

## ***Promoting Entrepreneurship on the Part of Municipalities***

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**Abstract:** *The main aim of this article is to propose a system of effective business support tools at the region and municipality level, which will be fully accepted by the business sphere of small and medium sized enterprises group. To secure sufficient extent of services in community and to support employment of residents is one of the main tasks of municipalities. Private businesses, mainly SME, look for comparative advantage by taking advantage of offered support in business in given communities and regions. The range of offered supports is limited and unevenly taken advantage of.*

*Representatives of the small and medium-sized enterprises (owners or senior managers) were asked eight questions. Altogether was reached about 400 companies, of which 268 have indicated their willingness to fill out the presented questionnaire.*

*The research confirmed that the SME entrepreneurs noticeably differ between offered supports. It was determined that the most used are the possibilities to contract smaller commissions to local contractors and using the favorable lease in the communal buildings. On the other hand, serviceability of some encouragements is not attractive enough for SME. For example, the help with promotion of business and its products or assistance services offering intermediation in collaboration with academic area while applying results V+V. Interesting outcome of questionnaire research was that contractors would welcome a better communication with the representatives of the municipalities. Part of the contractors are also unwilling to do business outside their place of residence.*

**Keywords:** small and medium-sized enterprises, municipalities, support, firm location, Regional Government

**JEL:** H76, L2, R5

### **Introduction**

This article deals with the real usage of support in business which is offered by given municipalities. Legal duty of communities is to secure universal development of a territory and the lives of residents. Communities and regions try to influence the localization of businesses on their territory via different tools for support in business. The aim is to increase employment and by that even the purchasing power of residents of given community and secure wide range of services. The possibility of communities and regions are different and the aim of the research was to assess the impact of individual tools of support in business to the entrepreneurial environment in given region. There was monitored the extent of taking advantage of offered supports by given SME and their opinions on this support.

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Business support is usually defined as a set of various economic and legal tools used to develop the business environment, existing enterprises and the creation of new enterprises. Business support issues are addressed in all developed countries. SME are driving force of the economics. Their support is reflected in the overall economic situation of the country. SME are flexible and able to adapt to the new technologies, trends and changes on the market. (Malach et al, 2005).

New view emerged that small enterprises and entrepreneurs are vital for economic development. Acs and Audretsch (2003) refer to the rising of an entrepreneurial society. Reynolds et al. (2000) measured the entrepreneurial vitality and its importance for economic development. Research conducted in Sweden in 2005, focuses on government support to small enterprises and entrepreneurs and their utilization. On the other hand, there are doubts again about whether the government should assist the development of small enterprises. (Storey, 1994; Hjalmarsson, 1998).

Neo-classicist economic theory establishes framework for analysing the need for support programs. This approach takes as its starting point the existence of different phases in an economy where supply and demand of goods and services are in balance and where sources are used as efficiently as possible. However limited starting resources of small and medium enterprises often means that these companies face certain disadvantages on the market and cannot compete under same circumstances as large companies (Penrose, 1959). Public programs are legitimate as their support acts against external influences and stimulates competition on the market. For example, efforts to facilitate access to business information or provides financial support for small enterprises reportedly eliminates the imperfections of the market and stimulates competition (Caves, 1977).

### **1. Support of entrepreneurship in segment of SMEs**

Generally it can be stated that the system of financial support for SME in reality is minimal. For example, according to European Committee in years 1998 – 2010 approximately half a million small enterprises used the guarantee provided by the European financial instruments, representing an average annual basis of about 0.2%. (European Committee, 2011)

The main objective is to support the process leading to an increase in overall economic performance. Thoughtful support of the competitiveness of small and medium-sized enterprises will ensure competitiveness at all levels (supranational, national, regional, local) within the framework of sustainable development. Increasing emphasis is also placed on developing binding and interaction of local entrepreneurs and their effective cooperation in the efforts to develop the regions.

Boter (2005) has carried out an extensive research whose aim was to analyse small to medium enterprises that use existing support systems. The analysis focuses on different numbers of enterprises in the category of small and medium enterprises and the role of the industrial sector and regional location. Empirical data were collected through surveys of more than a thousand Swedish small and medium

enterprises with 1 to 49 employees, both from the sphere of industry and services, as well as from three different regions. The analysis uses both descriptive and multivariate statistical techniques. The results show low participation in support programs available and also the fact that in sparsely populated areas are the most frequent users the largest manufacturing companies.

From the model developed by Gnyawali and Fogel (1994), it is possible to discuss how different types of business environments affect susceptibility to launch new enterprises and development of existing ones. Opportunity (see Picture 1), points out that different types of markets provide a variety of business conditions. The previously mentioned research convincingly demonstrated the important role of institutional and cultural dimensions and their specific implications for entrepreneurship (Hofstede, 1994 Dennis, 1997). Other influences on macroeconomic policy for businesses are e.g. tax legislation and labour law. After some time, countries, regions and sectors have developed certain rules of the game, a culture which has an effect on enterprises in various stages of development (Putnam, 1993).

The results of taken surveys show that small companies use more often certain types of support, meanwhile others are used only rarely. Naturally supporting services are very varied and have different target groups – from wide range of offers of support to specialized companies in one sector. Curran (2000) suggests some general reasons for low levels of utilization. The first involves an entrepreneurial spirit, which includes independence and avoids situations that interfere with their autonomy. Secondly the content of aid programs is often standardized, which makes it less useful for many entrepreneurs, especially in the sector of small and medium enterprises.

EU funds represent the main instrument for implementing the EU's economic and social solidarity. It was through them to distribute the funds intended to reduce economic and social differences between Member States and regions (Ohanyan, Androniceanu, 2017). The EU has three main funds: the European Regional Development Fund (ERDF), European Social Fund (ESF) and the Solidarity Fund (SF). Each Member State negotiates with European Committee Operational Programmes (OP) which are intermediate step between the three main European funds (ERDF, ESF, SF) and the specific beneficiaries of financial support to Member States and regions. (Centre for Regional Development CZ, © 2011-2013)

Key government institutions in the field of business support are the Ministry of Industry and Trade (MIT), which usually offers a surface support of departmental programs, and the Ministry for Regional Development, which typically offers a regional development programs. Entrepreneurs can take advantage of both subsidy and grant programs financed from the state budget or subsidies from European funds and funds provided at regional level. Provision of such funds is usually tied to the established main headquarters of companies in the region (in their respective regions). With the various aids and subsidies, can entrepreneurs familiarize themselves in database of support, which is continuously updated and allows

convenient search according to selected criteria (European Committee, 8/2009, © 2013).

Programs to support SME were created in 1992 and from then went through many changes and variations. The amount of funds in supported areas is still growing. Joining of Czech Republic to the EU in 2004 was important in the approach to the business and system support. Since 2005, MIT has prepared a new concept of business support, which aims to improve support for entrepreneurs, increase their competitiveness, improving access to business loans and assisting in research, development and innovation in the Czech Republic. (Business-Info, 1997-2013).

The purpose of regional support of entrepreneurship is to create favourable conditions for entrepreneurs in regions where conditions for entrepreneurship development is worse compared to average conditions. This support is usually emphasized in areas designated by the government as structurally affected or economically weak regions. Most business support is in relation to the region provided by regional development agencies, chambers of commerce, innovation centres etc. (MIT, 2013)

Support of entrepreneurship at municipal level is usually associated with specific locations or specific entrepreneurs. It is a matter of harnessing the potential of local conditions and ensuring development of needed services. The municipalities can promote entrepreneurship in particular ways: to define a suitable area within the city plan to build a technical infrastructure to facilitate the use of available sites and buildings for business purposes, to provide business premises owned by communities under favourable conditions (e.g. discount leases for the operation of retail services), establish specific types of business infrastructure, e.g. business zone, business / innovation incubators, mediate contacts, coordinate business activities in the community, help promoting entrepreneurs. (MIT, 2013).

Support for entrepreneurs can be divided to direct and indirect according to Klímová (2007). Among the indirect support to entrepreneurship we especially include reducing red tape, which is usually done by modifying the legislation and the business environment. Furthermore, there is counselling and counselling centres for entrepreneurs. These are business and innovation centres, business information points, the National Register of Consultants or support is provided through specialized web portals. This includes building of industrial zones, and support of the development of brown fields. Furthermore the indirect support includes the establishment of business incubators and technology parks that provide expert advice and other services. Another form of indirect support is formation of these clusters and this support is currently playing an important role in Czech Republic. (Klímová, 2007).

Direct support is provided directly to specific companies. These supports are defined in the law on the promotion of SMEs. There are included grants and concessional loans, which have a lower interest rate or a longer repayment term etc. More direct support are grants which are of a similar nature as subsidies and are mostly provided in the field of research projects.

The basic development tools for municipalities are *administrative tools, financial tools, institutional tools, conceptual tools, socio-psychological tools, factual tools* (Novotný et al., 2008). For the division of instruments there are more opportunities in recent years in developed countries of Western Europe which has set a complex tools for communal and regional economic policy. Tools supporting the municipal economy and business are distinguished by type, strength of impact and also defines to whom they are addressed and to whom they focus its content. (Belás et al., 2014)

The business environment is characterized by a number of factors that significantly influences the emergence of new businesses and businesses already operating on the market. At the national level, the business environment is influenced by following factors: general laws and law enforcement, tax and administrative strain for entrepreneurs

*At the level of municipalities or regions* businesses environment is affected by following factors: instance to markets and customers, availability and quality of work force, access to resources (financial, material and technical), quality of infrastructure, and professionalism of local government. (Binek, 2011)

Factors at the national level are the same for all prospective business and also in all regions of the Czech Republic. However the determining factors that directly influence people to entrepreneurship are factors affecting the level of regions and municipalities. We call it business-friendliness of the territory. For services and trade the most important factors are: distance to markets or customers and availability of labour. For production-oriented business are the most important factors: quality of infrastructure, availability of various types of resources and the quality and professionalism of government. (Binek, 2011)

The municipality may significantly influence the location of businesses, both production-oriented, and businesses oriented or businesses offering services. The highest possible employment of citizens is an important goal of municipal government - employment related purchasing power and social situation of the population, the state housing fund, etc. The basic motive of government is creating jobs in areas with lower unemployment possibly the use of existing land and buildings suitable for business (often brown fields). These factors influence all subsequent activities of government and consequently the positive climate of the municipality. (Binek, 2011).

## 2. Aim, methodology and data

The main aim of this article is to propose a system of effective business support tools at the region and municipality level, which will be fully accepted by the business sphere of small and medium sized enterprises group. In the framework of the research support business activities from the point of view of the local governments was already conducted preliminary research. The European Committee accepted a new definition of SME in Recommendation 2003/361/EC. Sets limits on the number of employees: *micro* (0 to 10 employees), *small* (10 to 50 employees)

and *medium-sized* (50 to 250 employees) enterprises. Recommendation increased the financial ceilings (turnover or annual balance sheet value) in order to take account of inflation since the first SME definition in 1996. The new definition became effective on 1st January 2005. EU policy objective is to ensure that policies and actions have had a positive impact on small enterprises and to make Europe a more attractive place to start-ups and business itself. (www.circa.europa.eu)

With regards to the acquired findings there were formulated three research questions:

**Research question No. 1**

Are concurrently used tools for support in business for SME sufficiently effective to have significant impact on localization of SME in given locality?

**Research question No. 2**

Which tools for support in business are offered by regional municipalities and how are they used by concrete businesses?

**Research question No. 3**

Which measures for the support in business are offered by municipalities and how are used?

After an assessment of acquired data from this investigation, a tools of descriptive and analytical analysis will be used. That means, percentage, average values and other relevant indicators will be used, i.e. a chi-square aimed to find out if statistically valuable abnormalities do exist among the compared datasets and theoretical frequencies.

An agreement according to the „Chi-square“ is defined subsequently. Regarding to a scientific research, a hypothesis is tested, when  $H_0: \pi_i = \pi_{i,0}$ , where  $i = 1, 2, \dots, K$  ( $K$  is a number of categories) and  $\sum \pi_{i,0} = 1$ , towards an alternative hypothesis  $H_1: H_0$  is not valid. If the constants  $\pi_{i,0}$  are equal, then the null hypothesis can be expressed as  $H_0: \pi_1 = \pi_2 = \dots = \pi_k$ . For  $n\pi_{i,0} \geq 5$  is used the chi-square statistic given by

$$\chi^2 = \sum_{i=1}^K \frac{(n_i - n\pi_{i,0})^2}{n\pi_{i,0}}$$

where  $n\pi_{i,0}$  is a theoretical (expected) occupancy of an  $i$  category in selection of a scope  $n$ . This coincidental quantity, provided that a hypothesis  $H_0$  is valid, has a chi-square division with  $(K - 1)$  degree of freedom, that is to say  $\chi^2 \sim \chi^{2[k-1]}$ . That is why the calculated value given test criteria  $\chi^2$  has to be compared with a quantile  $\chi_{1-\alpha}^2 [K - 1]$ . (Řezánková, 2007)

All research methods described will be used in reciprocal combination in a way to maintain a counterbalanced approach of their usage, as a preference of a one method could mean an important distortion of the results. Data will be analysed by proportional and independent tests. A single-sample proportional test is based on the fact that analysed data have normal distribution. For this test it also has to apply that the number of units in analysed set ( $n$ ) multiplied by the expected proportion  $p_0$  has

to be at least 5 and at the same time the number of units in analysed set (n) multiplied by difference  $(1 - p_0)$  has to be at least 5. From the obtained data we will calculate selective proportion, which we will compare with the expected proportion  $p_0$ .

The independent tests investigate if there is certain reliance between minimum of two sets of data. These independent tests are based on comparison of relative and expected variables. The strength of relation measures Pearson's contingency coefficient.

The independent tests were used in the first and second research question. In the first research question we analysed if a reliance exists between certain types of businesses (micro, small and medium-size enterprises) and their chosen replies on this question. In the second research question we were investigating if a statistically significant differences exists between types of businesses (micro, small and medium-size enterprises) and types of support and also between orientation of businesses (manufacturing businesses, service businesses). All data were tested on the level of significance 0.05. The statistic programs SPSS and XL Statistics were used for the analysis of data.

### 3. Results and discussion

Representatives of the small and medium-sized enterprises (owners or senior managers) were asked eight questions. Three of these questions had alternative answers and the respondents could mark up to 3 in one case of 5 answers. Altogether was reached about 400 companies, of which 268 have indicated their willingness to fill out the presented questionnaire. Interviewers personally visited 227 companies and 41 of the companies sent the completed questionnaire via e-mail. With the above 268 business entities was approximately 66% of the so-called micro-enterprises and only six of the companies had more than 100 employees. Of total number 96 companies focused on the production, 162 on the provision of services (repairs, transport, trade, service, etc.) and 11 companies could not be clearly categorized (more types of activities). The research took place in two stages (in the period October – December 2015, May – June 2016), especially on the territory of the Zlín region – a total of 77% of the companies.

Results of this research are involved in next tables.

A single-sample proportional test was used in the testing of the first research question. We were interested if most of the local self-governments (municipalities, regions) sufficiently support business activity in a place of venture of a given business.

**Table 1. The opinion of entrepreneurs on the extent of support by the municipalities**

Do you think that territorial self-government (municipalities, regions) sufficiently promotes business activity in your region?	The number of companies	% Response share	P value	Significance
Yes	43	16,05	0,88	No
No	59	22,01		
Only sometimes	81	30,22		
Not particularly	85	31,72		
<b>Altogether</b>	<b>268</b>	<b>100</b>		

(Source: Author)

This question was focused on the subjective perception of the interviewed by Department of Justice on the business support from the local government units (regions and municipalities). On the basis of the obtained answers can be concluded that this aid shall not be considered by entrepreneurs as sufficient. The affirmative answered only 16.05% of polled entities. Due to the subjective nature of the questions was assumed the negative answer, but a very low rate of positive evaluations is surprising. Private representatives of the companies mentioned as well as positive examples of business support, but usually from a different territory.

The first question was analysed by proportional and independent test. In the proportional test we were interested if most of local self-governments (municipalities, regions) efficiently support business activity in Zlín region. Results of proportional test imply that local self-governments (municipalities, regions) do not support business activity efficiently in Zlín region (p value = 0.88).

**Table 2. The opinion on the suitability of tools suggested to the support of enterprise by the regional government I**

<i>How can, in your opinion, at the regional level the most to help the development of your business? (Please indicate maximum of five answers)</i>	The total number of responses	Micro. The number of responses	MSP the number of responses	P value	Significance
Assistance services in preparing business plans and in obtaining subsidies for their implementation	79	59	20	0	YES
Grant support relating to innovation or the creation of new jobs	88	46	42	0,33	NO
Preferential loans for the implementation of new business plans	145	113	32	0	YES



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Promoting local companies and their products on the regional level	172	138	34	0	YES
Support in obtaining new business partners (e.g. form of business missions or promoting the firm outside the region)	38	17	21	0,51	NO
Assistance services to facilitate trading with foreign countries (support for exports)	45	6	39	0	YES
Supply of suitable areas (industrial zones, technological parks, business incubators) and services for the implementation of new business plans	89	28	61	0	YES
Zooming in vocational education to the specific needs of entrepreneurs and deepen cooperation with the practice	92	61	31	0	YES
Assistance services in the field of energy savings (consultation, project preparation, search for grant options at the level of the CZECH republic and EU)	47	28	19	0,19	NO
The improvement of transport accessibility of the locations where you do your business	163	102	61	0	YES
The improvement of the technical infrastructure (engineering networks, internet) in the locality where you do your business	58	39	19	0	YES
Assistance services in cooperation with the academia and in the application of results of research and development in the business (center of technology transfer)	23	2	21	0	YES
Support of mutual cooperation of companies in the region (e.g. in the form of clusters)	41	4	37	0	YES
Another way	15	9	6	- 0,052	NO
<b>Altogether</b>	<b>1095</b>	<b>652</b>	<b>443</b>		

(Source: Author)

The correlation coefficient 0,396 indicates a high statistical dependence. Its value is significant.

Microenterprises      179  
MSP                              89

**Table 3. The opinion on the suitability of tools suggested to the support of enterprise by the regional government II**

<i>How can, in your opinion, at the regional level the most to help the development of your business? (Please indicate maximum of five answers)</i>	<b>The total number of responses</b>	<b>Manufacturing companies</b>	<b>Services</b>	<b>P value</b>	<b>Significance</b>
Assistance services in preparing business plans and in obtaining subsidies for their implementation	79	23	56	0	YES
Grant support relating to innovation or the creation of new jobs	88	42	46	0,33	NO
Preferential loans for the implementation of new business plans	145	41	104	0	YES
Promoting local companies and their products on the regional level	172	56	116	0	YES
Support in obtaining new business partners (e.g. form of business missions or promoting the firm outside the region)	38	16	22	0,17	NO
Assistance services to facilitate trading with foreign countries (support for exports)	45	36	9	0	YES
Supply of suitable areas (industrial zones, technological parks, business incubators) and services for the implementation of new business plans	89	78	11	0	YES
Zooming in vocational education to the specific needs of entrepreneurs and deepen cooperation with the practice	92	57	35	0,01	YES
Assistance services in the field of energy savings (consultation, project preparation, search for grant options at the level of the CZECH republic and EU)	47	21	26	0,24	NO
The improvement of transport accessibility of the locations where you do your business	163	58	105	0	YES
The improvement of the technical infrastructure (engineering networks, internet) in the locality where you do your business	58	12	46	0	YES

Assistance services in cooperation with the academia and in the application of results of research and development in the business (center of technology transfer)	23	19	4	0	YES
Support of mutual cooperation of companies in the region (e.g. in the form of clusters)	41	33	8	0	YES
Another way	15	2	13	0,01	YES
<b>Altogether</b>	<b>1095</b>	<b>494</b>	<b>601</b>		

(Source: Author)

The correlation coefficient 0,388 indicates a high statistical dependence. Its value is significant.

Manufacturing companies      96  
 Services                              162

Two-sample proportional tests were used in the second research question as well. We were investigating if a statistically significant differences exists between types of businesses (Micro, Small and Medium-Size Enterprises) and types of business support and also if a statistically significant differences exists between types of business support and business orientation (manufacturing businesses, service businesses). In this case we are analysing two individual sets of data.

The second question was analysed by independent test and proportional tests for every type of business support. In the independent test the statistically significant differences manifested themselves between types of businesses (micro, small and medium-size enterprises) and types of support as well as between businesses orientation (manufacturing businesses, service businesses). Correlation coefficients are in both cases relevant (0.396 for type of businesses, 0.388 for orientation of businesses) and they imply medium statistical dependence.

It was resulted from the proportional tests for each type of support that some types of support are not at all important for business support. For micro, small and medium-size enterprises is not important grant support regarding innovations or formation of new work positions, a support in gaining new business partners not even an assistance services in the area of energetic services. The rest of the types of a business support are important for these business categories. Micro enterprises have the biggest interest in their propagation on the region level, soft loans for realization of business aims and improvement in transport availability based on a place of business. On the other hand small and medium-size enterprises have the biggest interests in assistance services which are facilitating trading with abroad, an offer of vacant spaces and maintenance services for realization of business aims, support of mutual cooperation of businesses in region and assistance services in cooperation with academic sphere and in administrating results of research and

development in business. Other means of business support are not important for individual types of businesses.

From the aspect of business orientation (manufacturing businesses, service businesses) the grant support regarding innovations or formation of new work positions, assistance services in the area of energetic services and a support in gaining new business partners is not important as it is for a micro, small and medium-size enterprises. Manufacturing businesses have the biggest interest in assistance services which are facilitating trading with abroad, an offer of vacant spaces and maintenance services for realization of business aims, approach of a professional education to the specific needs of businessmen and deepening of cooperation with practice, a support of mutual cooperation of businesses in region and assistance services in cooperation with academic sphere and in administrating results of research and development. On the other hand businesses providing services prefer propagation on region level, improvement of transport availability and technical infrastructure in a place of business, soft loans for realization of their business aims and assistance services in preparation of business aims. Contrary to micro, small and medium-size enterprises, the businesses that provide services prefer also other means of business support.

**Table 4. The possibilities of support by the municipalities**

<i>How can, in your opinion, at the regional level the most to help the development of your business?(Please indicate maximum of five answers)</i>	<b>Number of responses</b>	<b>% Response share</b>	<b>Micro. the number of responses</b>	<b>MSP number of responses</b>	<b>Manufacturing companies</b>	<b>Services</b>
The offer of suitable premises for the business	137	18,29	98	39	38	99
Grant support relating to the creation of new jobs	126	16,82	88	38	55	71
Smaller procurement route for local entrepreneurs	241	32,17	157	84	103	138
Promotion of local companies in local periodicals and on the website of the municipality	92	12,28	61	31	34	58
More often interact with local entrepreneurs about their needs	138	18,42	94	44	37	101
Communities do not have a significant impact on the business activity in the village	8	1,07	6	2	1	7
Another way	7	0,94	5	2	0	7
<b>Altogether</b>	<b>749</b>	<b>100</b>	<b>509</b>	<b>240</b>	<b>268</b>	<b>481</b>

(Source: Author)

Based on the evaluated questionnaires is clear, that entrepreneurs prefer, in addition to commonly used favorable leases in joint buildings, support for small-scale public procurement for local contractors or support for the creation of new jobs. Entrepreneurs also require better and more frequent communication with community representatives. From the individual proposals it was mentioned several times, that the municipalities should also focus on increasing the qualifications and willingness of the officials of the municipality. Officials should be able to competently advice and willingly within the legal options to entrepreneurs and not to "throwing a spanner in the works".

#### 4. Evaluation of fixed research questions

Research question No. 1

*Are concurrently used tools for support in business for SME sufficiently effective to have significant impact on localization of SME in given locality?*

This question was being verified by using semi-constructed interviews which were executed 54 in total. Most of the businesses, not considering their aim, agreed that no. Unfortunately, current legislation significantly limits the use of some tools for the support in business for SME, for example orient smaller public commissions to local contractors. In the Czech Republic is in effect a law about placing public commissions which noticeably limits this possibility. In contrast of Boter (Boter, 2005) in the Czech Republic plays a significant role the residence of the contractor, or specific relationship to given region in a localization of businesses. For example was born there, studied there, or has acquaintances there.

The Czech Republic, apart from the Western Europe, does not have established local and regional taxes, meaning all businesses are taxed the same in the whole country except businesses taking advantage of special governmental incentive. In this case is not possible to use different rate of taxes as a motivational factor in localization of business in given municipality.

Research question No. 2

*Which tools for support in business are offered by regional municipalities and how are they used by concrete businesses?*

By way of questionnaire was tested using given types of support in business by SME. The results are indicated under unified tables and are evident that the biggest interest by SME was for the promotion of local businesses and their products in the whole region. Many businesses also took advantage of preferential credit and requested approximation of the technical education to concrete needs of businesses and deepening of the cooperation with practice. Noticeable request was also for improvement of the traffic accessibility which emerges from the periphery location of the Zlín region.

Research question No. 3

*Which measures for the support in business are offered by municipalities and how are used?*

Based on the evaluated questionnaires is clear that SME would prefer contracting of smaller public commissions to local contractors. The most used support is favorable lease in the communal buildings. This support is often used by micro-businesses offering services. Contractors would also welcome more frequent communication between the representatives of the public administration and local contractors in reference to their needs.

## 5. Conclusions

Municipalities have the possibility to significantly influence localization of businesses in their region. For this they use a whole range of tools for support in business. As determined, not all offered forms of support in business are completely used by SME. Businesses look for a type of support that secures them some comparative advantage. For some types of support there was minimal interest from the businesses based on their size or aim.

For example, the use of assistance services during the cooperation with academic field or the support by municipalities while obtaining new business partners or promotion of business outside of the region.

On the other hand was univocally proved that contractors prefer, apart from commonly used favorable lease in the communal buildings, support aimed at contracting smaller public commissions for local contractors or support aimed at creation of new job positions.

Relatively surprising finding was a demand of a significant portion of businesses to improve communication between the organs of public administration and SME. Contractors believe that representatives of municipalities contact them only when they need something and are insufficiently dealing with needs of business subject in the community.

Due to the fact, that the research took place mostly in a Zlín region, which is on a periphery of the Czech Republic, was common demand to improve the transport infrastructure.

The advantage of SME is their flexibility and that is why they are a contribution for the communities, particularly for providing the missing services. However, compared to big businesses have SME problem with acquiring working capital, thus would welcome a bigger possibility in using favorable loans to realize new business plans, guaranteed for example by development fund of given region.

The offering of present possibilities of support by municipalities influences the decision of contractors about localization of their business, but only in the scope of given region. Local encouragement does not have the same weight for the contractors to bring their businesses to distant places from their residence. Even then

can be stated that support offered by municipalities in business is an important factor while deciding about a localization of a business in given community.

The research was realized in two phases (October – December 2015, May – June 2016) mostly in Zlín region. 268 businesses participated in the research by filling up presented questionnaires. Concurrently occurred 54 moderated interviews with business owners, who gave their opinion on other aspects of their businesses. Even though it is a small sample from the total number of SME, the collected results can be considered representative considering representation of individual size categories (contractors, micro-businesses, SME). Representative was also representation of businesses with varied types of operations (production activity, services). Currently is in progress a follow-up research aimed at the position of communities to taking advantage of individual tools for support in business.

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