needs of the society and the market. Moreover, social and health will be transformed and deinstitutionalised with more emphasis put to integrated solution among public, social, economic and international fields. SMEs and universities in South Moravian Region belong to those with the lack of practice among students and workers, therefore this program provides the opportunities to invest to such programs which will prepare students for real life and made the workers of companies more skilled with international experience.

Integrated Regional Operational Program

Seven regional operational program have been unified into one, Integrated Operational Program which continues in their aim at balance development of regions, better infrastructure and improvement of public administration and institutions (Chapter 2.2.3). This program significant simplification of communal support expanded to social entrepreneurship, social living and empowering TENT-T European road infrastructure. Therefore, SMEs in region are provided by integrated opportunity in terms of social, economic and transport issues in five main priorities: 1 Infrastructure, 2 People, 3 Institutions and 4 Support of local active groups, plus technical development priority. In particular, the priorities are summed in following goals of the IROP in the Czech Republic:

- » 729 km of new or reconstructed roads,
- » 225 km newly built bike paths,
- » 1 341 supported of educational institutions,
- » 5000 social flats
- » 383 supported social enterprises
- » 43 revitalized historical buildings
- » 83 modernised health institutions

Eligible applicants represent all kinds of legal institutions in regions from SMEs, to NGOs, educational institutions, social and health institutions or artistic institutions. The IROP

provides integration of mentioned subject also in application to a particular project which can influence and to solve problem and needs of more subjects.

3.4 South Moravian Innovation Centre

Probably the most popular regional initiative established by group of institutions in South Moravian Region, and with long history which has moved this organisation to world level is South Moravian Innovation Centre (JIC).

Moreover, as Tomíčková, (2016), Business Growth Manager of JIC, confirmed in interview, the scope of JIC is more than just in regional area (interview questions, see Appendix 12). The JIC is becoming very popular through all regions of the Czech Republic, and also very successful in comparison with capital city innovation centres. And the reason she presents is, that the JIC cooperates with many experts, well-experiences professional from public life, business or educational institutions. Moreover, the JIC has many partners abroad willing to cooperate and share their business and organisational ideas in order to help businesses in South Moravian Region and Central and Eastern Europe and more the society towards bright innovative future. Therefore, the consultants from JIC are not just clerks who have never done any business, oppositely the consultants are people from practice who has experience the success as the failure as well, who are well equipped in communications with people and able to recognise people's and business needs and willing to share it, as Tomíčková, (2016) concludes.

JIC aims to support SMEs in all phases of their development. From absolutely start of beginners up to well experienced companies, which solve problems with marketing or export. Hence, as the Chapter 2.2.8 explains, there are four main services offered by JIC for the new business and following paragraphs includes the evaluations of all particular programs and their convenience for the SMEs in South Moravian Region.

As was mentioned earlier in the thesis, the overall support of SMEs does not matter just on finance. The inseparable part of support and the development is theory, and especially the help how to transform theory into practice. This problem accompanies most of new businesses which are searching for particular advices and partners which would understand their situation and help to overcome the obstacles in their business.

JIC ENTER

This very first is gate for newly businesses. JIC enter provides half a year guidance and space how to develop a business idea and also the place where a company can, not expensively, manage the first steps. From member who already passed JIC ENTER program, this Chapter brings their testimonies:

As Jan Neuman from NenoVision says, their expectations were not big but later on their evaluation of JIC is very positive. Especially, thanks to broad spectrum of services and consultancy the company could prepare where they want to lead and started the first steps. Moreover, the very valued are contact and networking the company obtained, he concludes.

NenoVision deals with electron microscopy with 3D SPM unit which helps to see the object not 2D as with the unit SEM, but 3D altogether with suitable software system.

Another company's leader Jaroslav Benc from Datamatic evaluates JIC ENTER as crucial transformation in his project. The whole project got deeper and more sophisticated interest from the owner, what problems do they solve and what they really want to do and to sell. The most valuable experience was to see people with similar problems and their willingness to help each other.

Datamatic is Google application which helps to create and make data visualisations more attractive. There are more tens of templates and also editor for creation of own visualisations which can be published just with one button.

Moreover, from own traineeship experience of author of this thesis, JIC ENTER enriches its participants with wide base of contacts and same concentrated business partners. The participants are frequently informed through newsletter and can attend many extra seminars connected with other programs of JIC. Probable the most popular challenge is JIC GRILL where a potential applicant in front of a jury, experts from different businesses, can present and try if the business idea he possess can really reach the market. Not all applicants are immediately received to the program and the selection process used to be strict. Companies which passed the JIC ENTER program has realised what is their additional value in the market and the program also helped them to reach the business plan more developed with the first paid customer.

JIC STARCUBE

One of such a program and further JIC program is JIC STARCUBE. The difference from JIC enter lays in fact, that JIC STARCUBE connect more technologically oriented companies and offers them immediate international base of networking and cooperation. How the companies reached the international market, see the following testimonies confirms the aim of JIC STARCUBE:

Fritz Ekwoke from Feem Wi – Fi evaluated the time in JIC STARCUBE as fulfilling of their motivation to understand the software products in Europe. Therefore, their product called Feem could be successful as well. The change to improvise was recorder already during three months and JIC helped to transform Feem Wi – FI into global player.

Feem WiFi helps to transport files among various types of devices and offers fast and safe alternative to Cloud or Bluetooth.

Zbyněk Pouliček, CEO GINA Software says about their student ideas as business project and today the GINA has 20 employees and the application is used in private companies and public organisations such as OSN. GINA Software helps to save lives in South-Moravian Region, Haiti and in Japan. See more in JIC PLATIN and in case study below.

Additionally, the program offers many different competitions with possibility to put the business idea in international environment. JIC is the intermediary of this STARCUBE program but also provides own competitions and challenges for new members which raise the awareness of the new business idea also internationally.

CASE STUDY I. GINA Software

As the evidence of unique and very well managed support of JIC is one of the most successful technological and innovation idea in whole existence of JIC.



At the beginning it was just a mapping idea for diploma thesis of one student at Brno University of Technology. After the devastating earthquake in Haiti in 2010 when the reporters were founding out more and more victims there was no emergency to help.

Therefore, the author of project decided to specify the mapping idea to emergency software which would find the closest emergency or ambulance. Moreover, would help determining of position. Therefore, the GINA Software as Geographical Informational Assistant has been founded.

Today, the GINA Software is part of South Moravian integrated emergency system that helps the police, ambulance and firefighters to coordinate common interventions. Moreover, GINA Software is known in awareness of Bill Gates and BCC that have noticed this unique project in Imagine Cup competition organised by Microsoft. The GINA Software won the tender searching for emergency software for OSN operations and therefore from 2015, GINA is part of emergency package of OSN in Haiti and nowadays it operates in 34 countries in the world with more than 12 00 licences sold (Tomíčková, 2016).

GINA Software has firstly participated in JIC STARCUBE program which helped to make GINA successful in one year period. Continuously, GINA took part in JIC PLATINN where it has aim to constantly develop more its emergency system in order to facilitate the navigation in difficult terrain, furthermore it helps to coordination of emergency teams and their transport of geographical information. GINA Software is available all over the world, particularly in Haity and Japan.

Testimony from director of GINA Software Zbyněk Pouliček: “ *During cooperation with expert from JIC we have got valuable advices how to scale our company, how to manage international expansion and how to evaluate offers from investors. We appreciate expert’s critic presentation of consequences of our actions which helped us to open the eyes.*” (Jic.cz, 2016)

And the director of GINA Software continues: “*At the beginning we have set three areas of cooperation. Sale strategy, business processes setting including expansion plans and scaling of the company, and new investor entry. We have created particular responsibilities in our team and structure of our company. Moreover, we have agreed about three basic departments: delivery, sales and development. New structure has been implemented and we have added the global vision which represents the base for potential investors. The results of expertise were implemented in three days.*”

According to testimony of JIC expert Jakub Lešikar, the expert for JIC PLATINN, who was assigned to GINA Software case states that, the consultancy process from JIC started to search strengths and weaknesses through mind maps. Mr. Lešikar also appreciate that the company was able to develop him proposed ideas. The proposal had been introduce into practice immediately and everything was done very flexibly. The most experience for him was that the company decided to expand because the company possesses the competence in form of human resources to manage it.

JIC MASTER

The program with the longest history, previously known as JIC Innovation Park, helps to develop the companies' vision and strategy in the market. Once a company with the bigger size of such as a medium size company reaches the market through initial strategy and processes it is time to become more developed and innovative, what the JIC MASTER offers. The consultancy and advice program firstly analyses the situation in a run company, in personal discussion and soon after the new strategy is proposed and implemented in couple of months. From authors own experience, the companies entering the JIC MASTER are owned by the well experienced managers in sales, production or technology, nevertheless they miss the firstly, experience from foreign market, how to expand to foreign countries and alongside, secondly, the experience they search the experience of more developed marketing, to enter and keep the position in international market.

Milan Šimek, director of Sewio Networks responds that thanks to JIC MASTER Program and its experts, his company obtained trade strategy to foreign market with unique product with possible use in different sectors.

The company is aimed to new progressive wireless network which can localise movements inside the buildings. These systems are very often used as alarm system in logistics, or in mining.

JIC PLATINN

The significant effort of JIC is devoted to JIC PLATINN Program which represents the program helping the matured companies with the expansion and internationalisation. The big advantage to support companies in this program means to support them and moreover, the other SMEs, which are interconnected together with JIC PLATINN companies as

subcontractors. The analysis is divided to two parts: A: Analysis of case involved in JIC PLATINN and second part B: is called JIC PLATINN Questionnaire evaluation.

CASE STUDY II. JIC PLATINN

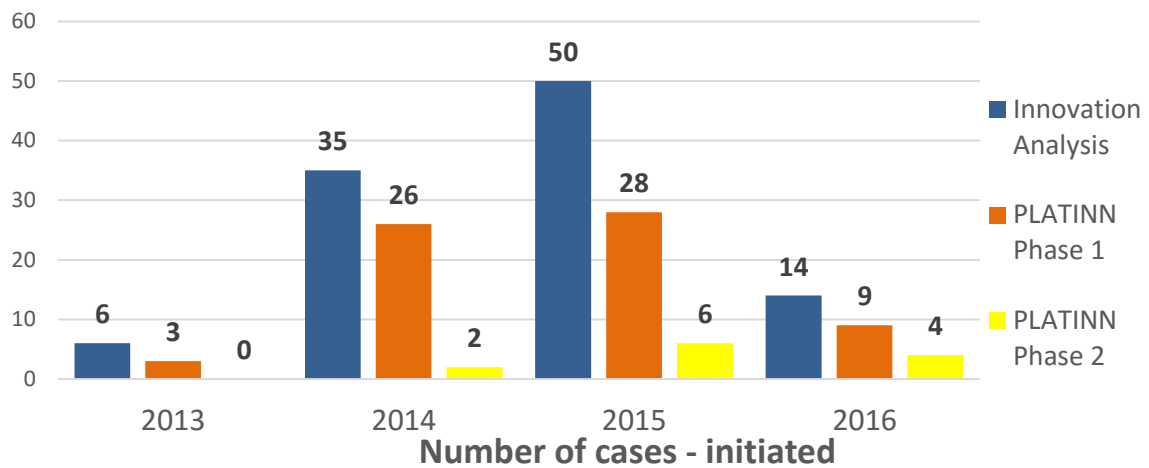
When the support of a company is successful this can help and attract more companies in region to grow and develop because the stronger player in JIC PLATINN represents kinds of locomotive for other smaller suppliers in many different sectors which created kind of dependency an secure the sales for them.

Table 12: Number of companies started and finished in JIC PLATINN Program Source: Tomíčková, 2016)

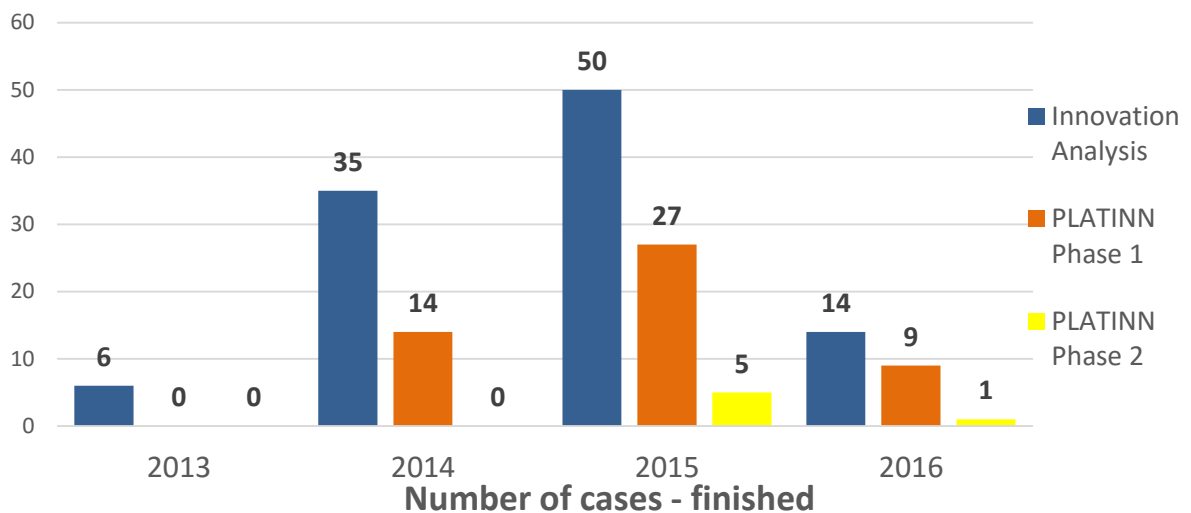
Phase	Innovations Analysis		PLATINN - Phase 1 Strategic Planning			PLATINN – Phase 2 Partnership/Implementation			
			Plan	Started	Finished	Plan	Started	Finishe d	Plan
2013	6	3	0		0		0		
2014	35	26	14		2		0		
2015	50	28	27		6		5		
2016	14	50	9	9	31	4	1		10
Total	105	66	50		12		6		

The plan of JIC to support certain number of companies is based on strategic goals set by board and in accordance with strategic goals of Regional Institutions – especially, South Moravian Region Office as the establisher with major proportion and vote in JIC. The strategy is based on rational analysis of region potential and the number of companies which operates there. The number of cases which held until the end of the program is shown in following Graph 23 and Graph 24. The number of cases should now to discourage potential companies to on the one hand to enter the Program although the number is falling every year. The companies are examined very precisely, and if there is any potential innovation possibility, that company is accepted to the Program. On the other hand, some companies would try to enter the Program just to be examined and to find out the level of innovation potential. Such a situation causes the number of companies finished really falling.

Graph 23: Number of cases initiated in JIC PLATIN 2013 – 2016 (Source: Tomíčková, 2016)



Graph 24: Number of cases finished in JIC PLATIN 2013 – 2016 (Source: Tomíčková, 2016)



JIC PLATINN Questionnaire Evaluation

The questioner was provided by Tomíčková, (2016) who is in charge of tracking management for JIC PLATINN for years 2013 – 2016. The number of companies involved in questionnaire was 94. As following results demonstrates, overall satisfaction of services of JIC moves from good and excellent rating. Majority of enterprises involved expressed satisfaction from good to excellent ranks. The companies would also recommend JIC PLATINN to other subjects.

Table 13: Overall satisfaction and recommendation from customers 2013 – 2016 (Source: Tomíčková, 2016)

Satisfaction of the enterprises with the results of JIC PLATINN			Would you recommend JIC PLATINN to other companies?			How is your satisfaction with the setup of JIC PLATINN?		
Scale	Number	%	Scale	Number	%	Scale	Number	%
Poor	0	0%	Poor	0	0%	Poor	0	0%
Fair	0	0%	Fair	0	0%	Fair	0	0%
Good	2	4%	Good	0	0%	Good	0	0%
Very good	12	26%	Very good	3	6%	Very good	8	17%
Excellent	33	70%	Excellent	44	94%	Excellent	39	83%
Suma	47	100%	Suma	47	100%	Suma	47	100%

The questionnaire also evaluates further questions put to entrepreneurs (Appendix 11). From 12 questions, the most of asked companies supported the advantage of improved processed in their companies. Moreover, they prove that JIC has fulfilled its aim to help with setting long-term business strategy and work with company's customers, especially in the Czech Republic. The employee motivation has been improved as well, the entrepreneurs expressed as significant point with 36% of answered. Oppositely, the questions connected with technical character of company, its technical knowledge are answered in minimal proportion due to the fact that most company entering to JIC are technological companies. Another factor of foreign market is characterised by low proportion because sales policy implemented to reach foreign markets need more time to bring results.

The questionnaire represents the evidence of the JIC success which is proven by the experienced SMEs which entered especially, the JIC PLATINN Program. Although, JIC has been experiencing the success in supporting and development of innovative SMEs, the support has to be systematically in progress in order to meet the demands and need of the potential SMEs and help to create good business environment.

3.5 Grant program of SMR for starting SMEs

Another support and development initiative for this year in South Moravian Region Office towards the SMEs was approved in January for the year 2016. The Grant is filled with almost 1 million € and the application process is open from February. The only information available is that the main goals are to develop business environment of South Moravian Region through this Grant Program, mainly with support to young and beginning mainly micro entrepreneurs

in their ideas. The responsibility of the program and call is in charge of the Office of South Moravian Region.

Table 14: Chosen project supported from Grant program of South Moravian Region Office 2016 (Source: Dotace.kr.jihomoravsky.cz/grants, 2016)

IČ	Purpose of the grant	Grant format	Approved amount
04035992	Food preparing	Investment	42 590 CZK
04852630	Construction Software	Investment	45 000 CZK
04397304	Bike Chimney	Investment, Operation	30 000 CZK
04476191	Candies, torts and dessert production	Investment	79 336 CZK

The grant support of South Moravian Region Office is just financial support towards the SMEs. Especially, the micro enterprises can be obtained by a grant because their size does not allow them to be accepted in applying for loans or another external form of grants. Therefore, Regional Office plays the role which notices the smallest subjects in the regional market.

- Author of the SMEs issues analysed in this thesis definitely agrees about the importance and role of the in the society. The most key advantage why the SMEs segment is still the most successful and occupies the most of the marked is personal contact with customer. Personal contact makes the SMEs personal to the customer and helps to listen to customer's need and to prepare tailored product. Therefore, the initiatives towards SMEs support are the proper tool of their development, because of not just financial resources provided but moreover, because of know-how sharing, skills development, networking or making the suitable strategy to particular problem with experts by side.
- Author of thesis also agree that SMEs advantage lays inflexible reaction to changes, because SMEs are not limited by huge capital amounts and their effort can be concentrated to things and processes that matters. From own author's experience during internship in JIC, the innovation attitude of SMEs was presented

very loudly. Therefore, the innovation potential has to be developed systematically, and the organisations recommended above propose the support and development of SMEs with current trends involved or with innovation potential which can compete with foreign countries.

- Moreover, to support SMEs means to support whole nation or region. For example the shared know how and finance offered can learn and help a SME to create new vacancy. If at least a half of all companies in EU (whole number is almost 22 million) would create one vacancy, the overall employment rate would be diminished significantly and it would restart the European economy definitely and would bring the huge impact to whole society.
- On the other hand, author points out the shortcomings and paradigms of SMEs. Although, SMEs suffer from insufficient financial resources, this is kind of excuse which covers the fear and inability of people to work hard and pursue the transformation their ideas into business and so to do the job the like. Oppositely, people used to express difficult access to finance and not enough interest from public institutions. Thus, the author tried to refute these paradigms based on evidence from Chapter 1 and Chapter 2, where the significance of SMEs on transnational, national and regional level was proven. Additionally, the public interest to support SMEs is really huge and so called still uncovered for most of SMEs. Nevertheless, the European Union and national institution in the Czech Republic also have already realised the importance of SMEs, especially due to after crisis consequences and immediately started to initiate the strategic programs supporting the development of SMEs. It is just the issue of individual aim to search for support and which was done by this thesis. The thesis aimed to uncover this lack of information about business importance in society and about the initiatives and provided to public the simple evaluation and overview of current initiatives for support if their SME in South Moravian Region.
- Regarding the barriers to development of SMEs the most challenging remains the long-lasting process of registering new company. The current initiatives supporting online register are failing and are challenged by corruption, which discourage people even to try something. The administrative burden of leading a

business is so significant that would need another operational program to solve it. Therefore, the government should be constantly noticed about the SMEs because this is the only policy how to approach to its inhabitants individually and to provide them the participation in the joint and common public policy.

CONCLUSION

The aim of this thesis was to analyse the current options of the support and development for small and medium enterprises in the Czech Republic and to assess the importance and relevance of selected options for the purposes of SME development. And at the end, the thesis proposed recommendations for the support and development of SMEs in the South Moravian Region within author's insights for further possibilities of the support and development of SMEs.

Based on analysis is evident that SMEs create the significant acquisition to European and national societies. High number of SMEs, especially of micro enterprises is caused by the fact that people transformed their own talents, skills and experiences into business ideas and nowadays they provide goods and services labelled with quality which are very wanted in the market and these products are delivered tailored and in personal contact.

From above mentioned, it is seen that the support and development of SMEs has become the priority of transnational, national and regional public policy. The European Union acts as supranational power which determined the unite strategy for all its Member States. Member States can create own strategies supporting SMEs development according to the particular needs of the business environment in country.

The whole support and development policy is done through regional development policy of through regional fields offices of other national initiatives in order to mediate the possibilities closed to goal subject. South Moravian Region which belongs among the most developed regions in the Czech Republic is an example of effective using of opportunities provided to regional development form EU, state or region. Entrepreneurs in South Moravian Region have the advantage of well-equipped, world known and experienced organisation JIC which support SMEs in each stage of their existence. Author of the thesis supported JIC by own traineeship experience and confirms that the attitude of the JIC is to create cooperation and unity of all interest of private and public subjects South Moravian Region and in country as well.

Author of the thesis would definitely recommend the JIC as the most comprehensive and the closest initiative of support and development in South Moravian Regional with strong aim helping with start of new business, helping business to internationalise and expand. JIC has

advantage of personal contact to the clients and other clients involved altogether with experts create strong network base willing to share experiences and skills for the practical business. JIC is also very helpful with support from other initiatives or grants

From another support and development initiative, based on financial aid, the author would recommend the support of South Moravian Region Office provided mainly for micro enterprises.

In conclusion, the author would like to encourage the interesting ideas to come out with their owner and try to be more interested in what kind of attention is provided from public institutions in our society and to become more entrepreneur with own time and with resources we possess.

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LIST OF SHORTCUTS

BIC	Business Innovation Centre
CIP	Operational Program competitiveness and Innovation predecessor of COSME
COSME	Competitiveness of Enterprises and Small and Medium-sized Enterprises
CMGDB	Czech-Moravian Guarantee and Development Bank
ČSU	(Český statistický úřad) Czech Statistical Office
EAFDR	European Agricultural Fund for Rural Development
EC	European Commission
EEN	Enterprises European Network
EMMFF	European Maritime and Fisheries Fund
ERDF	European Fund of Regional Development (Czech – EFRR)
ESF	European Social Fund
ESIF	European Structural and Investment Funds
EU	European Union
EYE	Erasmus for Young Entrepreneurs
GAV	Gross Added Value
ICT	Information and Communications Technologies
IROP	Integrated Regional Operational Program
JEREMIE	Joint European Resources for Micro to Medium Enterprises
JIC	South Moravina Innovation Centre (Jihomoravské inovační centrum)
MF	Ministry of Finance
MFA	Ministry of Foreign Affairs
MIT	Ministry of Industry and Trade
MLSA	Ministry of Labour and Social Affairs
MPEYS	Ministry of Physical Education, Youth and Sport
MRD	Ministry of Regional Development
OPBI	Operational Program Business and Innovation predecessor of OPBIC
OPBIC	Operational Program Business and Innovations for Competitiveness (Czech–OPPIK)
OPE	Operational Program Employment 2014-2020
SBA	Small Business Act
SME	Small and Medium-Sized Enterprises
VAT	Value Added Tax
WW II	World War II.

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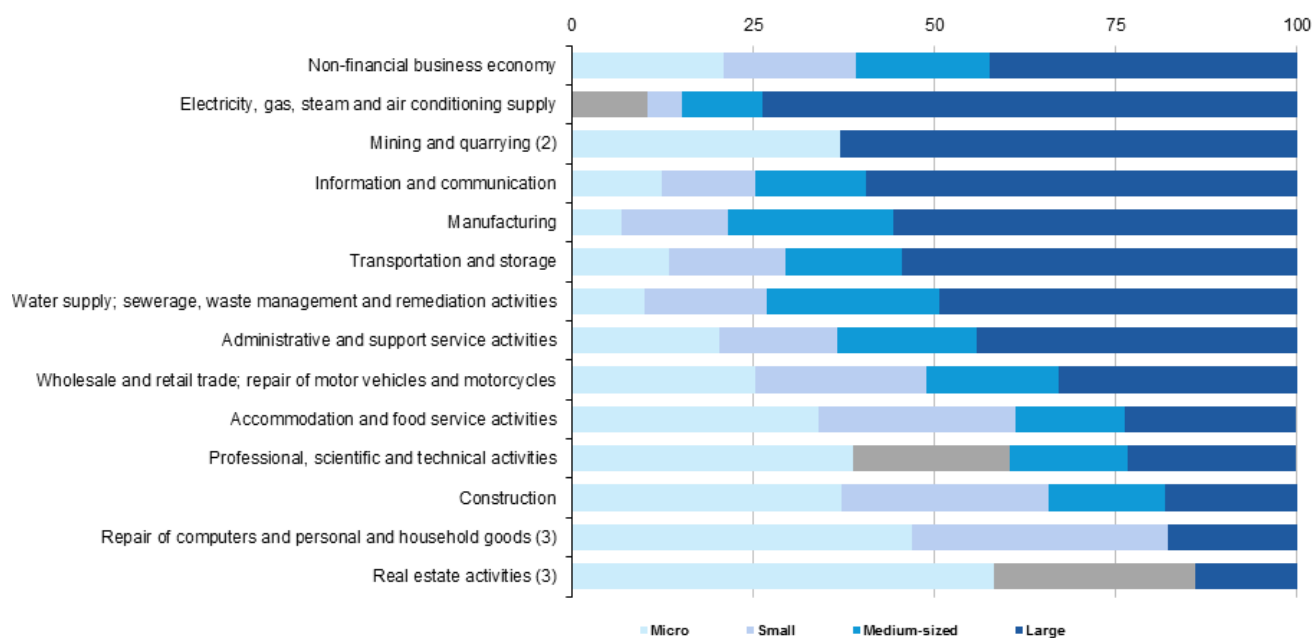
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APPENDICES

Appendix 1: Number of SMEs in European Union (Source: Eurostat, 2012)

	Number of enterprises	Number of persons employed	Value added	Apparent labour productivity
	(thousands)		(EUR million)	(EUR thousand per head)
All enterprises	22 347	133 767	6 184 825	46.2
All SMEs	22 303	89 690	3 557 448	39.7
Micro	20 718	39 000	1 300 000	33.3
Small	1 362	28 000	1 100 000	39.3
Medium-sized	224	22 967	1 128 743	49.1
Large	44	44 078	2 627 377	59.6

Appendix 2: Number of SMEs in EU according to business sectors (Source: Eurostat, 2012)



(1) Ranked on the share of SMEs.

(2) Micro, small and medium-sized combined

(3) Small and medium-sized combined

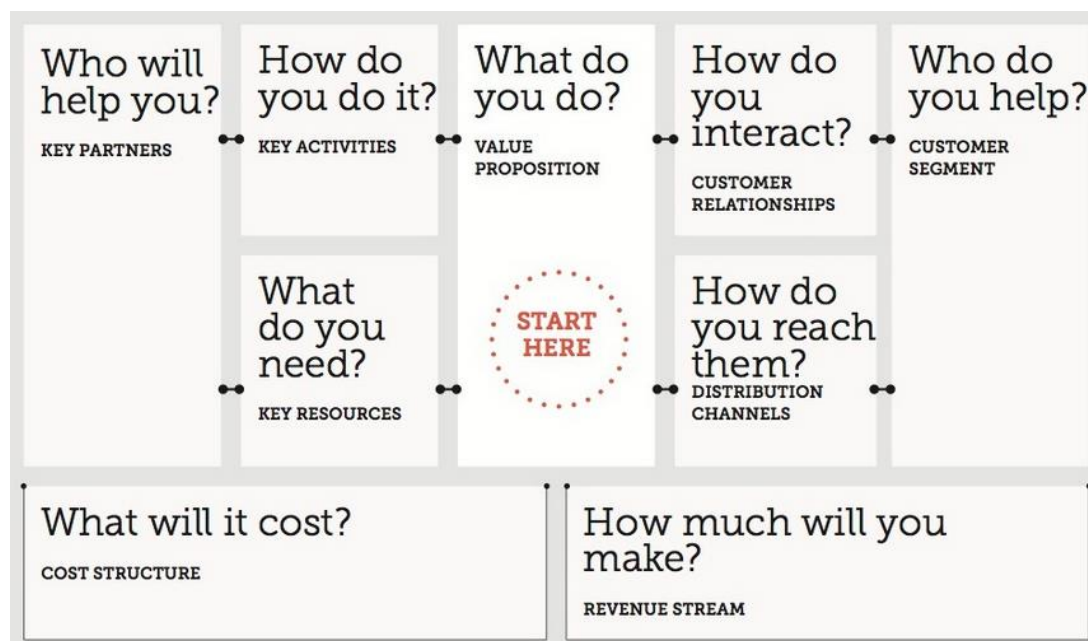
Appendix 3: Total number of SMEs in Member States of EU (Source: Eurostat, 2012).

	Total	SMEs	Micro	Small	Medium-sized	Large
	(thousands)			(% of total)		
EU-28	133,767	67.0	29.2	20.9	17.2	33.0
Belgium	2,718	70.1	34.1	20.3	15.7	29.9
Bulgaria	1,873	75.5	30.2	23.6	21.7	24.5
Czech Republic	3,522	69.8	32.2	18.3	19.3	30.2
Denmark	1,602	65.0	-	-	-	35.0
Germany	26,401	62.5	19.0	23.1	20.5	37.5
Estonia	394	78.1	29.8	24.6	23.8	21.9
Ireland	1,097	-	26.4	23.3	-	-
Greece	2,199	86.5	58.6	17.0	10.9	13.5
Spain	10,923	73.9	40.8	19.6	13.5	26.1
France	15,496	-	29.1	-	15.3	-
Croatia	1,003	68.3	30.3	19.2	18.8	31.7
Italy	14,715	-	46.4	-	12.5	-
Cyprus	225	-	-	-	21.6	-
Latvia	574	78.8	30.0	25.1	23.7	21.2
Lithuania	836	76.2	25.7	25.7	24.8	23.8
Luxembourg	243	68.3	18.0	25.6	24.7	31.7
Hungary	2,431	-	35.8	18.5	-	-
Malta	119	79.3	32.6	22.9	23.8	20.7
Netherlands	5,359	66.7	28.3	19.6	18.8	33.3
Austria	2,671	68.0	25.0	23.9	19.2	32.0
Poland	8,327	68.9	36.4	13.9	18.6	31.1
Portugal	2,943	-	42.3	-	20.8	-
Romania	3,838	66.4	22.5	22.4	21.4	33.6
Slovenia	574	72.3	33.7	18.6	20.0	27.7
Slovakia	1,417	69.7	38.6	15.4	15.7	30.3
Finland	1,458	63.0	24.5	20.9	17.6	37.0
Sweden	3,025	65.4	25.7	-	-	34.6
United Kingdom	17,785	53.0	17.3	19.4	16.3	47.0
Norway	1,511	67.6	24.5	24.4	18.8	32.4

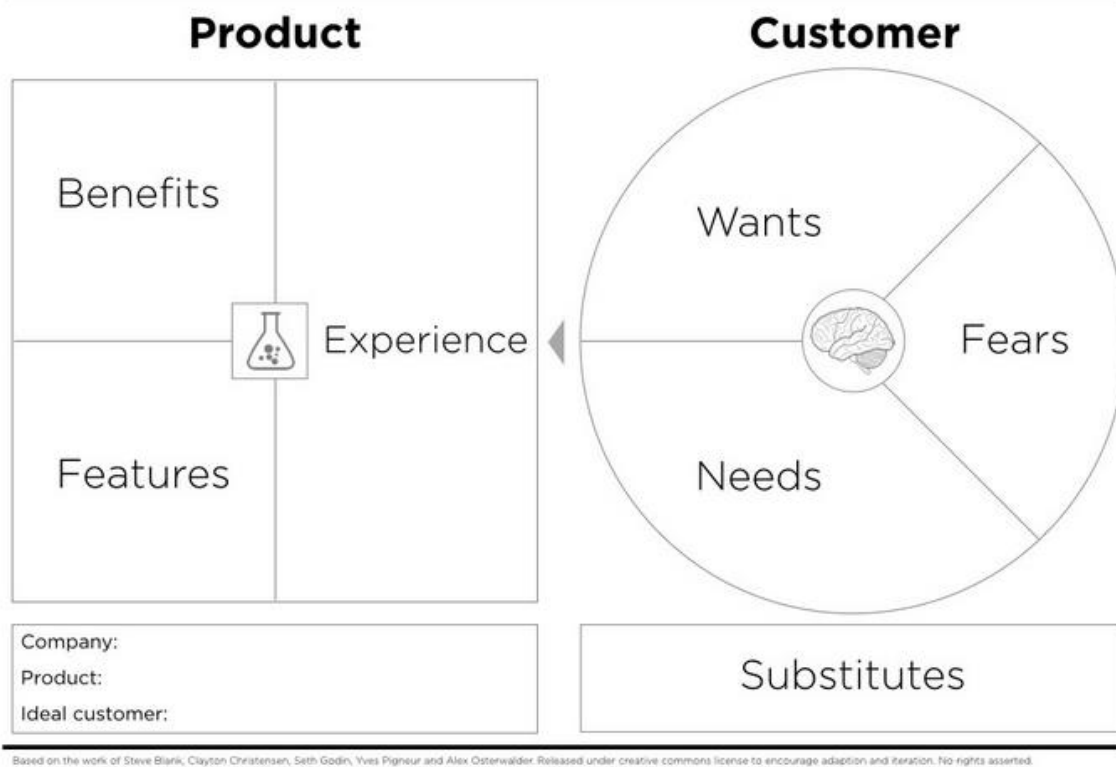
Appendix 4: The number of SMEs, employees and Added Value of SMEs in the Czech Republic (Source: Přehled údajů SBA, 2014)

	Number of enterprises			Number of employees			Added value		
	Czech Republic		EU-28	Czech Republic		EU-28	Czech Republic		EU-28
	number	%	%	number	%	%	billion €	%	%
micro	968 998	96.1%	92.4%	1 132 769	32.1%	29.1%	16	19.8%	21.6%
small	31 850	3.2%	6.4%	637 865	18.1%	20.6%	12	14.5%	18.2%
medium	6 273	0.6%	1.0%	654 056	18.6%	17.2%	16	19.9%	18.3%
SME	1 007 121	99.9%	99.8%	2 424 690	68.8%	66.9%	45	54.1%	58.1%
Velké podniky	1 406	0.1%	0.2%	1 100 327	31.2%	33.1%	38	45.9%	41.9%
Celkem	1 008 527	100.0%	100.0%	3 525 017	100.0%	100.0%	83	100.0%	100.0%

Appendix 5: Business Model Canvas (Source: BusinessModelGeneration.com, 2016)



Value Proposition Canvas



Appendix 7a: Current calls web addresses to COSME

More information about further calls, see the links:

<https://ec.europa.eu/easme/en/cosme> and

ec.europa.eu/enterprise/initiatives/cosme/index_en.htm and

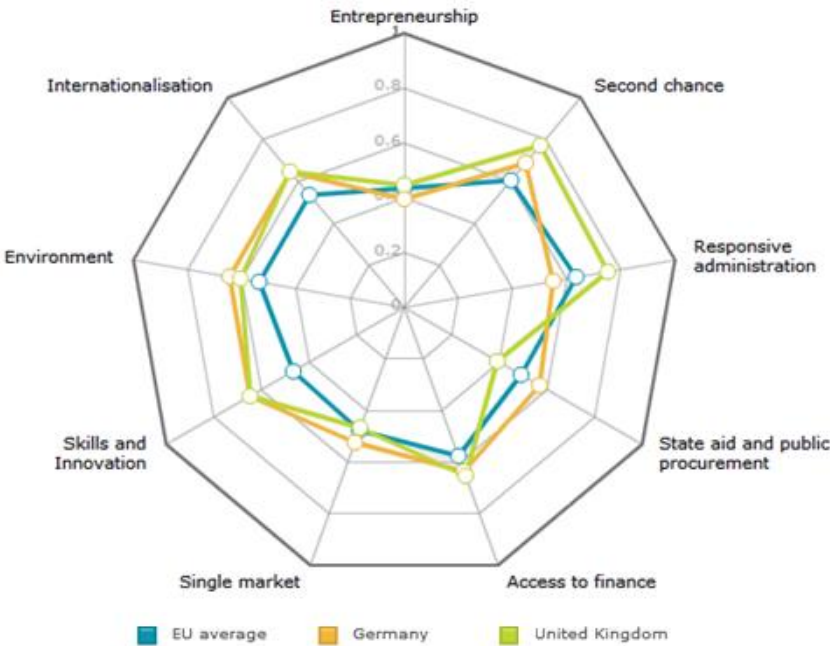
<http://ec.europa.eu/research/participants/portal/desktop/en/opportunities/cosme/index.html>

Appendix 7b: Current calls web addresses HORIZONT 2020

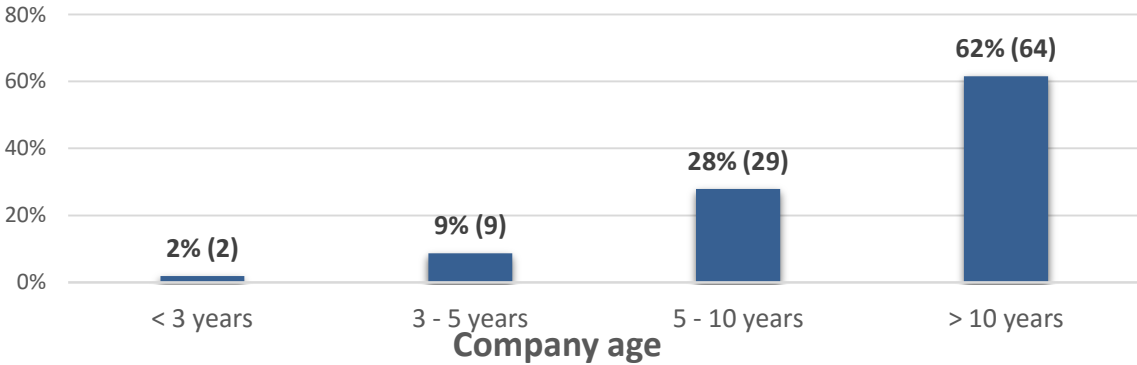
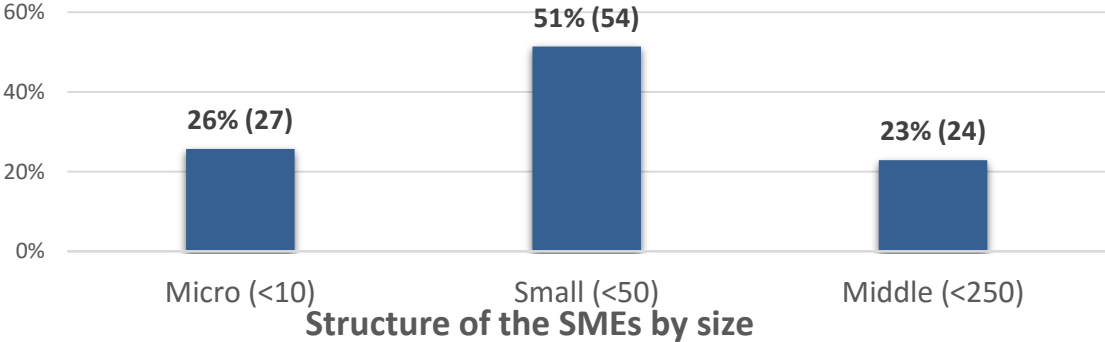
<http://ec.europa.eu/programmes/horizon2020/> and

<http://ec.europa.eu/research/participants/portal/desktop/en/opportunities/h2020/>

Appendix 8: Small Business Act net, Germany vs. United Kingdom (Source: Interactive SMEs database, 2016)



Appendix 9 & 10: The profile of the companies of JIC PLATINN 2013 – 2016 (Source: Tomíčková, 2016)



Appendix 11: Further questionnaire of JIC PLATINN 2013 – 2016 (Source: Tomíčková, 2016)

We have improved the technical level (character) of our product/s or process/es.	19%
We have got the access to the know-how valuable for the company technical competency development.	13%
We have found a new market for our current product/s and/or service/s.	11%
We have found a market gap, we would like to fill and develop a new product/service for it.	9%
We have improved work with our customers (better knowledge of our customer needs is showing us new opportunities).	43%
We became better in getting czech customers (the sales in CZ are increasing).	28%
We became better in getting foreign customers (the sales from abroad are increasing).	17%
We have found a new way of selling.	17%
Our employee motivation / work attitude has improved.	36%
We have clarified what is our target for next 5 (eventually for 10) years and what has to be done to get there.	53%
We have improved our processes.	74%
We have established new partnerships.	18%

AKTIVITE SYSTEM WINDOWS

Appendix 12: Interview Questions (Tomíčková, 2016-30-6) JIC Brno Purkyňová

- 1 What is JIC's strategy, its role and services offered?
- 2 How JIC managed to meet the strategic goals?
- 3 What are pros and cons of JIC?
- 4 What is the future strategy of JIC?