THE IMPACT OF EU SUPPORT RESOURCES ON BUSINESS SUCCESS OF FAMILY-OWNED BUSINESSES

Dániel Halasi, Pavol Schwarce, Ladislav Mura, Ol'ga Roháčiková

ABSTRACT
Nowadays, we live in an accelerated, complex, globalized world, where expectations are high for everyone. The child of today has to train a lot to be successful. The enlargement of the European Union and the expansion of the Schengen zone opened gates to society and economy that were not dreamed before by the countries of Central and Easter Europe. Many businesses were able to develop and grow, and they could achieve the goals they set until the end of the ’90s. The situation has changed since the turn of the millennium. The global markets, the easily accessible products and services, the convenience of the World Wide Web, the growing competition, the multinational companies and foreign chains, the high consumer expectations and the requirements and standards of EU have resulted the end of many businesses. The aim of the paper was to evaluate the impact of European Union support funds on the business of family enterprises in the southern districts of the Slovak Republic. The research material was obtained from primary sources. Data were subject of deeper analysis by statistical methods. Subsequently hypotheses were formulated and verified by use quantitative methods. According to results, in a group of businesses not supported by EU programs more than half of the respondents could not develop in the last 3 years, they had negative results. It can be stated that if external support and consultancy are present in family business life, the younger generation will find the family business more dynamic, innovative and attractive and therefore they will continue to run the family business.

Keywords: family business; small and medium-sized enterprises; agribusiness; financial support; European Union

INTRODUCTION
Entrepreneurship of small and medium-sized enterprises accounts for up to 98% of all business activities. A relatively large proportion of these are family enterprises particularly common in the food processing sector. Agrisector and food processing sector are integral part of Slovak land regions. There are some differences between regions in Slovakia and in another EU regions, enterprises and their strategies or concepts (Švec and Madleňák, 2017; Antošová et al., 2017; Selivanova-Fyodorova et al., 2019; Horská et al., 2019). However, when examining family enterprises, we encounter a problem of their definition. The family businesses do not have a precise definition either in Slovakia or in another member state of the EU. There is also a lack of legal frameworks that would specifically support this type of business, e.g. the employment of family members or the quality of products and services (Mura, 2017). But there are specificities or conditions that can be used to determine whether a business is a family business (Hudáková et al., 2014). The large part of family businesses belongs to the SME sector, but in the absence of a formal definition, their measurability is low. An exact number cannot be given for their proportion (Vágány et al., 2015; Androniceanu et al., 2017). Some estimates and research reports show that the proportion of family businesses within the SME sector in Europe is about 70% and 80% (Ivanová, 2018). Some estimates also indicate a higher ration. Compared to this, the proportion of family businesses within the SME sector on the North American continent can reach 90% (Hnétek, 2015). The family businesses have 80% share in creating new jobs and 60% share in full employment. In the Middle East, this figure is over 90%. In Japan 99% of businesses are family-owned businesses (Baassiri, 2018; Hammadeh, 2018). For a more accurate classification, many authors and researchers tried to create a definition, but most of them only listed factors specific to family businesses, generally based on the following four aspects (Csákné Filep, 2012): - the ownership of the business can be linked to members of a particular family or to members of 2 – 3 families, - the majority of the family’s ownership and thus the influence of its decisions (Strážovská and Jančíková, 2016), - cooperation and active participation of not only one, but two or even three generations in regular and extraordinary
activities and decision-making situations affecting family business,
- members of the owner family intend to transfer ownership and management of the business to the next generation (child, grandchild).

In the late 1990s, the American Massachusetts Mutual Life Company conducted a research on American family businesses. The aim of the research was to define an acceptable definition or criteria for better measurability and investigation of family businesses. In 1997, the results of their research were published. According to them, if at least one of the following three criteria is met, we are talking about a family business. These three criteria are (Strážovská et al., 2008; Vilčeková et al., 2018):
- the owner of the business treats his own business as a family business and sees it as a family business,
- the owner of the business is going to give the ownership of the family business to the young generation in the future,
- within the owner of the family business, at least one (or more) family members are work in leadership; in addition, other family members are working in the business, who are involved in management and everyday operational tasks.

In order to look at the characteristics and definition criteria of family businesses from more sides, let’s look at a list of the definitions of the European Commission (2018b) and Pricewaterhouse Coopers (2015):
- an enterprise can be treated and examined as a family business if the opinion of the family or one of its members has decisive weight in making decisions, regardless of the size of the business size (micro-enterprise, small and medium-sized enterprise, large enterprise). These members are natural persons who established the business and who invested the assets and capital of the business at the time of its foundation. The assets of the business are owned by them or their relatives,
- members of the family use majority power in decision-making, either directly or indirectly, so their opinion plays a crucial role,
- minimum one member of the family is actively and permanently involved in the management and operational activities of the business,
- enterprises whose shares are listed on a stock exchange may be considered as family business if the owner and the members of his family hold at least 25% of the decision-making rights.

It can be concluded that the common interest in family businesses is one of the most effective driving forces, thus in general it can be concluded that corporate goals and family goals overlap.

By interpreting The Treaty of Lisbon (2007), it can be clear to everyone that the main purpose of the treaty is to make the European Union the most dynamic and competitive economy in the world. This statement carries a huge responsibility for the SME sector, since the SME sector is the main driver of every economy, including the European Union. That is why it is very important that the SME sector receive the appropriate support at both state and EU level. The primary goal is to give all opportunities to the SME sector to increase its competitive advantage. Managing all this, by enabling businesses to effectively and professionally exploit the intellectual capital of their employees, their abilities and affinity. The combination of these two factors will determine the future of the SME sector, including the economic growth of the EU and the achievement of short- and long-term goals. It is no secret that the EU places great emphasis on innovation activity of the SME sector. It is well known that this sector is best suited for implementing certain innovation activities, as they are more responsive (due to their size) to changes in market needs and circumstances (Todericiu and Stăniţ, 2015; Čulková et al., 2015; Duma, 2015; Martyniuk, 2016; Huňady et al., 2017; Dvorský et al., 2018; Oláh et al., 2019).

It must be mentioned that the development (Grabara, 2019) and competitiveness of the SME sector was hit by the 2008 global economic crisis (like large enterprises and governments). According to Hagen and Holló (2017), the most important player in recovering from similar economic crisis is the SME sector. This must be recognized by all governments, and they should take appropriate steps to reduce the negative effects of the crisis in the SME sector. Thus, both parties (the SME sector and the government) can make a positive return.

Over the last few years, the EU has recognized that the SME sector needs serious support. That is why the EU’s economic policy decision-making bodies have decided to spend more than 450 billion € on support member states through the European Structural and Investment funds (there are more of them) between 2014 and 2020. The purpose of this support is to encourage small and medium-sized enterprises to create jobs and innovate (Andrejovská et al., 2016). The aim of the EU is therefore to continue to play a leading economic role in the world market. In order to achieve this goal, citizens of the member states must have jobs and enterprises must be able to develop and innovate continuously. Thanks to this, the enterprises can respond effectively to changes in environmental nuisance (Musová et al., 2018).

Another purpose of the EU’s economic decision-making bodies is to improve the internationalization of the SME sector. In the past, there was a serious deficiency that the SME sector did not export products or services to foreign markets (Andrejovská et al., 2019; Androniceanu et al., 2019). Although it is also a fact that nearly 50% of the SME sector’s businesses (mainly medium-sized enterprises) already does engagement in productive activities (Muafi Grabara and Sudiyarto Siswanti, 2019; Mustafin et al., 2018), so they produce products (predominantly in the agriculture or construction sector); Šupeková, 2015; Ubrežiová et al., 2008; Peráček et al., 2018). Although the willingness of the SME sector to export has slightly improved by 2018, there is still plenty to develop in this regard (Dupcsák and Marsalek, 2016; Milošovičová et al., 2018).

Table 1 shows the five European Structural and Investment Funds and shows which areas are supported by each fund. It is important to mention that these five funds are managed jointly by the European Commission (2018a) and the member states of EU. The aim of these funds is to support investments which has primary purpose is to create jobs and increase the EU’s economy, keeping in mind sustainability and environmental awareness (Buzás et al., 2003). The five funds primarily support five main areas, which are the following:
- innovation and research,
- the digital agenda,
- the low-carbon economy,
- help to protect and preserve natural assets
- support for small and medium-sized enterprises.

<table>
<thead>
<tr>
<th>Name of fund</th>
<th>Support area</th>
</tr>
</thead>
<tbody>
<tr>
<td>European Regional Development Fund</td>
<td>Contribute to reducing disparities between the levels of development of European regions and to reduce the backwardness of the least favoured regions.</td>
</tr>
<tr>
<td>European Social Fund</td>
<td>Promoting employment and social inclusion – helping people to get a job (or a better job); integrating disadvantaged people into society and ensuring fairer life opportunities for all.</td>
</tr>
<tr>
<td>Cohesion Fund</td>
<td>Supports infrastructure projects and projects related to energy or transport, as long as they clearly benefit the environment.</td>
</tr>
<tr>
<td>European Agricultural Fund for Rural Development</td>
<td>Supports European policy on rural development.</td>
</tr>
<tr>
<td>European Maritime and Fisheries Fund</td>
<td>Helping fishermen in the transition to sustainable fishing: support coastal communities in diversifying their economies.</td>
</tr>
</tbody>
</table>

Note: Source - own editing based on https://ec.europa.eu, online.

**Scientific hypothesis**
- Hypothesis 1: There is a significant relationship between the subjective sense of success of family business leader and the active use of EU funds.
- Hypothesis 2: There is a significant relationship between the presence of the support systems and external consultancy and the successfulness of the generation change.

By verification of hypothesis we used the level of probability $\alpha = 0.05$. This value we compared with the level of significance ($p$-value).

**MATERIAL AND METHODOLOGY**

The study includes primary and secondary data collection. Secondary data collection took place during the compilation of the theoretical part of the study, while the primary research was carried out in the empirical part of the study. Primary research was realized in first half of 2019 in Slovak south regions.

**Statistic analysis**

The most important part of the primary research was the statistical analysis of hypotheses by IBM SPSS Statistics 25. The statistical methods were used to test the hypotheses include crosstabs, chi-square test (Cramer’s V, Phi coefficient and Lambda coefficient) and frequency. Cross-tabulation was one of the most useful analytical tools and is therefore the most commonly used. Cross-tabulation tables provide a wealth of information about the relationship between the variables (nominal or ordinal). The chi-square test was used to determine whether is a significant difference between the expected frequencies and the observed frequencies in one or more categories. The chi-square statistic was used to show a relationship between two categorical variables. In statistics, Cramer’s V was used to determine strengths of association after chi-square test has determined significance. The phi coefficient is a measure of the degree of association between two variables. The phi coefficient is the quotient weighted number of the value of chi-square test and of observation units. Lambda is defined as an asymmetrical measure of association between two nominal variables, by assessing the proportional reduction of error by considering the independent variable when compared to ignoring the independent variable in the prediction of the dependent variable. Frequency analysis is a descriptive statistical method that shows the number of occurrences of each data in the sample. The relative frequencies are often shown as percentages of proportions by relation to all data as 100%.

**RESULTS AND DISCUSSION**

**Testing of hypotheses**

This part of the study deals with the testing of the hypotheses. The research question for the first hypothesis was the following:

Research question 1: Is there a relationship between the subjective sense of success of family business leader and the European Union support systems involved in family business?

It should be mentioned that instead of the success of the family business we have examined the subjective sense of success, because we cannot measure the “success” variable. Due to the nature of the research, there was no data on turnover, profit or wealth.

According the first research question, our first hypothesis was:

Hypothesis 1: There is a significant relationship between the subjective sense of success of family business leader and the active use of EU funds.

The cross-tabulation was used to test the hypothesis. The following two questions were used:
- Does the family business apply for EU support in the last 5 years?
- In your opinion, the family business in the last 3 years: odeveloped dramatically (1) odeveloped fast and steadily (2) odeveloped slowly (3) ostagnated (4) odeclined slowly (5) odeclined rapidly (6) oclose to bankruptcy (7)

The reader may notice that while we examined a 5-year period in the first question, we examined a 3-year period in the second question. This can be explained by the fact that in most cases the time of tender submission can be several months, even 1 – 2 years.
Therefore, the impact of an application submitted 5 years ago can only be felt and reflected in the performance of the business in the last 3 years. In addition, we considered the ranking of respondents about the supports. For this reason, we thought that they would be able to evaluate the supports from the beginning of the project up to the project closure and final performance reporting in a 5-year run. Table 2 shows the results of the cross-table analysis.

Cross-table analysis shows that fewer family businesses applied for EU supports than for state supports. Of the 286 respondents, 80 family businesses applied for EU support. If we look at the affirmative answers, it can be seen that 52.5% of respondents said that their family business developed fast and steadily in the last 3 years. According to 27.5% of respondents their family business developed slowly and according to 12.5% of respondents their family business developed dramatically. This positive development was represented by 92.5% of respondents, so it can be assumed that there is a relationship between the two variables. In the next step, we observed the negative answers, where we got different results. According to 42.7% of respondents the development of their family business showed a negative trend in the last 3 years. 11.7% of respondents said that their family business stagnated, so it did not begin to decline, but it could not develop. Summarizing the negative answers, it can be seen that more than half of the respondents could not develop in the last 3 years, they had negative results. Compared to the results of the above positive effect, we considered it important to examine whether our assumption is relevant for the two variables, so we subsequently carried out a chi-square test for the variables examined. In Table 3 we can see the results of statistical analysis. Based on the results of chi-square test, it can be concluded that it is worth to investigate these two variables, since the significance level is below the expected 0.05, namely 0.000. The asymptotic significance of Likelihood Ratio is 0.000. The statistics in the Table 3 are at 6 degrees of freedom. It could be mentioned that in the measurements lambda coefficient was 0.219 at a significance level of 0.000, which clearly shows a strong relationship. The following table shows the values of other indicators of the chi-square test. In Table 4 we can see the results of statistical analysis about the strength of the relationship between the examined variables. Both the Phi coefficient and the Cramer’s V are 0.623 and their significance level is 0.000. On this basis, it can be concluded that there is a positive and medium relationship.
between the subjective sense of success of family business leader and the active use of EU funds/grants.

Therefore, on the basis of the above statistical calculations, it can be concluded that there is a positive and medium relationship between the variables examined. These two variables were the subjective sense of success of family business leader, that is, the ability of the family business to develop in the last 3 years depending on whether it has benefited from EU funds/grants in the last 5 years. In the light of these facts, the hypothesis 1 was accepted.

The second hypothesis examines the relationship between the presence of the European Union funds/grants and the successfulness of the generation change. The research question for the second hypothesis was the following: Research question 2: Does the presence of the support systems and external consultancy in family businesses have a positive impact on generation change?

According to literature review and our own experiences and the information gathered at the beginning of the research, we have investigated whether there is a significant relationship between the external (EU or state) supports and external consultancy in the family businesses and the generation change in family business. We thought that if these factors are present in the family business, young people will find the family business more dynamic, innovative and attractive and therefore they will continue to run the family business. We assume that the younger generation would be reluctant to run the family business if the family business is less dynamic and is without external consultancy and support. According the first research question, our first hypothesis was:

Hypothesis 2: There is a significant relationship between the presence of the support systems and external consultancy and the successfulness of the generation change. The statistical data examining of frequency was used to test the hypothesis, since the questions and the data obtained from the questionnaires used in our research allowed to use this method. The statistical data examining of frequency was used in connection with EU grants, which included the answers of external consultancy and the generation change. The Table 5 shows the results of statistical data examining. The table was evaluated from top to bottom. The combined presence of the European Union supports and external consultancy in family businesses resulted a 68% probability of successful generation change. It can be stated that there is a strong relationship between the factors examined. In the opposite, in the case of a negative answer to both external factors, only 26.3% of the respondents expect the successful generation change. 73.7% of respondents answered that the generation change in the family business will not be or may not be successful. According the results, it can also be stated that there is a relationship between the variables. Analysing the combined answers, not specific conclusion can be draw, as in both cases (thus, either in the case of a negative answer to one or the other external factor) respondents predicted the success of the generation change with a 66.7% ratio. In conclusion, examining the second hypothesis, we can conclude that the presence of the European Union supports, and external consultancy has an impact on the successfulness of the generation change, but it should be examined in a deeper, more targeted way. However, this research, especially the composition of the questionnaire does not make it possible to investigate this.

### Table 5 Frequency table.

<table>
<thead>
<tr>
<th>EU supports in the last 5 years</th>
<th>Did you use help by an external organization/specialist?</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes Valid</td>
<td>34</td>
<td>68.0</td>
<td>68.0</td>
<td>68.0</td>
</tr>
<tr>
<td></td>
<td>Surely yes</td>
<td>16</td>
<td>32.0</td>
<td>32.0</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>Maybe yes</td>
<td>18</td>
<td>36.0</td>
<td>36.0</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>Not at all</td>
<td>50</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>82</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Surely yes</td>
<td>8</td>
<td>66.7</td>
<td>66.7</td>
<td>66.7</td>
</tr>
<tr>
<td></td>
<td>Maybe yes</td>
<td>4</td>
<td>33.3</td>
<td>33.3</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>Not at all</td>
<td>12</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>24</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Surely yes</td>
<td>16</td>
<td>66.7</td>
<td>66.7</td>
<td>66.7</td>
</tr>
<tr>
<td></td>
<td>Maybe yes</td>
<td>8</td>
<td>33.3</td>
<td>33.3</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>Not at all</td>
<td>24</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>52</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Surely yes</td>
<td>52</td>
<td>26.3</td>
<td>26.3</td>
<td>26.3</td>
</tr>
<tr>
<td></td>
<td>Maybe yes</td>
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<td>73.7</td>
<td>73.7</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
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<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>200</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Source – data from primary research, own editing based on SPSS.
Thus, we leave this hypothesis open, and we plan a future research that we intend to carry out in a larger sample, geographically extending, using different methodology.

From the future research, we except to answer the significance of the relationships examined in the second hypothesis. We will be able to prove these through statistical methods and draw relevant conclusions. Based on currently available data, the second hypothesis was accepted, but we consider it necessary to clarify it in more detail and to examine it in depths in the future.

Observing the family business factors is the focus of many authors. They have analysed several factors (Hudáková et al., 2014). According to particular research results, support mechanisms of European Union funds play an important role in business activities (Dupcsák and Marsalek, 2016; Andrejovská et al., 2019; Strážovská and Jančíková, 2016; Duma, 2015). The sustainable development of regions (Horská et al., 2019), countries and businesses (Grabara, 2019) should be the interests of the Union itself as well as the EU Member States. A similar research was carried out by Hufnady et al. (2017) with conclusion that the economic development of regions depends in many ways on innovation and support mechanisms. In this context, Ivanová (2018) identified barriers in the development of small and medium-sized enterprises, which include family businesses. In addition to bureaucracy, the most burdensome for them are financial difficulties in ensuring development. In this respect, EU support mechanisms are an important aid for businesses. Since the entrepreneurial success of family businesses (De Alwis, 2016) is determined by many factors, the special attention should be given to them (Hnátek, 2015).

CONCLUSION

Results of the research shows that that less family businesses applied for EU support than for state supports. Looking at businesses supported by EU programs, majority of respondents said that their family business developed fast and steadily in the last 3 years. In a group of businesses not supported by EU programs more than half of the respondents could not develop in the last 3 years, they had negative results. Subsequently we concentrated to answer some important questions about the development constraints of this type of business. These include inappropriately exploited external assistance, such as public tender or support programs, European Union development and support programs, or even external consultancy by an organization or specialist. We have come to realize that these factors are not only important for businesses to be able to develop and preserve financial stability, to improve their competitiveness or market position, but also have another impact. This is nothing else than a generation change that is often mentioned as the biggest problem source of family businesses. It can be stated that if external support and consultancy are present in family business life, the younger generation will find the family business more dynamic, innovative and attractive and therefore they will continue to run the family business. Leaving this issue open, we have decided to look forward to future research, in which we want to investigate this issue more specifically, with a larger number of elements and different methodologies.

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