

**Specifics of the internationalization process of
agricultural micro-enterprises in terms of
risks and barriers**

Diploma Thesis

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Abstract

Úšellová, E. *Specifics of the internationalization process of agricultural micro-enterprises in terms of risks and barriers*. Diploma thesis. Mendel University in Brno, 2016.

The main aim of the diploma thesis is to identify the risks and barriers of the internationalization process of Czech micro-enterprises in agrarian industry. The theoretical part deals with internationalization and globalization, small, medium and micro businesses, motivators, risks and barriers related to foreign market.

The second part is devoted to analysis of the current situation of small, medium and micro-entities in the Czech Republic. The factors of motivation, barriers and risks of internationalization of chosen enterprises are described based on results of in-depth interview by author. The data is compared with results from different sectors and surveys. Furthermore, there are proposals which lead to elimination of problematic factors.

Keywords

Internationalization, risks, barriers, obstacles, entities, business, SMEs, micro enterprises, entrepreneur, foreign market, in-depth interview.

Abstrakt

Úšellová, E. *Specifika internacionalizačního procesu zemědělských mikropodniků z hlediska rizik a bariér*. Diplomová práce. Mendelova univerzita v Brně.

Hlavním cílem diplomové práce je identifikace rizik a bariér internacionalizačního procesu českých mikropodniků v zemědělském odvětví. Teoretická část se zabývá internacionalizací a globalizací, malými, středními a mikropodniky, motivátory, bariérami a riziky týkající se zahraničního trhu.

Druhá část je věnována analýze malých, středních a mikrospolečností v České republice. Motivační faktory, překážky a rizika internacionalizace vybraných podniků jsou popsány na základě výsledků hloubkového rozhovoru provedeného autorkou. Data jsou srovnány s výsledky z odlišných sektorů a výzkumů. Dále jsou navržena doporučení, která by eliminovala problematické faktory.

Klíčová slova

Internationalizace, rizika, bariéry, překážky, entity, podnik, malé a střední podniky, mikro podniky, podnikatel, zahraniční trh, hloubkový rozhovor.

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List of abbreviatons

APEC	Asia-Pacific Economic Cooperation
CAP	Common Agriculture Policy
CZSO	Czech statistical office
MIT CR	Ministry of Industry and Trade of the Czech Republic
MNCs	Multinational corporations
OECD	Organisation for Economic Cooperation and Development
SMEs	Small and medium size enterprises

1 Introduction and goal of the thesis

1.1 Introduction

The agrarian industry has a long history and belongs to traditional sectors of the Czech economy. The share of agriculture (together with forestry) in gross value added in the national economy is approaching the average of the former EU fifteen. Czech agriculture has old tradition, which not only guarantees its own self-sufficiency in staple foods, but provides great reputation abroad. The agricultural businesses export mainly milk, animals, cereals, sugar and malt.

The half of the total area of the Czech Republic consists of farmland, which represent the European average. The employment in agriculture continues to decline and employment structure of the economy is 2.9 %.

Agriculture today is not only food production, but takes the responsibility for important social and environmental functions. Its activity is integral, if not an essential component of rural areas. Farmers can easily benefit from wide range of subsidies, whether national or from European Union.

Small, medium and micro-enterprises are the important subjects in European area. They provide jobs and are good at innovation. They symbolize freedom and stabilization of the business. They are able to react to every change quickly. In many cases they are family businesses. On the other hand the biggest disadvantages are limited financial resources which complicate market position and competition fight.

Currently, it is easier for companies to become a part of the international market, which could be very beneficial in case of better market position or market share. Despite of benefits there occur risks and barriers that impede enter to foreign market.

The diploma thesis will deal with the agrarian micro-entities. Its proportion is with five percent the second smallest industry in the Czech Republic after traffic (4 %). The segment of micro-enterprises with less than 9 employees in the Czech Republic occupies the largest share of SMEs with 99 %.

The subject of diploma thesis will be analyze how can these companies enter a foreign market, what are motivators, success factors and what are risks and barriers of the internationalization process.

1.2 Goal of the thesis

The main goal of the diploma thesis is to identify the risks and barriers of the internationalization process of Czech micro-enterprises in agrarian industry. Partial goals were determined for the fulfill the main aim of the thesis.

The partial aim of the thesis is to find out which of these risks are crucial for internationalization and what prevents most micro-entities from entering the foreign markets, in other words what are the biggest problems for them. The author's intention will be to make verification of the previous results with usage of in-depth interview. The previous results are in written form and data is limited. Author will get deeper into the issue.

The secondary goal describes comparison between agrarian micro-enterprises with other different field in terms of internationalization. The last objective of the thesis is to come up with the suggestion which could eliminate these factors.

2 Methodology

The diploma thesis is divided into two main parts. The first part will consist of the theoretical background and the second will concentrate on analysis and suggestion of specifics of the internationalization process of agricultural micro-enterprises in terms of risks and barriers. The final thesis will be written with regards to standard scientific methods which are **analysis, synthesis, induction, deduction and comparison**. Both parts will include the processing of primary and the secondary data.

In the first part it will be described the globalization and the internationalization, theoretical approaches to the internationalization process, the description of the small, medium and micro-enterprises, forms of the entries to the foreign market, what motivates firms to entry foreign market and the success factors for it and risks and barriers which prevents the business to become a part of the internationalization process. Literature resources will be prepared on the basis of printed literature and internet resources.

The analysis method allows to split into parts characteristics, relationships and facts to reveal the essence, laws or various properties of the examined phenomenon or process.

To generalize and summary the results gained with the help of analytical methods, it will be used a method called synthesis. The synthesis serves to understanding the the mutual relation of the phenomenons.

With induction method it will be enable to draw a general conclusion on the basis of the acquired knowledge. Deduction is the opposite of the induction and draw conclusions for the particular case from the general rules. Comparison method compares the characteristics of the examined phenomenon or object and allow the determination of indential or different.

In second part with name specifics of the internationalization process of agricultural micro-enterprises in terms of risks and barriers author will be processed secondary data from the researches which were done before.

The specifics of the internationalization process of agricultural micro-enterprises in terms of risks and barriers will be prepared with **in-depth interview** to get into the depth of the problem. This method belongs to one of the most common method of qualitative researches. The in-depth interview serves to respondent to express their views on the issues in more details. It is an interview where the interviewer tries to ask question on a certain topic to penetrate into the interior of the respondent and indentify the key attitudes, motives and relationships The interview has three parts. First is the introduction with the interviewer and explanation why the respondent was chosen. The second is the interview and the last part is devoted to the summary interview and the additional questions.

The in-depth interview will be done with each micro-enterprise separetly. It will be semistructured, which means that the interviewer has same questions, but it is possible to add other questions depending on the interviewee's responses.

3 Literature review

Literature review will come from the study of the printed literature and internet resources. The subject of this chapter is to put theoretical framework and outline of the topic which will lead to the basis for Specifics of the internationalization process of agricultural micro-enterprises in terms of risks and barriers. Each part is divided into chapters and subchapters for greater clarity.

The first chapter will describe globalization with internationalization and their different explanations. It will be mentioned theoretical approaches to the internationalization process and the differences between them.

Next part will deal with the small, medium and micro-enterprises and description why these businesses are important and which factors are limited for them. The following chapters are devoted to forms of the entries to foreign markets, what motivates firms to enter to foreign market and which success factors influencing internationalization.

Two last chapters will be concerned with risks and barriers of the internationalization for SMEs and micro-enterprises, what are the most crucial obstacles for them, when they decide to become a part of foreign market.

3.1 Globalization and internationalization

3.1.1 Globalization

Globalization is nowadays very used and “fashionable” term, but it has longer history. The first step of globalization started during the Stone Age when member of one tribe crossed the border the second one (Pichanič, 2002).

Theodore Levitt is considered as an author of this phenomenon, when he used it in the article *The Globalisation of markets* in 1983. *„Gone are accustomed differences in national or regional preference. „Gone are the days when a company could sell last year’s models or lesser versions of advanced products – in the less-developed world. And gone are the days when prices, margins, and profits abroad were generally higher than at home (Theodore Levitt, 1983).“*

The term globalization is a complex term related to many spheres of reality. Many authors dealt with this issue and had different points of views on such topic.

The globalization is a process making the world, its national systems and unions more uniform, integrated and reliant. It is a process that involves „shrinking” world, because the time needed to move person, goods or information from one place to another has been constantly shortened (Pichanič, 2002).

As regarding to Prakashan (2007), the globalization has a great impact on large companies and also small and medium-sized subjects which can compete on the global market.

The increasing economic interdependence of countries worldwide through rising volume and variety of cross border transactions in goods and services and international capital flows and also through the more rapid and widespread diffusion of technology (International Monetary Fund, 2008).

Kislingerová (2005) explains globalization as a division of labor over the world, monitoring and using comparative advantage (on the side of raw material, cheap labor force, capable workers and effective demand) in the territories where are best opportunities.

“Globalization can thus be defined as the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa (Anthony Giddens, 2003, p. 64.)”

“The dominant form of globalization means a historical transformation: in the economy, of livelihoods and modes of existence; in politics, a loss in the degree of control exercised locally and in culture, a devaluation of a collectivity’s achievements. Globalization is emerging as a political response to the expansion of market power. It is a domain of knowledge (Mittelman, 2000, p.6-7).”

Globalization makes it possible to succeed on the foreign market, as multinational corporations and also small and medium enterprises. SMEs are flexible and are able to respond quickly to customer requests. SMEs are usually cheaper and can take advantage of a certain segment of the market easily than bigger companies (Kislingerová, 2005).

As mentioned, globalization have many definitions, but three of them are crucial: globalization of culture, economics and environment. The concept of globalization in terms of culture plays the important part in a way how the international management is used. The behavior of government, employees, vendors, customers is influenced by the culture. There are also powers which support globalization such as new and developing markets, diminishing transport expenses or homogenization of technical standards (Pichanič, 2002).

3.1.2 Internationalization

In nowadays global world the internationalization became a particular phenomenon. Internationalization as well as globalization has many explanations. It can be explained as one of the major trends forming the economy. Internationalization is connection of economical relation and its deepening between subjects from different countries. It helps with removing barriers and due to it some of the national phenomenon becomes international (Kunešová, 2006).

According to Lopez (2009), the internationalization of a company is a gradual accumulation of necessary resources needed to overcome the uncertainty on the international markets. This theory assumes, that firms are growing up and gaining power inside the country and after that they start to develop export activities. Firstly, companies need to get experiences on the domestic markets, then they can entry the foreign markets.

Internationalization is considered as a positive phenomenon with a crucial impact on economic level. Country benefits from internationalization by increasing the level of economy, production, improvement of the international relations. It brings also the difficulties, e.g. suppression of national interests, the desire of more powerful country to rule over the weaker countries (Jeníček, 2002).

In case that a firm’s aim is become successful when entering the international markets it has to specify its position relative to the competition to

the market. The important choice for the company is decision if it wants to be market leader, challenger, follower or nicher (Machková, Král, Lhotáková, 2010).

Many authors are interested in the internationalization of large companies, but there is a significant gap in literature focused on SMEs. Internationalization processes represent the principal role for most subjects in a small economy such as Czech economy. It is beneficial for the companies in terms of increasing production, opportunity of growth and the medicament for the fluctuating domestic sales. Participation in international markets gives the opportunity to meet the real value in larger competition (Jurek, 2012).

Czech small and medium enterprises became a part of international activities since the beginning of 1989. The first step led to build a strong export. The biggest business export partner became Germany for some Czech and other entities from Central and Eastern Europe. The disadvantage for Czech SMEs and any other SMEs is in the size, but they can benefit from geographic location with larger countries where can compete on the market (Thai, Turkina, 2014).

3.2 Theoretical approaches to the internationalization process

Internationalization is concerned with a wide range of theories. Decision-making process of internationalization activities is connected with business culture, shared and corporate values or management style (Machková, Král, Lhotáková, 2010).

The most known theories include (Jurek, 2012):

- EPRG model,
- International product life cycle theory,
- Uppsala model,
- Internationalization network theory,
- Theory of strategy behavior,
- Eclectic theory,
- International theory of transaction costs,
- Born Global.

With reference to Břečková (2003), who understands internationalization as a proces of the business involvement into international transaction based on the form and participation rates, theories related to internationalization process are divided into four parts:

- **Network theory** published by Johanson and Vahlne (1990) which corresponds with the eclectic paradigm to a certain degree (in the sense of considering solely the market factors) and which is based on knowledge that relationships among enterprises in the market are established and developer through mutual interaction. In terms of these relationships,

individual participant build mutual trust and knowledge leading to stronger interest (Kubíčková, 2013). “

- **Eclectic paradigm:** internationalization of the company is conditioned by gaining of three advantages (OLI paradigm) – ownership, location and internationalization advantage (Břečková, 2003).
- **Phase theory:** for example Uppsala model explained below.
- **Analysis of transaction costs:** company decides to enter foreign market based on degree of control and costs connected with this type of entry (Kubíčková, 2013).

3.2.1 EPRG model

Model EPRG, whose author is Howard Perlmutter, defines the main management styles which differ in internationalization process. The management styles are ethnocentric, polycentric, regiocentric and geocentric (Machková, Král, Lhotáková, 2010).

Ethnocentric entities are interested in the domestic market. They do not focus on the foreign markets which are considered secondary. These entities assume that markets abroad do not differ from the domestic market.

On the other hand polycentric subjects adapt to foreign market and its unique conditions. Regiocentric entities change their strategies according to market they possess. They have different planning for each market. Global companies usually confess geocentric management style. They are focusing on global marketing and global approaches (Jones, 2009).

3.2.2 International product life cycle theory

Raymond Vernon explained internationalization process as an example of the life cycle of the product. He built his theory on comparative advantage approach from David Ricardo.¹ Vernon's theory was empirically verified in fifties and sixties and data comes from real American enterprises and it is also applicable to any country. As shown in the Figure 1 there occur three basic stages of the internationalization: **new product, mature product and standardized product** (Glowik, 2009).

The theory supports expansion of the market and innovation of the technology. It has following principle: technology is an important factor for building new product and its production. Size of the market and structure are crucial factors in choosing new business partners (Rugman, Collinson, 2006).

- The first stage is characterized by placing a new product on the market. This product has unique characteristic. Firms start the production in developed country. Developed country is suitable beginning for companies, because there are consumers willing to expense more money and want to experiment.

¹ David Ricardo explained comparative advantage as the situation when one country is able to produce all kinds of goods with lower cost than other country. This theory is not only used in the international trade but always when one economic subject is more active than the others (Investopedia.com).

Businesses can easily access capital markets and it is not that complicated to pay for development of new product. First stage is related with lower risks (Tricolici, 2013).

- When product is in mature phase, people know about it and its prices. The product is stable in terms of its design and production process (Rugman, Collinson, 2006). Export grows up. Thanks to foreign direct investments firms lower costs and start to build production plants abroad. Elimination of the costs is caused by cheaper labor force outside the country. (Vernon, 1966).
- As product reaches the last stage, it loses comparative advantage because it becomes old and is not innovative anymore. Product can occur everywhere and the company starts to think where can move the production to have lower cost (Vernon, 1966).

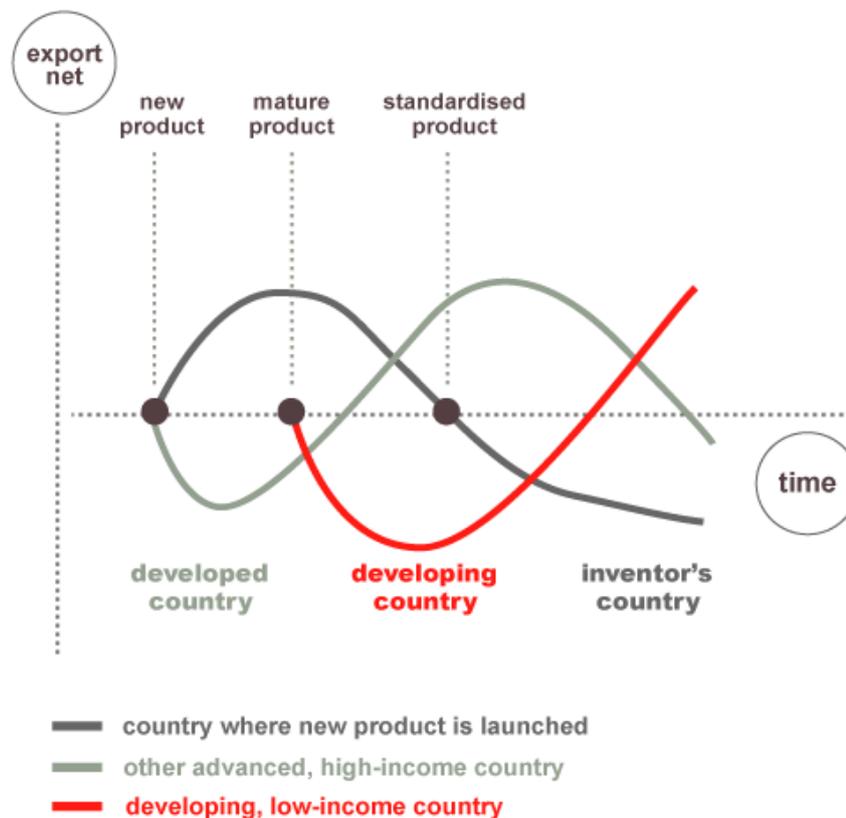


Figure 1 International life cycle product theory

Source: Imarcade, 2015 [online]

3.2.3 Uppsala model

Uppsala model belongs to one of the most popular model focusing on internationalization process. It is built on international life cycle product theory. It was explained in 1977 by Swedish economists Johanson, Wiedersheim-Paul and Vahlne. The theory is defined as “*the factors preventing or disturbing firms learning about and understanding of foreign environment*” (Dunning, Lundan, 2008).

This theory, also called Stages Model, assumes that company often begins international activities thanks to independent entities or representatives abroad. Internationalization is an escalating process when businesses raise their obligation to foreign markets in a progressive way (Andersson, Holm, 2010).

In model from Uppsala, firstly firms start to operate abroad near their boarder. After this step they entry the more distant markets. Johanson and Widersheim Paul explain four different ways of starts on international market (Hollensen, 2007).

Four stages are illustrated in the Figure 2.

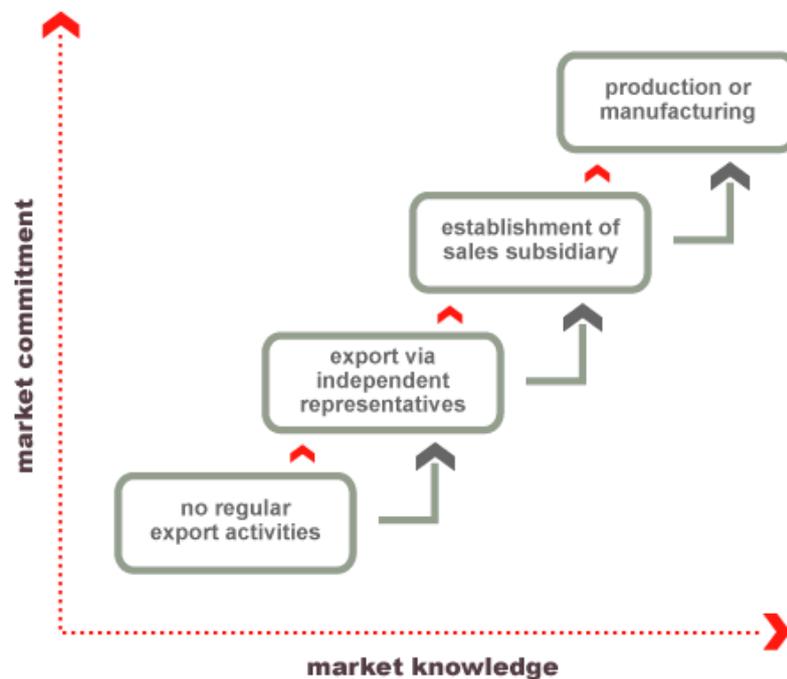


Figure 2 Uppsala model

Source: Noveod, 2015 [online]

Uppsala model describes the relation between commitment and experience. In this case market commitment is the dependent variable and market knowledge is independent variable.

Firms belonging to stage one have no regular export activities. They focus on the domestic market and customers. Second stage is characterized by usage of

independent representatives when the firm exports. Business belongs to third stage establish the sales subsidiary. The highest level regards to Uppsala theory is when the company starts to produce or manufacture across the borders.

Zapletalová (2011) mentions, that the activities in each part of internationalization and total number of phases can be distinguished depending on conditions of each market, development of the knowledge activities and organizational structure.

According to this theory the next crucial factor in the internationalization process is psychological dependence. This fact can be explained as a psychic distance which is influenced by many factors with impact on businesses and target foreign entity (Jurek, 2012).

There can be the low level of internationalization which is caused by lack of information. This bottleneck is influenced by psychic distance. It can be described as geographic distance, cultural or language differences (Machková, Král, Lhotáková, 2010).

Uppsala model was extended in 1977 by Johanson and Vahlne into dynamic model. In addition there were added integration and usage of knowledge from international markets and activities. The important obstacles in development are lack of information and lack of knowledge from the activities on the original operation on the market (Hollensen, 2007).

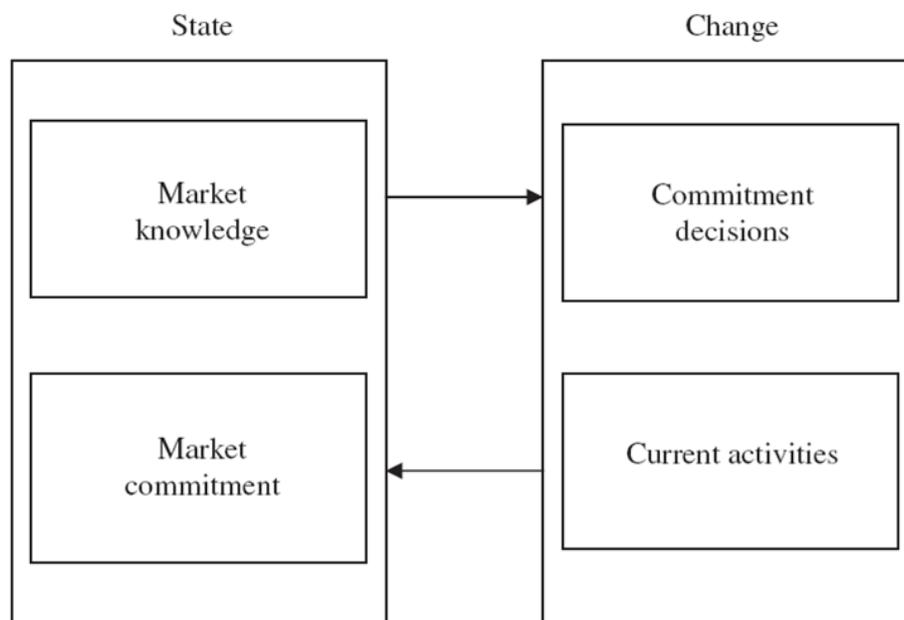


Figure 3 Uppsala model (1977)

Source: Mateuszmach, 2015 [online]

The dynamic Uppsala model is based on the core concept which is interconnected and one factor has impact on the other. This concept includes four factors divided into two groups. Knowledge of the market and involvement into the market belong to first group – factors referring to the state of the company. The second involves major decisions and current activities (Johanson, Vahlne, 2007).

3.2.4 Internationalization network theory

Internationalization network theory has clear connection with Uppsala model in terms of relationship learning process and position the firm inside network. According to authors, company builds relationships with other foreign entities by three ways: international expansion, penetration and international integration. The number of connection with single partner indicates the depth of the internationalization of production networks (Jurek, 2012).

The level of internationalization depends on the sector. Niche businesses are characterized by strong international connection. Position within network is an important factor and strategic aim. Based on the level of internationalization of firms and networks occur four types companies (Johanson, Mattsson, 1988):

- **The early starter** is characterized by low degree of internationalization and network.
- **The late starter** is a firm operating on highly internationalized market but with low level of internationalization within the firm.
- **The lonely international** subject has not internationalized market environment but it is on high level of internationalization itself.
- **The international among others** – an entity which benefits from high degree of internationalization of firms and networks.

3.2.5 Theory of strategy behavior

This theory was compiled and empirically confirmed by Knickerbocker and Graham in 1973. It was built on theory from Raymond and Vernon. Knickerbocker and Graham invented the theory called follow the leader and the theory of cross investment. Theory of strategy behavior interests in the monitoring the competition and defining interrelation. It focuses on the strategic behavior, which is directed against the other companies and on the other site also from the competition against local subject (Jurek, 2012).

3.2.6 Eclectic theory

Eclectic theory is also known as OLI paradigm from J.H.Dunning. OLI is abbreviation of ownership, location and internationalization. J.H. Dunning explains activities related to internationalization within firm based on different factors that coming from the time sequence (Machková, Lhotáková, Král, 2010).

The process of the entry to foreign market is supported by three factors (Jurek, 2012):

- **Ownership** is a specific endowment, which is characteristic for the enterprise. There belong to e.g. patents, trademarks, size of the firm, position, etc.

- **Location** meaning international business location. Important for the company is right choice of foreign market with good infrastructure, enough qualified labor force, no cultural or political barriers.
- **Internationalization advantage.** Businesses can benefit from the experience with international entrepreneurship, good coordination between parent company and subsidiary, low transaction costs etc.

If the firm fulfills first assumption (ownership), entry to market is realized by providing a license. In case of failing second condition, entry is done by form of export. The company internationalizes by capital entry if fulfills all assumption (Kutschker, Schmid, 2008).

3.2.7 International theory of transaction costs

Transaction costs play the crucial role for the firms that decide to entry foreign market or not. Business compares internationalization costs with transaction one. Activities abroad are costly than the domestic. It can happen that domestic consumers prefer only domestic goods therefore foreign company has a worse position (Jurek, 2012).

Specifics markets can increase demands for corporate organization, overall complexity and therefore there are additional administrative costs. Human factors, factor of uncertainty or transaction factors have impact on total costs (Kutschker, Schimid, 2008).

3.2.8 Born Global

Born global theory was published in Rennie's (1993) Australian report for McKinsey & Co. Born global firms start to operate on the foreign market as their first activity, strictly from their birth. Their globalization is without any domestic activities (Clegg, 2011).

This concept is so specific that it is not described by any traditional theories of internationalization because they suppose that firms entry foreign market step by step, first gain knowledge and experience from domestic market than go abroad (Dana, Welpé, Han, Ratten, 2008).

Born global firms are usually small or medium-size entities which use the comparative advantage in relatively tightly focused segment and interest in the strategy of differentiation. They are unique due to their activities in developed technologies, limited funding sources and management with international experiences with aversion to risk (Machková, Lhotáková, Král, 2010).

Knight and Cavusgil (2009) mention, that born global firms starts to operate abroad in their beginning and within three years generate 25% of their sales from foreign market. Number of this type of entities rises due to easier acces to information, internet, homogenization of markets, lowering the costs and globalization itself (Clegg, 2011).

3.3 Small, medium and micro-enterprises

The basic criterion for assessing the size of the business are the number of the employees, size of annual turnover and annual balance sheet (asset size). The data which is used for determining the headcount and financial indicators is the

information connected to the last closed tax period and calculated on an annual basis (Czechinvest.org).

The division of SMEs and micro-enterprises are differently based on place, where the enterprise operates, e.g. EU considers the threshold for medium enterprise 250 employees while in the US 500 employees (Czechinvest.org).

The Commission of the European Communities has adopted the Commission Recommendation 2003/361/EC from 6th of May 2003 about the division of the small, medium and micro-enterprises. The new definition qualifies SMEs and micro entities. It leads to strengthening efficiency of programs and policies designed for these businesses. The division is as follows (Eur-lex.europa.eu.):

- **Small business** is characterized by annual turnover not exceeding 50 million €. The annual total balance sheet is not bigger than 43 million €. Small business has less than 250 employees.
- **Medium subject** is defined as an enterprise with less than 50 employees and its annual turnover and total balance sheet does not exceed 2 million €.
- **Micro-enterprise** is specific, because it provides labor for less than 10 persons. The annual turnover with annual total balance sheet is smaller than 2 million €.

According to Antoldi (2012), SMEs and micro-enterprises are different from large companies in four ways. Management of these enterprises includes usually only one person, mostly owner, or small group of people. The second difference is that there is quicker and more flexible reaction to changes, because of flat organizational structure. Next factor is in competitive strategy usually they are market followers or nichers. The last point is that SMEs and micro-enterprises are family businesses with limiting financial resources.

3.3.1 The specifics of internationalization SMEs in Europe

Based on the results of research carried out by European Commission in 2009 there is a lot of European small businesses (about 40%) focusing on foreign business activities within Europe, only few of them (7-10%) across the European borders. The most used forms to enter foreign market are export activities. It was found out, that in smaller countries there is a greater internationalization (Huber, Rozmahel, Nerudová, 2016).

It is not common that European SMEs starts to operate on the foreign market alone with regards to the report by the European Parliament in 2012. They entry the foreign markets as the groups of more companies and partner networks. *„Many European SMEs primarily the smaller ones, have no desire to enter foreign markets. The reason is either the specificity of their industry, potential entry barriers, or the fact that they operate as subcontractors for other medium-sized enterprises in their domestic market and thus must adapt to their partners' competitive strategies (Kubíčková et al., 2016, p. 102²).*

² This section is part of the book from Huber, Rozmahel and Nerudová, 2016.

3.3.2 The importance of SMEs and micro-enterprises

Small, medium and micro-enterprises represent the majority of business entities in whole European Union (99 %). They provide two thirds of job positions. SMEs and micro enterprises are the basic source of entrepreneurial spirit and innovation which are crucial for competitiveness within Europe (Europarl.eu).

SMEs and micro-enterprises bring benefits for society and the economy. They are the symbol of the freedom and stabilization of society. They give the chance to entrepreneurs to realization in process of production. Small, medium and micro entrepreneurs are the counterparts of the monopolies, every day they learn how to survive on the market and learn the responsibility. Every mistake means the fall and loss.

For these subjects is characteristic, that they are not owned by foreign entities. They represent the local capital, local property ownership. Usually SMEs and micro businesses are related to place where operate. They provide labor in the region. It is common that they become a sponsor of the charity and other events and they help in the development.

As mentioned they are counterparts of monopolies. Small, medium and micro subjects are the bearers of number of innovations, adaptation to changing needs of customers. Some of them becomes market nichers and fill the gap on the market.

The characteristic for these businesses are their flexibility, they have high ability to adapt to changes. Activities are cheaper than in larger firms, capital the intensity per job is smaller, they are more sensitive in case of market needs etc. They are important contributors of GDP, help to increase competition on the markets, they occur locally and fight indirectly against the emergence of monopolies (Veber, Srpová, 2012).

3.3.3 Limitations of SMEs and micro-enterprises

As mentioned, these types of enterprises recorded a series of positive changes in last decade. Despite this fact, there are still factors limiting the SMEs and micro-enterprises (Veber, Srpová, 2012):

- Has a smaller economic power, difficult access to capital and limited opportunity to development.
- Weaker position in public contracts, they are not able to do business in areas where is needed large investments.
- They cannot afford the best sciences, managers, businessmen.
- They are characteristic as the bearers of the number of innovation, they are usually innovators of lower orders.
- They are not able to monitor and use all available knowledge.
- They are threatened by large and multinational corporations.
- Changes in legislation and the constant increase of them are challenging for this type of entrepreneurs.

3.4 Forms of the entries to the foreign markets

The participation on the foreign market has different forms depending on the size of businesses. The large companies usually have strength strategy and connection and operate on the target market for longer time. On the other hand there are smaller firms which need financial and technical support, otherwise they do not have any chance to success (Machková et al, 2010).

Based on level of involvement in international activities, location, the extent of foreign operations and the demands for capital investment, there are different forms of entry into foreign markets (Businessinfo.cz):

Importing and exporting operations:

- Intermediator,
- Exclusive distribution contracts,
- Commercial agency,
- Mandate and commission relations,
- Piggyback,
- Export alliance,
- Direct export.

Capital non-intense strategies to enter foreign market:

- Licenses,
- Franchising,
- Management contract,
- Refinement operations,
- International production cooperation.

Capital intense strategies to enter foreign market:

- Takeover,
- Merger,
- Green field investment,
- Joint ventures,
- Strategic alliance.

3.4.1 Importing and exporting operations

Export and import operations are the easiest ways how to entry to foreign market. If an enterprise wants to succeed across its borders and gain a greater share, it is important to invest significant resources in international marketing. Under the conditions of foreign market it is necessary to adapt the product policy, provide the necessary support services and finance costs associated with them, determine the appropriate pricing strategy etc. (Machková, 2015).

Intermediators are the subjects doing businesses in their own name and responsibility. They sell the goods to the customers and their rewards are price margins, which is difference between buying and selling price. The intermediary is beneficial for small and medium entities, which do not have any specialized

department focus on foreign market and will be too costly to set it up. The other advantages of intermediary are lowering the risk and possibility of export that would be costly to process directly. Against these plus points is the disadvantage in form of loss the direct contact with the customer (Businessinfo.cz).

Exclusive distribution contracts with the vendor confirms that the goods specified in the contract will not be in a certain area to supply a person other than the purchaser, ie. exclusive dealer. Contract must involve the area and the type of the goods. The benefits for the firm are penetration in the distant markets or market where do not expect profits but wants to operate there. The other positive aspect is fast access to foreign markets thanks to possibility of usage of existing distribution channels. Exclusive distribution contracts are closed, especially it guarantees to firms adequate control over the distribution. The disadvantage of this way is the loss of direct contact with the customer and market.

Commercial agency. The commercial agent agrees to perform activities towards concluding a certain type of agreement to negotiate and conclude sales on behalf of the represented and on his behalf. Before the contract it is necessary to find appropriate commercial agent, define the content of his scope and find relationship to rival firm. The reward is bounded to implement mediated contract. Agents should constantly mediate stores in a defined area and achieve minimum turnover for a specified period.

Mandate and commission relations are the relations between commissioner and principal. Commissioner agrees that undertakes to arrange his own name for the principal on behalf of a specific business issue and the principal undertakes to pay him the reward for it. The advantage of usage this form (commissioner sells goods at prices determined by a principal) is the possibility of goodwill commission and his business contacts and distribution channels. The disadvantage may be too much autonomy of commission and apply the company's image on the international market (Businessinfo.cz)

Piggyback means the cooperation between more firms in the same sector in export, where usually large and well-known company gives consideration to smaller firms its available international distribution channels. The positive aspect for the small businesses is the possibility to use the name and experience of a large company providing its partner a number of marketing and logistics services. The advantage for a large firm is the ability to offer customers a complete range and reward receiving from business partners. Companies are practical exchange products entering the international market under its own brand, retain control over prices and can implement their own marketing strategy. Substantial cost savings will allow them to enter foreign markets through an established distribution partner in the domestic market (Machková, 2015).

Export alliance is beneficial for SMEs and micro-enterprises, because usually they do not have enough financial resources or international experience therefore they establish export alliance and start to export together. It is common, that they are from the same sector. The advantages are lowering the expenses, opportunity to limit export risks, better business position, image of the alliance etc. On the other side can be negative the disequilibrium of the relations in the alliance (Businessinfo.cz).

Direct export is mostly used in industrial marketing in the export of machinery, manufacturing equipment and capital equipment. Deliveries of these products are very complicated and involve a full range of professional services where is presence of firm needed. It is beneficial for the company because of the possibility of control over the implementation of proper marketing strategy in international markets (Machková, 2015).

3.4.2 Capital non-intense strategies to enter foreign market

The firms use this possibility, when the will not invest in the foreign market, but still want to highlight the presence of their products and services in the target market by other way than export operations (Businessinfo.cz).

Licenses are one of the most used forms of entry into foreign market. It refers to the license permits, consents to the activity which is normally prohibited. It means permission for the use of intangible assets by another person. There belong to inventions, industrial designs, utility models, trademarks or copyrights. Firms use licenses in case that they are not able to have its own research and development or foreign protection is so perfect that is not possible to achieve own original solutions (Businessinfo.cz).

Franchising is a contract between partners where franchisor (provider of franchise) empowers and obliges franchisee (acquirer) to use the business name and trademark and right to use object of business of its company (the know-how, management system, sales and technical support), and franchisee will pay for contractually fixed reward. In other words - franchising is a combination of the market power of established know-how of large firm with the initiative of the other entity. It is helpful as for large firm as for small subject. For large entity means the quick internationalization without excessive demand on capital markets and lower the risk. Small company benefits from franchising due to lowering the risks.

Management contract is a special type of contract. It has similar characteristics as franchising. The subject of the agreement is to provide the management knowledge based on the contract. It is usually used by firms from developed countries with specific know-how.

Refinement operations mean to process of raw materials or semi-finished products to move to next higher final level. Positive factor is decreasing of the transportation cost, lower the energy costs, materials or overhead costs.

International production cooperation is based on the distribution of the production program between producers from different countries. It is done without capital interconnection or merging. The final product is completed by one or both producers. Cooperation can be at different levels, in production, research and development or in sales (Machková, 2015).

3.4.3 Capital intense strategies to enter foreign market

Capital intense strategies are the highest degree of internationalization of business activities. They are typical for larger companies because of investment requirements. The most common ways are the direct or portfolio investment. The direct investment is investment whose purpose is establishment, acquisition or expansion of economic relations between an investor of one country and enterprise from different place. Portfolio investment consists of the purchase of shares or other securities. There are factors influencing the decision about

foreign direct investment. There belong to size of the foreign market, cheap labor force, low expense, knowledge of the market etc.

Takeover is characterized as takeover of a functioning concern or its part. There are two types of takeovers – friendly or hostile. Friendly takeover helps in strengthening the company's position and benefiting from synergy effects³. Hostile takeover's aim can be liquidation of the competition (Businessinfo.cz).

Merger can be in form of merger or fusion. Merger means the connection of companies, where the merged company expires without liquidation of assets and liabilities, because they are transferred to the connection of companies. Fusion is a combination of the enterprises, where the original companies disappear and start as a new legal entity with others together. There are three types of fusion: horizontal, vertical and conglomerate. The main goal of horizontal fusion where are businesses from same field are the economies of scale and increase global market share. Vertical fusion helps in strengthening of control of suppliers or customers. The usual goal of conglomerate fusions where are companies from different sectors are the diversification of business activities and distribution of business risk.

Green field investments are newly established enterprises. They bring benefits to the country as more capital, new modern technologies, increased competition in the market etc.

Joint ventures are the connection of two or more entities into joint ownerships. It is a form of business, whose aim is the implementation of a joint business plan, participation in a profit, taking entrepreneurial risk and cover potential losses. There are two forms of joint ventures. The first contractual joint ventures has no character of joint venture. The essence is the agreement between economically and legally independent partners leading to cooperation in certain areas without capital. The other form is the equity joint ventures based on the capital investment. The positive aspects of joint venture are the usage of contacts, market knowledge of local partner, the possibility of faster entry into foreign market. The problem may be in common management.

Strategic alliance. The aim of the strategic alliance can be joint development or production of certain development, which are then used for the assembly of final products of both partners. It is similar as joint ventures (Businessinfo.cz).

3.5 Motivation of the enter to the foreign market

The important factors in decision-making process of internationalization are for any business if it wants to become more competitive, to have higher sales, success and how to stay for longer time on the market. If the entity knows its motivation factors, it is better to target to foreign markets (Kubičková, Votoupalová, Toulová, 2014).

All enterprises should realize that there is an impact of globalization on domestic market where the international competition also appears. Small,

³ Synergy effect between two or more subjects and its effect is bigger than the sum of their individual effects.

medium and micro subjects are not able to protect themselves against foreign businesses domestically (European Parliament, 2012).

There are many factors influence the motivation of the entry to the foreign market which are changing over the time. It depends on the sector, where business operates (Onkelinx, Sleuwaegen, 2008).

Authors dealing with this issue have different views on motivators to internationalization. Baldauf, Cravens, Wagner (2000) distinguish between **proactive** and **reactive motives**. Proactive motives come from internal company decisions and try to join the business into internationalization process. On the other hand reactive motives are served for corporate response to environmental changes.

Based on OECD and APEC survey (2009) key motivators can be divided into 4 groups:

- Growth motives,
- Motives connected with the firms knowledge,
- Motives related to domestic and foreign market,
- Motives associated with social ties, networks and supply chain.

Onkelinx and Sleuwaegen (2008) explain **push** and **pull factors** driving business into internationalization process. Push factors are connected with company status, its resources, competitiveness etc. Pull factors are related to conditions in foreign market which are stimulators for internationalization.

Rodriguez (2012) mentions the reasons to entry to foreign market:

- Access to new market, acquisition of new customers,
- Lowering the risks due to diversification,
- Compensation of current losses in some regions with profit in other areas,
- Cost reduction in production, development, research, etc.,
- Competitive advantage and prestige,
- Greater profitability.

3.6 Success factors of the enter to the foreign market

The identification of key factors influencing success of SMEs and micro-enterprises can bring benefits to other firms with their plans to join international trade. The crucial factor for these subjects having lack of financial resources can be support of the export activities. Entry to the foreign market is one of the possibilities how to beat the increasing competition (Kubíčková, 2013).

If company wants to succeed in internationalization process it is important to have the right entrepreneur, who is able take responsibility, carry risk or take personal initiative. The other crucial factor is place, where the firm operates. Large part of success lies in management and business operations. The important is to set up corporate goals and the strategy how to fulfill them (Kubíčková, Rais, 2012).

To key factors of internationalization process belong training of key employees and language skills, the right choice of suitable form to entry to the foreign market, number of export countries and appropriate selection of

exporting countries and communication with foreign business partners (Kubíčková, 2013).

Kubíčková, Peprný and Rovný (2009) mention other success indicators of SMEs and micro-subject in the foreign market:

- Intensity of international activities of businesses,
- Total profitability from international activities,
- Relative profitability of international activities,
- Success goals,
- Satisfaction of management.

The complex indicator “*overall performance*” is made from all criterions above. This system is used for comprehensive evaluation of small, middle and micro-enterprises through complex indicators from objective and subjective sides. It is important to find the weaknesses of the businesses (Kubíčková, Peprný, Rovný, 2009).

3.7 Barriers of internationalization for SMEs

Advantage of SMEs is their flexibility and ability to response quicker than MNCs on the foreign market. Despite this fact, there are barriers which prevent companies from become a part of internationalization process or complicate their foreign business activities (Toulová, Votoupalová, Kubíčková, 2014). Leonidou (1995) stated, that the important fact during internationalization process is to define the barriers to better understanding the reason why some firm succeeds or not. It can help in reduction of negative effects of barriers and lead to improvement in foreign business activities.

Export barriers can be defined by Leonidou (1995, p 31) as “subjective, structural, operative and other constraints that hinder or inhibit companies from taking the decision to start, develop or maintain international activity,” he defined both external an internal factors influencing internationalization process. Internal barriers come from the internal environment of the company and have connection to resources of the firm and its market strategy. On the other hand external barriers have basis on industry, market and other macro characteristic (Leonidou, 1995; Pinho and Martins, 2010).

Based on OECD’s research (2009) ability of the company and competences are tightly related to internal barriers and have the greatest impact on internationalization of SMEs and micro-enterprises, they are more important than external barriers. It was also found, that the perception of the enterprises operating on foreign market is different than perception of non-internationalized entities. Internationalized subjects see the biggest barriers in external barriers which are not able to handle them. The main obstacle for domestic firm is to handle with financial and access barriers (Toulová, Votoupalová, Kubíčková, 2014).

OECD dealt with the barriers of the internationalization of SMEs in 2009 when they found out the several barriers, which are crucial for this type of the entity. Barriers which have the greatest impact are:

- **Shortage of working capital** belongs to one of the biggest obstacle in the internationalization process for SMEs and micro-entities. It was found, that lack of financial resources and related physical resources prevent in many cases the company to enter foreign markets.
- **Limited information to locate/analyze markets.** Lack of relevant information of the foreign market is one of the worst problem for the business. Once the firm is informed is better prepare to deal with the issue.
- **Inability to contact potential overseas customer** means for the firm other difficulty. The key factor is to find an appropriate foreign market partner and have access to a suitable distribution channel.
- **Lack of managerial time to deal with internationalization.** SMEs and micro-enterprises have usually managers with no experience from the foreign business activities, therefore they are not able to perceive the risk correctly and handle them.

In the Table one is mentioned top ten ranked barriers to the internationalization process of this type of entities with regards to OECD survey:

Table 1 Top ten barriers

RANK-WEIGHTED FACTOR	DESCRIPTION OF THE BARRIER
1	Shortage of working capital to finance exports
2	Identifying foreign business opportunities
3	Limited information to locate/analyze markets
4	Inability to contact potential overseas customers
5	Obtaining reliable foreign representation
6	Lack of managerial time to deal with internationalization
7	Inadequate quantity of and/or untrained personnel for internationalization
8	Difficulty in matching competitor's prices
9	Lack of home government assistance/incentives
10	Excessive transportation costs

Source: OECD, 2009

3.8 Risks of internationalization for SMEs

To get involved of internationalization process means many benefits for the firm, it can be greater market share or to have better business position. On the other hand, company deals with the specific barriers of internationalization which is

able to overcome or which are uncontrollable for the firm. By entering foreign market, firm must also count with risks which can occur.

Risk can be defined from different points of views, it can be probability or possibility of the emergence of loss, variability of possible results or uncertainty of their achievement, the diversion from the real and expected results, risk of negative deviations etc. (Smejkal, Rais, 2010).

Almost all business activities are connected with specific risks. The business has to decide in current situation about the future and has no certainty, if the aims will be fulfilled as it considers. When firm decides to become a part of international market, it has to count with more risks than in domestic market, for example the risk of exchange rate development or economics and political changes in foreign market. On the other hand there are risks which influence the business activities in positive way, e.g. risk of the price changes. (Machková et al 2010).

In many cases SMEs and micro-enterprises are not able to define the internationalization risks and are not able to handle them. It was found out, that wrong prediction of risks associated with foreign business activities is one of the biggest fail of the internationalization process for smaller companies. It happens because SMEs and micro-enterprises do not usually have managers with experience abroad or they are not good at managing the risks (Kubíčková, Toulová, 2013).

Machková (2015) mentions the main risks which have the crucial impact to the internationalization of the businesses:

- **The exchange rate risk** is one of the most important risk which firm deals in foreign market. It arises from the variability of the rates. The exchange rate is influenced by the economical and also non-economic factors; therefore the exchange rate prediction is difficult. Business can eliminate this risk to use one of tools like choice of the strong currency, appropriate currency structure of assets and liabilities, sales of receivables or use of the hedging instruments.
- **Market risk** is a result from changes on the market, it can be caused by the economic decline in the chosen country, the decline in demand for certain goods, changes in customer's preferences, strong competition on foreign market, the changes in position of suppliers and buyers, in their marketing strategy etc. The market risks can lead to price changes, to increase in costs, to loss of the market share abroad, inability to sell the products etc. The effective protection against market risk is the realization of the strategic marketing management. It means to systematically perform market research, timely introduction of innovations, the ability to react flexibly to changes in target markets, the strengthening the relations with key customers and optimal usage of international marketing mix.
- **Commercial risk.** The risk of foreign business partner results from the failure of fulfilling of the commitment by the business partner or companion. The most common problems are when partner resigns from the contract without explanation, failure or defective performance of the contract by the supplier, non-acceptance of goods by buyer, paying unwillingness or inability of the debtor to pay. Firm can avoid these problems by selecting suitable

business partners, choice of appropriate payment terms and hedging tools, usage of appropriate insurance option and proper attention to ensure the legal-contractual business relationships.

- **Transportation risk** is connected with the movement of goods within a foreign market. Goods can be damaged or lost during the transportation. Buyer or seller is damaged depending on who currently bears the risk which is agreed in the contract. The transportation risk can be eliminated by the insurance, the choice of delivery conditions and the choice of a suitable shipper.
- **Territorial risk** is related with the political and economic instability of the country. The most common risks may include the payment problem caused by political event, administration state intervention, natural disasters etc. It is difficult to predict the probability of occurrence of these risks. The best measure is constantly identifying information to protect the business, such as respect of the risk areas in the chosen target market, appropriate form of the entry to market and diversification of the business activities.

4 Specifics of the internationalization process of agricultural micro-enterprises in terms of risks and barriers

Based on previously written methodical procedure and knowledge which were obtained by study of the literature, this part will focus on the internationalization of micro-enterprises in terms of risks and barriers in the Czech Republic.

In the first part will be outlined the agriculture in the Czech Republic, its definition, conditions of the businesses and the subsidies. After that it will be described the small and medium sized enterprises among different sectors based on finished surveys to have overview about current situation. SMEs were chosen because of the closest properties to micro subjects. The data about micro businesses is limited because of lack of attention in surveys and literature. For the specification of agricultural sector will be also commented results obtained from research by Tuzová (2014). It will be described motives, barriers and risks of the internationalization.

In the next chapter will be explained the in-depth interview which was performed by author to get more details about chosen agriculture micro-enterprises. The author's intention will be to make verification of the previous results, which were in written form and were limited. The oral form is not as limited as written and it is possible to get more details. It will be discussed the biggest obstacles for them and what motivates them to enter foreign market

In the last part the author's results will be compared with other data from different sectors and surveys. Last part will be devoted to recommendations that would eliminate problematic factors.

4.1 Agriculture

Agriculture is an integral part of the economy. Its production satisfies basic needs of the people and also has a great impact on the landscape and the environment. It has a great importance in socio-cultural development of rural areas.

Subsidies in the Czech Republic can be divided into two groups depending on the source of funds. After the accession to the EU are offered European subsidy programs (partly co-financed from the state budget) to farmers. These programs are appropriately supported by national grant programs, which are fully covered from the state budget. European subsidy programs, along with national additional payments are within competence of the State Agricultural Intervention Fund. In the present the Ministry of Agriculture focuses on the improvement of the position of the small and medium farmers (Eagri.cz; more information about subsidies in Annexes 8.1).

4.1.1 Agriculture in the Czech Republic

Agriculture plays an important role and belongs to one of the traditional sectors of the economy in the Czech Republic. It has a long history, which is characterized by nation's self-sufficiency in staple food as its good reputation across the border. The Czech export focuses on milk, live animals, cereals, sugar and malt.

Currently agricultural entrepreneurs manage approximately 4 264 thousand hectares of agricultural land, which occupies about half of the total area of the country. Per capita accounts for 0.42 hectares of agricultural land, of which 0.3 hectares of arable land, which represent the average of Europe. More than a third of land fund are forests.

Most of agricultural land is currently owned by physical and legal entities. In 2004 the state owned 599.7 thousand ha of agricultural land which is leased by the Land Fund. Agricultural production in 2004 employed approximately 141 thousand people and this number has been decreasing since nineties. The proportion of agricultural workers in the employment structure of the economy is 2.9 % (Eagri.cz).

62 % of the agricultural businesses are the small subjects with less than 10 employees, the second biggest are the entities of medium sized with 31 % and the smallest group are the large holdings with 7 %. Although large holding represent 7%, account for more than 65 % of the total area of farmland and are involved in the total number of farm animals with 78 %. The different situation is in small agricultural enterprises. They manage only 5 % of agricultural land with a share of 4 % of farm animal.

The results of the structural survey confirm the relationship between economic size and legal form of agricultural subjects. More than two thirds of physical persons were classified as small subjects. The share of large enterprises in the group of physical person is negligible. The completely different size structure can be found for legal persons where more than half of agricultural subjects belong to the category of large enterprises (survey from CZSO, 2013).

The size structure of agricultural companies from the regional perspective in each region (with the exception of Prague) is similar. The largest percentage of small business was recorded in Zlin (80%), Liberec (74%) and Moravian-Silesian Regions (70%).

Most agricultural entities focus on cattle, sheep, goats and horses and consist of more than one third of all farms in the Czech Republic (33.7%), followed by field production (15%; survey from CZSO, 2013).

4.1.2 Business in agriculture

From the Czech Act no. 252/1997 Coll., about agriculture § 2e, is agricultural entrepreneur physical or legal person who intends to carry on agricultural production as permanent and independent activity under his own name, on his own responsibility, for profit, under the conditions stipulated by this law. The person has to fulfill these conditions: legally competences, has permanent residence in the Czech Republic, if not a Czech citizen or a citizen of an EU member state, has at least basic knowledge of Czech language (Eagri.cz).

Business in agriculture includes (Eagri.cz)

- Vegetable production, including hop growing, fruit growing, viticulture and growing vegetables, mushrooms, ornamental plants, medicinal and aromatic plants with the exception of the cultivation of cannabis for medical use and scientific purposes, plants for industrial and energy uses on the land of its own, leased, or used under other legal grounds, or operated without land,
- Livestock production including breeding farm and other animals, or animals for the purpose of acquiring, processing and production of animal products, livestock breeding to pull and breeding sport and racing horses,
- The production farmed and breeding animals, using their genetic material and obtaining germ products for animals
- The production of seeds and seedlings, nursery plants and the genetic material of plants,
- Conditioning, processing and sale of own agricultural products
- Breeding of fish, aquatic animals and plants growing in the water body of surface water on their own land, leased or used on other legal grounds,
- Forest management on their own land, leased, or used on other legal grounds and
- Water management for agricultural and forestry purposes.

4.2 Characteristics of the small, medium and micro-enterprises in the Czech Republic

As mentioned in the Literature review, small, medium and micro subjects are entities with less than 250 employees. Their annual turnover does not reach higher value than 50 million and assets do not exceed 43 million.

According to results from the Czech Statistical Office (CZSO), dealt with the business activity 1 124 910 of legal and physical persons with number of employees less than 250 (2013). The number of legal persons was 255 631 and physical 869 279. The number of legal and physical entities declines, in 2012 there were 18 308 of business subjects more. The majority of the whole business subjects are SMEs with the share of 99.83 %, as it is seen from the Figure 4, which describes the development of active SMEs in 2009-2013 (MIT CR, 2014).

Sixty percent of the total employees in the Czech Republic were employees in SMEs and micro-subjects in 2013. The total number of employees in this type of entities decreased in 2013 compared to 2012 about 4.96 %, which means decline by 93 thousands of employees (MIT CR, 2014).

The share of small, middle and micro businesses in total output in the Czech Republic in 2013 reached 51.3 %. Equally, SMEs form the majority share in the creation of added value. In 2013 SMEs created book value added 1 396 068 million of CZK, which represents 54.8% of the whole country. The average wages were lower by 11.9 % than the national average of business field, in 2013 the wages amounted to 21 343 CZK (MIT CR, 2014).

The foreign activities of SMEs continue to increase. In 2013 there was a rise of exports by 75 485 million CZK, which means the increase by 4.7 %. The share of SMEs and micro-enterprises in total imports in 2013 was 58.4 % and their share in total exports was 53.6 % (MIT CR, 2014). The other figures related to these characteristics are shown in chapter Annexes.

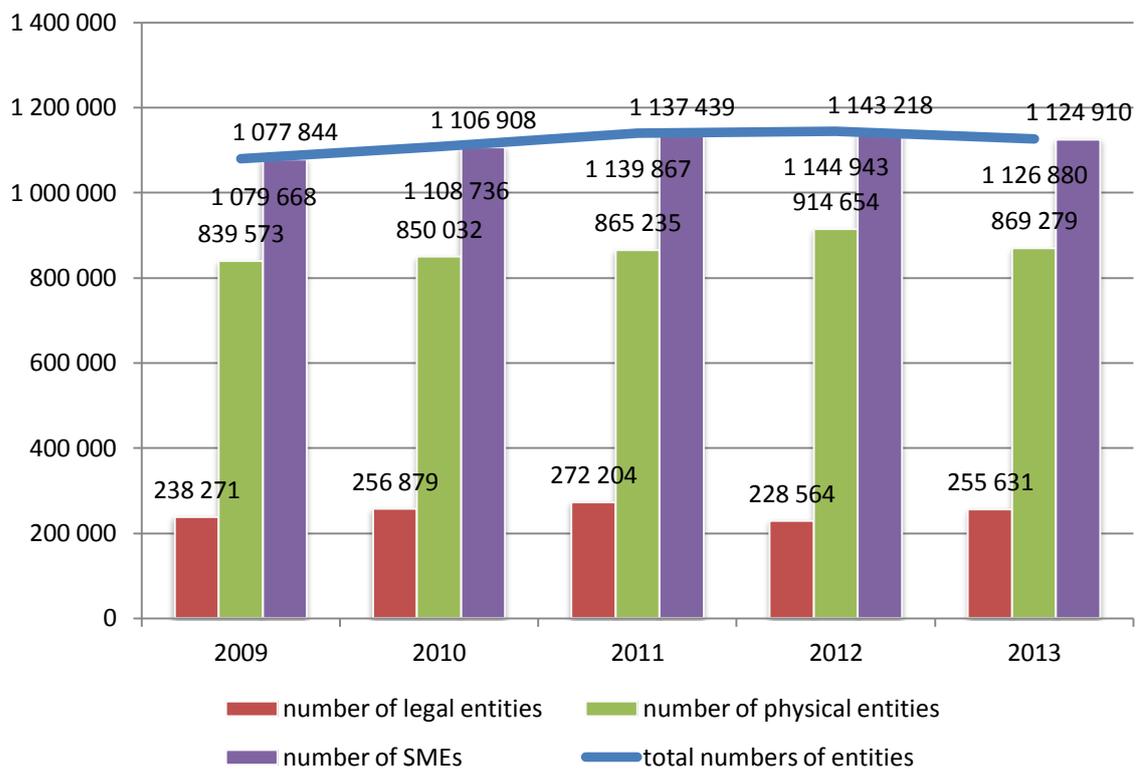


Figure 4 The Development of active SMEs entities in 2009-2013

Source: Ministry of Labour and Trade, 2014

The Ministry of Industry and Trade in the Czech Republic evaluated in 2011 the situation of the Czech SMEs as SWOT analysis. **Strengths** include the flexibility of the development of the market, knowledge of local markets and customer needs, the adaptability of the labor force, high achievement motivation among business owners, qualitative products, creation of new job position and innovation potential.

Contrary to strengths factors stand **weaknesses** influencing SMEs, which are weak emphasis on marketing due to limited finances, shortage of working capital, limited financial resources for technical equipment, protection of intellectual property rights, preponderance of production with low added value, insufficient emphasis on human resource development and cooperation between SMEs.

Small, middle and micro-entities can take advantage of the **opportunities** such as business development, benefits from the strategic alliances, the wide range of the supply of the grant program for SMEs, cooperation of SMEs, the

increase of the share of SMEs for public contracts (Kubíčková, Toulová, Tuzová, 2015).

Businesses can be **threatened** by lack of qualified technical employees, high competition, administrative burden, legislative limitation and technical and technological backwardness enterprises (Kubíčková, Toulová, Tuzová, 2015).

For sure SMEs and micro-businesses play an important role in the Czech Republic and as shown in SWOT analysis. One of the opportunities which they can take is be part of foreign trade to become more competitive.

4.3 Motivation factors for internationalization of Czech SMEs

In 2012 was carried out the survey by Kubíčková, Toulová and Tuzová to identify motivation factors among Czech SMEs. Firms from different sectors of the economy were chosen (agriculture, wood processing, food and textile industry and mechanical engineering).

Table 2 summarizes the results of the questionnaires based on responses from different types of SMEs. Total number of respondents was 341⁴. The motives are ranked according to the most listed. It was found out, that the motivators are the same for all, only differ in their ranking. SMEs from all sectors mentioned that the main motives of the internationalization are (Kubíčková, Toulová, Tuzová, 2015):

- Foreign demand for products or services of the company,
- Lack of demand in the domestic market,
- Expansion of customer portfolio,
- Efforts to increase the turnover of the company,
- Efforts to increase sales and contacts abroad.

The motives are from both groups – reactive and proactive which prevail. It means that Czech SMEs do not want to just react to external environment pressure but they seek for the opportunities on their own.

The other survey only for Czech agriculture SMEs was done in 2014 by Tuzová (in print). Data comes from 45 internationalized agriculture businesses and 302 non-internationalized SMEs. Each motive was evaluated with usage of the scale 1-10 (1 = not at all important, 10 = essential). As it is visible from the Table 3, reactive factors prevail. It is different than in the previous results, where the majority motivators were proactive. Otherwise the most crucial factor was effort to increase sales which belongs to proactive motives.

⁴ Numbers in brackets are numbers of respondents of each sector.

Table 2 Top motives for internationalization for Czech SMEs

FOOD INDUSTRY [32]	WOOD PROCESSING INDUSTRY [80]	AGRICULTURE [28]	TEXTILE INDUSTRY [98]	MECHANICAL ENGINEERING [103]
Foreign demand for products	Foreign demand for products	Higher sale prices in foreign market	Foreign demand for products	Foreign demand for products
Increase in sales	Lack of demand in the domestic market	Foreign demand for products	Efforts to increase the turnover of the company	Lack of demand in the domestic market
Competitive pressure in the domestic market	Competitive pressure in the domestic market	Customer portfolio enlargement	Customer portfolio enlargement	Efforts to increase the turnover of the company
Accession to the EU	Increase in sales	Significant position in the domestic market	Expansion of the company	Expansion of the company
Lack of demand in the domestic market	Enlargement of market for company	Enhancement of image	Lack of demand in the domestic market	Customer portfolio enlargement
Better use of production capacity	Customer portfolio enlargement	Increase in sales	Contacts with foreign management	Greater utilization of production capacity
Competitor's success in foreign market	Better use of production capacity	Grants and subsidies	Greater utilization of production capacity	The Czech Republic's accession to the Schengen area
	Higher sale prices in foreign market	Previous manager's experience with the foreign trade	Low competition in foreign markets	Contacts with foreign management
				Low competition in foreign markets

Source: Kubičková, Toullová, Tuzová, 2015; modified by author

Table 3 The most important motives for internationalization of agricultural SMEs

PARTICULAR MOTIVES	PROACTIVE X REACTIVE MOTIVES (PUSH X PULL MOTIVES)
Efforts to increase sales of enterprise (8.62)	PROACTIVE
Foreign demand for enterprise's products (7.82)	REACTIVE
The possibility of negotiating a higher price of products in foreign markets (7.47)	REACTIVE
Better payment discipline of foreign buyers (6.60)	REACTIVE
Geographical proximity of customers and foreign markets (6.49)	REACTIVE
Better conditions of contracts in foreign market (5.91)	REACTIVE
Existence of contacts in foreign markets (5.89)	PROACTIVE
Efforts to enlargement the portfolio of customers (5.67)	PROACTIVE
Insufficient demand in the domestic market (5.47)	REACTIVE
Better behavior of foreign customers in case of negotiating contracts (5.33)	REACTIVE

Source: Tuzová, 2014

4.4 Barriers in foreign market for Czech SMEs

Internationalization barriers were identified based on survey performed in 2012 (Kubičková, Toullová) in the Czech Republic. One of the main aims of the investigation was to evaluate the results between Czech, European and world small and middle subjects. With regards to the results from Czech SMEs it was found out, that barriers prevent entry to foreign markets are internal as well as

external. The barriers are the same as from the world and European surveys only differ in their ranking. The comparison of the internationalization process is shown in chapter Annexes (Annex 4).

In terms of Czech entities, the biggest barriers are the identification of foreign business opportunities, inability to connect with potential foreign customers and lack of trained staff in the internationalization. These barriers belong to internal barriers. There occur also the external barriers such as lack of state support.

There is an interesting fact, how the non-internationalized subjects perceive the barriers of the foreign market and businesses which already have been there. It was found out that the perceptions of the internationalization barriers are stronger for the businesses operating only on domestic market.

The businesses involved in foreign activities ranked to the biggest barriers the need to improve product quality while keeping current prices, excessive transportation costs of goods and the existence of exchange rate risk. On the other hand firms operating only on Czech market said, that to the biggest obstacles belong problems with identification of foreign business opportunities, lack of trained employees that understand process of internationalization.

Based on the survey by Tuzová (2014), who dealt only with agricultural SMEs, was found the perception of the barriers by internationalized and non-internationalized agricultural SMEs. As it is shown in Table 4, the barriers for both enterprises are almost the same.

The biggest difference is in administrative burden. With 5th place it represents an obstacle for non-internationalized SMEs, unlike internationalized businesses did not mention this barrier. The first three places for internationalized entities occupied lack of state support, language barrier and inability to provide sufficient amount of products/commodities. Contrary, non-internationalized SMEs are not interested in the foreign business activities, nearly 50 % of respondents. They do not want to enter foreign market due to language barrier and inability to provide sufficient amount of products/commodities.

The interesting fact was found out. Internationalized SMEs sees barriers in lack of state support (1st place) and legislative obstacles (6th place), but not non-internationalized entities which evaluated these barriers differently, lack of state support occupied 15th place and legislative obstacles with 17th place.

Table 4 The most important barriers to internationalization perceived by non-internationalized and internationalized agricultural SMEs

TOP 10 BARRIERS PERCEIVED BY INTERNATIONALIZED SMEs	TOP 10 BARRIERS PERCEIVED BY NON-INTERNATIONALIZED SMEs
Lack of state support	Lack of interest in entering foreign market
Language barrier	Language barrier
Inability to provide sufficient amount of products/commodities	Inability to provide sufficient amount of products/commodities
Worry about non-payment of contract by foreign buyers	Difficulties with finding foreign business representation.
Difficult establishing of contacts with customers in the foreign market	Excessive administrative burden
Legislative obstacles	Worry about non-payment of contract by foreign buyers
Lack of information about foreign markets	Difficult establishing of contacts with customers in the foreign market
High cost of transport of goods in foreign markets	Lack of information about foreign markets
Difficult to obtain reliable foreign business opportunities	Difficult to obtain reliable foreign business opportunities
Difficulties with finding foreign business representation	High cost of transport of goods in foreign markets

Source: Tuzová, 2014

4.5 Risks of internationalization for SMEs

Activities of the entrepreneurs are connected with wide range of risks. The businesses can perceive the risks of the internationalization process as larger than on to the domestic markets. In foreign market enterprise is influenced by wider environment and faces greater amount of risks.

Toulová, Tuzová, Kubíčková (2014) made the questionnaire among different types of Czech SMEs between 2013 and 2014. They wanted to find out what are crucial risk factors for these subjects in the internationalization process. Data came from 799 respondents included 363 micro enterprises, 353 small enterprises and 83 medium-sized enterprises. For the research it was used the risk matrix (Annex 5). On the horizontal axis was measured the intensity of risks and on the vertical axis is shown probability of risk occurrence. For the identification of the risks it is needed to focus on both factors.

Assumption of the authors was if the businesses perceive the risks differently based on their size, but it was discovered, that the risk factors are similar. According to the results the perception of risks of the medium-sized firms was more intense and more probable than in micro and small entities.

To the crucial risks, which are common for the companies, belong:

- Insolvency of business partner,

- Withdrawal of business partner from contract,
- Foreign exchange risks,
- Default on a contract by supplier,
- Deterioration in economic situation in the target market,
- Decline in foreign demand and legislative changes.

Beside these factors, micro subjects think that they are more influenced by changes in tax policy and non-acceptance of consigned goods. On the other hand, they do not perceive the possibility of new competitor's entry to foreign market as intensively as small and medium sized businesses.

The results also indicate differences of the risk perception between the enterprises. Medium sized firms perceived more strongly (45 %) the probability of the natural disaster than micro and small companies (35 %). Other risk factor in the form of the deterioration in economic situation in the target market was perceived more intensively by medium sized enterprises.

The significant difference of the perception of the risks was detected in withdrawal of business partner. All medium sized companies mentioned it as a crucial, only 85 % of micro and small enterprises stated that this fact is problematic. The next difference was found in the perception of the risk itself, because medium companies feel more strongly. As the companies grow, so does the risk of reduction in credit availability, 55 % of micro, 65 % of medium and 70 % of small companies.

Tuzová with her survey (2014) investigated, that the key risks factors for agricultural SMEs are:

- Unfavorable exchange,
- Change in the overall economic situation in a foreign market,
- Loss of key foreign customers,
- Cancellation of contract by foreign customers,
- Non-acceptance of goods by foreign customers,
- Late payment by foreign customers
- Important restriction in a foreign market.

4.6 In- depth interview

The in-depth interview is one of the most used methods of qualitative researches. It is used to initiate contact with the interviewees and through asking questions are expressed respondent opinions on the given issues. Authors' interview was semi-structured interview which had three parts. First was the introduction with the interviewer and explanation why the respondent was chosen. The second part consisted of asking questions and finally there were added some details and comments and interviewer summarized the results of the interview.

The in-depth interview had got 17 questions dealing with the operation in foreign market, especially it was discussed motivation, risks and barriers and author gained subjective evaluation from each entrepreneur. The full interview can be found in chapter Annexes (8.3 In-depth interview).

4.7 Results of the in-depth interview

First part will deal with the introduction of the chosen micro-enterprises. After that it will be presented results of the evaluation of motives, risks and barriers of the internationalization. It will be showed the differences between ranking as well as importance of barriers and risks for interviewees.

4.7.1 Micro-enterprises

It was chosen five micro-enterprises from agricultural sectors – Paštika Boženka, Petr Tomaščík, Ekofarma Lípa u Zlína, Farma Kudlov and Kozí farma Vizovice.⁵ Three of the interviewees run a business nearby Zlín, private farmer Petr Tomaščík has his farm in Václavov near Bruntál and Paštika Boženka is made in Brno.

Ekofarma Lípa u Zlína together with Petr Tomaščík, have been doing business for the longest time of the respondents, since 1992. Paštika Boženka and Kozí farma Vizovice are newcomers on the market and started their business in 2015. Farma Kudlov has been operating on the market since 2012. Except of Farma Kudlov which has 8 employees, all subjects are held by one person or they are family businesses.

Four of the respondents have experience with the internationalization and even most of the business activities are connected with foreign market. Only one of the interviewees does not operate abroad and does not want to.

Paštika Boženka

Paštika Boženka is a small business with only one person – Katarína Cibulova. Mrs. Cibulova has been doing her business for less than one year. She focuses on manual production of pates without gluten and preservatives. Pork-liver pates are from real meat and skin. She produces two types of pates – original and with bear garlic. Thanks to her products she won Regional food and Golden Taste of

⁵ The names are official and will be not translated into English.

South Moravia⁶. She cooperates with Mendel University, e.g. practical demonstrations of production to students.

She has family with a long history of production of sausages, which produced her father and his ancestries. Associated manufacture of sausages was the production of pates. The recipe of pates was inherited from her grandmother. Mrs. Cibulová makes it in the old stove.

She cooperates in Brno with company which helps her with business in case of provision of manufacturing facilities or veterinary number. She works on her own and sometimes has part-time workers for sales in markets. In the future it is possible, that the firm will spread by permanent employees.

She uses direct and indirect channels. Direct channels lead straight to final consumers. Pastes are sold on farmer's markets or in exhibition. Indirect channels are the stores in Czech and Slovak Republic. In the Czech Republic it is available in Brno, Ostrava, Uherské Hradiště, Olomouc, Zlín, Praha, in Slovakia: Banská Bystrica, Bratislava, Staré Hory, Galanta, Pezinok, Sládkovičovo, Trnava and Senec.

Petr Tomašček

They started to do business in 1992, when the state returned them the farmland and forest due to property restitution. The married couple with a son takes care of the farm in Václavov, near Bruntál. They own a place with an area of 75 ha. In the beginning they cultivated cereals and potatoes and they dealt with breeding of dairy cattle. Nowadays they focus on breeding of cattles, they have got 47 stable cattle breeding, 46 cows and a bull. Each year there are born 30 calves and are sold for meal. In 2010 they fulfilled all the conditions of the organic agriculture program and were awarded the certificate of organic farming.

They use the services of the intermediary. He always arrives in August, when checks the status of new calves and in October he buys them. Emphasis is placed on the origin of species and the most sold are single colored cows. Price depends on the weight of calf. During transport there is the loss of weight, which reduces the price.

Ekofarma Lípa u Zlína

Mr. Langer began farming with his father in law in 1992, currently he farms alone and usually has three seasonal helpers who also work on other locations. His farm is located near Zlín. He deals with farming of sheep and cattle and ecological hay and silage. He has got 250 of sheep and 30 of beef. His products are labeled as organic products.⁷

⁶ It a project of Ministry of Agriculture intended to support small and medium-sized farmers and food producers in various regions of the The Czech Republic. The award-winning product receives the right to use the free brand Regional food for four years on the packaging of their product. Currently, the brand carries 475 products from 13 regions of Bohemia and Moravia.

⁷ Organic products are labeled with graphic sign Bio, also called *Biozebra* and with the number of the control organization. It serves as a national trademark for organic food. Organic agriculture is a way of farming, which takes into account the natural cycles and dependencies and allows to produce high quality and valuable food (Eagri.cz).

He provides agricultural services such as providing machines, cutting the grass or collecting of straw bales. As a first in the region he put into operation ecological mini-farm slaughter. All products from this slaughter are organic.

He sales animals once a year and largely uses the services of the intermediary and sometimes he sales meat to final consumer. His intermediary comes from Italy and distributes the meat to Italian restaurants.



Figure 5 The product of organic farming

Source: Eagri, 2015 [online]

Farma Kudlov

Farma Kudlov is located in Kudlov, the city part of Zlín. The owner is called Jan Švéda and has 8 employees. He does the business for 21 years and his farm is in operation since 2012. He characterized himself as an untypical agrarian, because he has got education from Australia and Great Britain and cooperates with Brussels as translator in case of agriculture.

He devotes to cattle breeding, has got 400 cows. In 2015 he has started to produce milk products, such as milk, cheese and cottage cheese. He primarily focuses on export meat to East. Milk products are sold only locally due durability because there are fresh products. His products are labeled as organic products.

He searches for a business partner on his own and agrees on the prices and other conditions. His products are sold in the Czech Republic in shops aimed to sales the local products such as Sklizeno, Dary Kraje and Potraviny z Dědiny.

His target markets are Slovakia, Hungary, Italy and France. He operates abroad because of the lack of domestic demand for quality meat and due to better price. He would rather operate in domestic market to support the region or whole state, but there are no big sales as abroad.

Kozí farma Vizovice

The goat farm is owned by Martin Vlček, who works on the farm together with his partner. The owner has not only a goat farm, he has got a second job. The farm is located in Vizovice, 14 kilometers from Zlín. They own one hectare of land and three hectares are leased.

They have been doing the business from the year 2015. Their business is in the family house and specific for them is that their goats graze freely outdoors for the whole year. It is an extensive farming method. They have been doing their business only in domestic market and do not want to go across the borders, maybe to Slovakia.

They have been growing very fast, in the beginning only one goat, today they have got 53 goats. They produce goat cheese and other goat products. Their cheeses are variously loaded, with berries, olives, herbs, chives, etc.

Their planning in the future is to have better equipment, e.g. better milking equipment for more goats, focus on agro-tourism, e.g. vacation with experience. They are thinking about production colostrum, which is the first milk after after parturition of newborn goats or focus on goat cosmetics.

They sell the products through stores like Sklizeno or Dary Kraje and stores in Luhačovice. The other way of selling is to transport the bigger orders directly to the customer, what ensures the owner himself. They want also promote their products in different places, so they present the assortment in the city halls, banking or firehouses. They consider as important to constantly remind to their customers.

4.7.2 Motivation to enter to foreign market

One of the question was related to motivators to foreign market, what motivates business to be part of internationalization process and for what reason do the interviews operate abroad.

The contacted businesses unanimously agreed that one of the main reasons is to **increase of the turnover**. The enterprises which are aimed at selling cattle and meat mention that on the domestic market is **lack of sales**, thus they focus on foreign market. For example, Mr. Langer from Ekofarma Lípa stated, that Czech consumers are not willing to buy lamb meat because they prefer pork and chicken meat, but as he said, the situation has been changing and the his sales on domestic market are slowly increasing. The other important factor which they noted is **better price** they can set on the foreign market.

Katarína Cibulová, who produces Paštika Boženka, stated, that she started to operate abroad because she sees a **big potential** there and wants to sell her products because she comes from Slovakia.

Despite of the motivators of the internationalization, the interesting fact was found out. Business who are involved in foreign activities, stated that they would prefer to do business in the domestic market due to support of the local market and the inhabitants, due to easier trade arrangement, less paperwork and not so frequent veterinary inspection.

According to interviews to the most important motivators belong efforts to increase turnover of the company, lack of demand in the domestic market, negotiating about the better price and big potential abroad. These results correspond to the data that has been identified by Kubíčková, Toullová and Tuzová (2015). There are as reactive as proactive factors.

4.7.3 Barriers of the internationalization

First the interviewer wondered what businesses consider as barriers for the internationalization. After that it was investigated the evaluation of the barriers based on survey from Tuzová (2014). Interviewees stated, that the survey has real base and company has to deal with them. Some of them have got experience with these obstacles. The results are shown in the Table 5. In the brackets is the

intensity of the barriers from a subjective point of view. The rating is from 1-5, where five means the biggest obstacle and one the smallest. The barriers were further classified from the biggest obstacle to the smallest based on subjective evaluation. Between small can be obstacles with great weight, but if a company knows how to overcome it, it is not a problem.

Mrs. Cibulová perceives barriers as extra steps for the entrepreneurs. They do not have to do it. The convenience of the person plays an important role. The important point is to have courage for it and take into account risks related to internationalization. The other problems can be legislative obstacles or language barriers.

Petr Tomašček considered as difficult to be a part of the internationalization for agrarian entities because there are mostly older people⁸ who are conservative and cannot speak any foreign languages. The next disadvantages are in legislative obstacles and administration. The crucial for the agrarian sector is state support. Currently the conditions are favorable, but it can happen that there will be any contributions and it can be devastating for them.

Mr. Langer from Ekofarma Lípa u Zlína mentioned that the biggest barrier can be cooperation with local shops which prefers to sell the cheaper assortment, which often comes from the other countries. As well as Mrs. Cibulová and Mr. Tomašček, Mr. Langer thinks, that one of the biggest disadvantages is language barrier. He does not speak English, which is needed abroad so his son helps him with the trade arrangement. Another factor is the solvency of the consumer if he is able to pay. It is complicated to agree on price, when the partner which is far away and not directly reachable. It will be easier on domestic market where they can cooperate closely.

Kozí farma together with **Farma Kudlov** do not see problems on the foreign market, if the business fulfills the norms of the EU and has got qualitative assortment which can present across the borders.

4.7.4 Evaluation of barriers

High cost of transport of goods in foreign markets. This barrier occupied a place in the first half for four of five entrepreneurs. Mrs. Cibulová sometimes uses familiars going to the place where the shop is. It is difficult to manage the orders and challenging in terms of time. She perceived this barrier as the most serious and the she gave weight three. Mr. Vlček said, that it depends on the amount of what the businessman wants to export. In their case it will be not beneficial because they are not able to produce enough to cover the cost connected with transport. It is one of the reasons, why they do not want to cross the borders. Farma Kudlov together with Ekofarma Lípa rated high cost of transport highly but with weight one and two, because for them it does not

⁸ At present, 4.5 million farmers are in Europe over 65 years (30% of farmers). Only 6% of them are younger than 35 years. Due to it CAP introduced the new reform to support young farmers - a bonus of 25% of the amount of direct payments during the first five years of operation (Europa.eu).

represent a problem and to transport goods abroad is worthwhile. Petr Tomašček perceived it not as crucial and this obstacle has position seven in his ranking.

Language barriers. This point is one of the most important in internationalization process for interviewees. All of them has a same opinion, that there is lack of trained staff which will be able to negotiate abroad. As it is visible from the table, this obstacle was perceived with weight four and one. Mr. Langer has a problem with it, because he speaks only Russian and Czech and for business he needs at least English. Due to it, he uses his son for the closing the agreements.

Petr Tomašček dealt with this issue in the beginning of his business, but he found a business representation from abroad who speaks Czech. Paštika Boženka and Farma Kudlov see it as an obstacle, although they speak English, but if they wanted to operate in the market where the English is not used, it will be difficult. Only Mr. Vlček evaluated it as the smallest barrier, because he is young farmer who speaks more foreign languages.

Worry about non-payment of contract by foreign buyers. As it is visible from the table, this point means a problem for the businesses. Mr. Langer had a bad experience with this, he closed the agreement with the business partner from France but after transport to the final place, he changed the deal and price was decreased. Petr Tomašček stated, that in this case it depends also on the time and experience of the entrepreneurs. It can be easily influenced if he found information about foreign buyers in advance and if he is sufficiently solvent. With this prevention agreed Paštika Boženka, which thinks that is important to examine the buyers in advance. This obstacle perceived as a crucial also Farma Kudlov and Kozí farma Vizovice. Interviewees avoid this problem by paying everything in cash.

Legislative obstacles. From the table is evident, that this problem is perceived differently. Mrs. Cibulová thinks that some businessman has fear of excessive administrative services, but everything can be overcome if he is prepared and finds enough information about country when he wants to operate. Despite this fact, she ranked it in the first half of the evaluation, because it is not possible to influence it. Ekofarma Lípa perceives it as more complicated, because due to operation on foreign market they have to undergo more veterinary inspection than in the domestic market.

Farma Kudlov sees it as a problem, but if company cooperates with country from EU, it is standardized for the whole Union. So it does not matter, if the entrepreneur focuses on domestic or foreign market. Kozí farma thinks, that company has to adapt to the legislation of the country where a company wants to go. It does not perceive as an obstacle and evaluated with weight one. Petr Tomašček placed it in the second half of evaluation, although he said, that if foreign country will support more local farmers, they will have a shortage of sales.

Lack of state support. Petr Tomašček and Ekofarma Lípa benefit from state support and it is really important for them. Without it, it can be devastating in their businesses. Due to this help, they do not consider as an obstacle. The others are not supported, but Mrs. Cibulová thinks, that it is not a problem, the businessman should find the adequate aid, if he needs it. This factor is placed in the second half of evaluation

Difficulties with finding foreign business representation. This point was the most discussed and as shown, it has negative results. Mr. Langer has a bad experience with this and had to decrease the prices due to poor agreement. Also Mr. Švéda noted, that it is important to have a relevant business representation to complete agreements. Ms. Cibulová stated, that it is a way how to show a business with a good name through mediator and be careful with suitable selection. Petr Tomašček does not see it as a problem. Although noted problems, this factor was evaluated from 1-3. It is caused by the fact, that the entrepreneurs have been doing their business for a while and they were able to find a representation on which they can rely on.

Lack of information about foreign markets. Mrs. Cibulová said, that entrepreneur can easily influence this factor by studying of situation abroad and get information about it. Mr. Švéda, Mr. Langer and Mr. Vlček have the same opinion and evaluated it with 1 or 2. Compared to that Mr. Tomašček perceives it as a biggest problem on the foreign market, because there can be lack of sales, and business should realize how to solve it, if to leave and be only one the domestic market.

Inability to provide sufficient amount of products/commodities. According to chosen entities this obstacle does not play a crucial role for them in the internationalization process. They are able to provide as much as needed. Only Mr. Tomašček thinks, that in case of higher demand for pork meat he is not willing to grow the breeding and due to it provide sufficient amount to the market.

Problem with obtaining foreign customers. With regards to the results from the Table 5, Paštika Boženka, Ekofarma Lípa and Farma Kudlov equally rated this barrier with 1 and it is evaluated as the second smallest. These enterprises do not perceive it as a difficulty. They have got enough sales and customers. Mrs. Cibulová stressed that it is important to constantly remind customers and take care of them, wish them on the feast or Christmas, which is not a problem to do it foreign customers.

On the other hand this obstacle was perceived more strongly with 4 by Mr. Tomašček and Mr. Vlček. Mr. Tomašček stated, that customer from abroad can be different and it depends on the businessman, if he wants to adapt on that or not. Mr. Vlček also added, that there is a big competition across the border and entrepreneur may not be able to stand for customers

Difficulties to obtain reliable foreign business opportunities. As it is visible from the Table 5, this obstacle is placed on the last position apart Petr Tomašček and Kozí farma Vizovice. Mr. Švéda from Farma Kudlov does not perceive this barrier as a problem, he has got enough business opportunities. Ekofarma Lípa and Paštika Boženka share the same opinion that this impediment is not crucial. Mrs. Cibulová adds that if the company wants to enter a foreign market, it must find opportunities to succeed before the entry. This factor was evaluated by these 3 entrepreneurs as 1 or 2 based on scale. Mr. Vlček from Kozí Farma marked this with 3. Different view on this obstacle has Petr Tomašček, who is afraid, that they will deal with this issue. This problem can be tightly connected with the changing of customer preferences in case of the demand for other cows than they have in the breeding. He gave the highest mark to this factor.

Table 5 Barriers of the internationalization evaluated by entrepreneurs

RANKING/ BUSINESS	PAŠTIKA BOŽENKA	PETR TOMAŠČÁK	EKOFARMA LÍPA	FARMA KUDLOV	KOZÍ FARMA VIZOVICE
1	High cost of transport of goods in foreign markets [3]	Lack of information about foreign markets [5]	Difficulties with finding foreign business representation [2]	Worry about non-payment of contract by foreign buyers [1]	Worry about non-payment of contract by foreign buyers [4]
2	Language barriers [4]	Difficult to obtain reliable foreign business opportunities [5]	Worry about non-payment of contract by foreign buyers [4]	High cost of transport of goods in foreign markets [1]	Problem with obtaining foreign customers. [4]
3	Worry about non-payment of contract by foreign buyers [4]	Worry about non-payment of contract by foreign buyers [4]	Language barriers [4]	Language barriers [1]	Difficult to obtain reliable foreign business opportunities [3]
4	Legislative obstacles [3]	Language barriers [4]	High cost of transport of goods in foreign markets [2]	Legislative obstacles [3]	High cost of transport of goods in foreign markets [3]
5	Lack of state support [3]	Problem with obtaining foreign customers [4]	Lack of information about foreign markets [2]	Difficulties with finding foreign business representation [1]	Difficulties with finding foreign business representation [1]
6	Difficulties with finding foreign business representation [3]	Inability to provide sufficient amount of products/commodities [4]	Legislative obstacles [2]	Lack of state support [1]	Lack of information about foreign markets [2]
7	Lack of information about foreign markets [1]	High cost of transport of goods in foreign markets [3]	Lack of state support [2]	Lack of information about foreign markets [1]	Legislative obstacles [1]
8	Inability to provide sufficient amount of products/commodities [1]	Legislative obstacles [3]	Difficult to obtain reliable foreign business opportunities [1]	Inability to provide sufficient amount of products/commodities [1]	Inability to provide sufficient amount of products/commodities [1]
9	Problem with obtaining foreign customers [1]	Difficulties with finding foreign business representation [2]	Problem with obtaining foreign customers [1]	Problem with obtaining foreign customers [1]	Lack of state support [1]
10	Difficult to obtain reliable foreign business opportunities [1]	Lack of state support [1]	Inability to provide sufficient amount of products/commodities [1]	Difficult to obtain reliable foreign business opportunities [1]	Language barriers [1]

Source: author

4.7.5 Risks of the internationalization

First the interviewer asked about the risks which belong to the internationalization process based on their opinion. The crucial risks were chosen based on the results by Tuzová (2014). It was examined, how strongly they perceive the risks from their point of view using a scale from 1-5, where the 1 means the smallest and 5 the biggest. After that they sorted the risks from the biggest to smallest in terms of difficulty. The results are illustrated in the Table 6.

According to **Paštika Boženka**, one of the most important risks is the financial stability of the customers. If they will not have money to buy goods and products, there is nonsense to continue in the business. Mrs. Cibulová mentioned also the risk which influences her on the Slovak market. Some of the customers are not willing to buy her pates due to historical events between Czech and Slovak, prejudices etc. They prefer local products.

Petr Tomašček is afraid of the risk in the form of the animal disease which can occur. It would mean the discharging of the herd and new beginning of the business with necessary capital, what can be impossible for many farmers. He also realizes, that is risky for them, if the customers change the preferences and will require different breeding cows.

Ekofarma Lípa u Zlína thinks, that on the foreign market are problems due to fluctuation of the exchange rates, which can have negative impact on the closing of the agreements. **Farma Kudlov** thinks that there are risks abroad which entrepreneur can easily have under control and should handle with them.

Kozí farma Vizovice considers as the biggest risk on the international market the lack of experience of the businessman, troubles to find relevant information, because they do not have time for it. They use the services of others, which can be costly. They are not oriented in the paperwork and others can better exploit them.

4.7.6 Evaluation of risks

Late payment by foreign customers. As shown in Table 6, this risk was ranked on first position by three businesses – Paštika Boženka, Petr Tomašček and Ekofarma Lípa u Zlína. Paštika Boženka said, that it depends on the place where the entrepreneur does the business. She has experience with different payment manners in Slovakia. In Bratislava there is no problem with compliance of payment terms but in other places she received the payments later. She gave this factor weight 5. Petr Tomašček together with Ekofarma Lípa agreed, that late payment by foreign customers is a big problem. It is not possible to control it immediately because of the great distance and the impossibility of direct control. As it was mentioned before, some of the interviewees dealt with this issue by paying cash. Due to it Mr. Švéda does not consider as an important factor.

Exchange rate risk. Ekofarma Lípa and Farma Kudlov perceive the exchange rate risk as the smallest. They close the agreements in advance and with prearranged price. They also set prices with a surcharge to cover them and negative fluctuations. Petr Tomašček evaluated with weight 5 this risk and this factor has the same position as in case of Kozí farma Vizovice with weight 1. According to them it depends on conditions with are negotiated with partner.

Paštika Boženka perceives this point with weight four, but she stated, if the entrepreneur monitors the economic situation he can expect how the exchange rate can be expected, how it will be develop.

Change in the overall economic situation in a foreign market. This point was the most problematic for Farma Kudlov which cooperated in the past with Russian customers. Due to Russian embargo including also a ban on import of pork meat is not possible for Farma Kudlov to cooperate with them. Mr. Cibulová added, that businessman has to have overview and forecast about foreign market. When the Russian sanction occurred, the price of the pork meat decreased. Instead of lower price she increased it because she does not want to go below the price. Kozí farma concluded, that in case of changes of the economic situation, people would still buy the luxury products as goat cheeses and milk and it would have no impact on their sales. Based on this fact, they perceive as the smallest risk.

This factor has last and penultimate position in evaluation of Petr Tomašček and Ekofarma Lípa u Zlína with weight 4 and 3. They are not afraid of this point because they are interested in the current situation of the country where operate and yet there are no negative changes.

Loss of key foreign customers. The results show that this risk plays an important role in the internationalization process. Mr. Vlček perceives this factor as the most important and ranked it the first place with weight 3. He mentioned that it depends also on the dependency of the entrepreneurs on the foreign customers. For Mr. Švéda belongs this point to one of the most crucial problem on the international market. He lost Russian customers, but despite this fact he focuses on the more countries and currently has enough of customers, he diversified the risks. Petr Tomašček and Ekofarma Lípa is dependent on the foreign customers and for them would be devastating if they would lose them. Petr Tomašček gave five and Ekofarma gave four to this point. On the other hand Paštika Boženka does not perceive as problematic as the others. She tries to take of the customer as well as she can. She realizes that to stay in touch with foreign customers is important.

Non-acceptance of goods by foreign customers. All of the entrepreneurs shares the opinion, that is the risk which they can handle. As it is visible from the results, this factor is placed at the bottom. Paštika Boženka with Kozí farma Vizovice said, that it is necessary to make a research, if the foreign customers are interested in their products or not. Mr. Vlček from Kozí farma added, that it can be done through promo events or advertisement for a certain time. Petr Tomašček gave this risk the weight five, although he stated, that if this would happen they would start to focus on different foreign market. Non-acceptance of goods by foreign customers was evaluated by three and is ranked in the middle by Ekofarma Lípa and Farma Kudlov. Farma Kudlov is afraid, that it could be limits of import in foreign countries and due to it they would not export.

Table 6 Risks of the internationalization evaluated by entrepreneurs

RANKING/ BUSINESS	PAŠTIKA BOŽENKA	PETR TOMAŠČÁK	EKOFARMA LÍPA	FARMA KUDLOV	KOZÍ FARMA VIZOVICE
1	late payment by foreign customers [5]	exchange rate risk [5]	late payment by foreign customers [5]	change in the overall economic situation in a foreign market [5]	loss of key foreign customers [3]
2	exchange rate risk [4]	late payment by foreign customers [5]	loss of key foreign customers [4]	loss of key foreign customers [3]	late payment by foreign customers [1]
3	change in the overall economic situation in a foreign market [3]	loss of key foreign customers [5]	non-acceptance of goods by foreign customers [3]	non-acceptance of goods by foreign customers [3]	exchange rate risk [1]
4	loss of key foreign customers [1]	non-acceptance of goods by foreign customers [5]	change in the overall economic situation in a foreign market [3]	late payment by foreign customers [1]	non-acceptance of goods by foreign customers [1]
5	non-acceptance of goods by foreign customers [1]	change in the overall economic situation in a foreign market [4]	exchange rate risk [3]	exchange rate risk [1]	change in the overall economic situation in a foreign market [1]

Source: author

4.8 The comparison

In this sub-chapter will be compared the results from the different sectors and finished surveys with results from author. It will be defined the differences of the motivation, barriers and risks related to international market.

4.8.1 Comparison between factors of motivation

The chosen entrepreneurs are driven to operate abroad because of efforts to **increase turnover of the company, lack of demand in the domestic market, better price and big potential.**

With regards to results from Kubičková, Toulová and Tuzová (2015; Table 2) it is visible, that agriculture SMEs are motivated by the same as chosen subjects in case of higher sale prices in foreign market and increase in sales. It is interesting that agriculture SMEs did not mention lack of demand in the domestic market, although respondent as well as SMEs focusing on wood processing industry, textile industry and mechanical engineering considered as an important factor.

The results from author also showed, that interviewees did not think that motivators belong competitive pressure in the domestic market as food and wood processing industry or low competition abroad as small and medium sized enterprises involved in textile industry and mechanical engineering.

To compare the results from Tuzová (2014; Table 3) it can be stated, that the chosen agricultural micro-subjects have the same reasons for the operation abroad as agricultural SMEs. The motives are as proactive as reactive which prevail.

4.8.2 Comparison of barriers of internationalization

The interviewees in the beginning of the in-depth interview stated that to barriers of the internationalization belong convenience of the person, legislative obstacles, older employees in agriculture who are conservative and bad cooperation with local shops preferring sales of cheaper assortment which are imported to the Czech Republic.

As shown in the Table 5 the most important barriers of chosen agriculture micro enterprises are **worry about non-payment of contract by foreign buyers, language barriers, high cost of transport of goods in foreign markets, difficulties with finding business representation and difficult to obtain reliable foreign business opportunities.**

For Czech SMEs from Kubičková and Toulová (2012), are the identification of foreign business opportunities and excessive transportation costs as significant as for the chosen businesses. They placed this factor on top positions. Respondents mentioned as crucial language barrier which is closely linked with the fact that they miss trained staff in the internationalization, which Czech SMEs ranked to the third place.

To compare the obtained data with research from Tuzová (2014) it is obvious that there are bigger differences. Four of respondents have been already operating on foreign market and the results can be compared with the left column of Table 2 where can be found results from internationalized SMEs.

The first place according to Tuzová's data is lack of state support which differs in author's results. Chosen enterprises do not consider it as the most important factor, because state supports them enough. Language barriers together with worry about non-payment of contract by foreign buyer appear to be problematic for all internationalized firms.

The interesting fact was found out in case of inability to provide sufficient amount of products. Czech agricultural SMEs perceive it more strongly than chosen enterprises. Respondents think, that they are able to produce the amount which is needed abroad. To obtain foreign customers is not an obstacle for three of the interviewees, but for internationalized SMEs yes.

High transportation costs represent a bigger burden for micro subjects than for SMEs. It can be caused by the fact, that for micro entities is much more costly to export their products in limited amounts than for small and medium sized.

Kozí farma is the only one not involved in the internationalization process and can be thus compared with the results of non-internationalized agricultural SMEs from Tuzová. On the first place from Tuzová is placed lack of interest in entering foreign market. Despite of it was not mentioned in the Table 5, Mr. Vlček is not interesting in foreign business activities because he started to do the business in 2015 and do not have capacity and equipment for it, so same as for SMEs.

Language barrier for non-internationalized SMEs occupied second place and contrary for Kozí Farma is this obstacle the smallest one. As the owner from Vizovice said, it depends on the entrepreneur and his skills. As the other respondents he does not think that the crucial factor can be inability to provide sufficient amount of product or commodities abroad although for Czech SMEs is more essential and ranked to the first half of evaluation.

Difficulties with finding foreign business representation were included in top five for both as for SMEs and Kozí farma. The difference can be found in high cost of transport of goods in foreign market. Kozí farma perceives it more strongly with fourth position than non-internationalized entities from Tuzová. As Mr. Vlček added the package of their assortment should have been adapted to withstand longer but it is too costly.

According to survey from OECD (2009) the barriers with the greatest impact are shortage of working capital, limited information to locate or analyze market, inability to contact potential overseas customer and lack of managerial time to deal with internationalization.

The author's results show that micro-subjects have something similar with OECD data. Both perceives as a problem to obtain reliable foreign representations. For chosen agricultural subjects is one of the most important barriers high cost of transport which was not ranked as highly in case of SMEs from survey of OECD.

It is obvious that there is a different perception of possibility to be informed about foreign market. Results show that micro-subjects are able to find enough information and do not see as a big obstacle as respondents from OECD which ranked it to first half of ranking. To top five according to OECD belong inability to contact potential overseas customers which differs in chosen agricultural enterprises which ranked it to the bottom as the smallest.

4.8.3 Comparison of risks on the foreign market

Agricultural micro businesses marked firstly, which risks on the foreign market are from their subjective point of view. To the risks belong financial stability of the customers, preference of the domestic products than from abroad, risk in form of the animal disease, fluctuation of the exchange rate and lack of experience of the businessman.

It is visible from the Table 6, to most important risks belong **late payment by foreign customers, change in the overall economic situation in a foreign market, loss of key foreign customers, non-acceptance of goods by foreign customers and exchange rate risk** which correspond with results from Toullová, Tuzová and Kubíčková (2014) among Czech SMEs from different sectors.

The important risks for the agricultural micro-enterprises can be animal disease which was not found as essential in case of SMEs or preference of the domestic products which can means the end of each micro-subject.

4.9 The suggestion

In this section will be proposed recommendations that would eliminate problematic factors such as barriers and risks which were evaluated as the most critical for chosen enterprises. The most important to have enough information about foreign market, be prepared to potential changes and monitor and analyze the situation for all time spent in foreign market.

The most crucial barriers for agriculture micro subjects are worry about non-payment of contract by foreign buyers, language barriers, high cost of transport of goods in foreign markets, difficulties with finding business representation and difficult to obtain reliable foreign business opportunities.

The most important risks include late payment by foreign customers, change in the overall economic situation in a foreign market, loss of key foreign customers, non-acceptance of goods by foreign customers and exchange rate risk.

4.9.1 Recommendations to overcome barriers

- **Worry about non-payment of contract by foreign buyers.** Author recommends to find information about foreign buyers in advance and if he is sufficiently solvent. This barrier can be serious in the beginning of the business when it has lack of experience with foreign buyers. As mentioned before, the chosen enterprises dealt with this issue in the past and currently they accept the payment in cash, which can be one of the solutions.
- **Language barriers.** Opportunities can be to find a business representation who speaks Czech, find intermediary with language skills or use of help of Czech Chamber of commerce. Czech Chamber of commerce helps Czech companies to promote their business plans and interests abroad. It provides information about the conditions of enter into foreign market, support them in the searching and making contacts with potential foreign partners.
- **High cost of transport of goods in foreign markets.** To decline costs of transport is advantageous to establish a strategic alliance. It is unit for several companies with same interest and may be for example entry into foreign market and common reduction of transport cost.
- **Difficulties with finding business representation.** This represents a company through somebody else and due to it is necessary to be informed. It is needed to find as much information as possible, it can be contacted also other entrepreneur and ask for his advices.
- **Difficult to obtain reliable foreign business opportunities.** This obstacle can be overcome through indirect exports. Indirect export uses independent intermediaries who sell to foreign markets and have the necessary contacts.

4.9.2 Recommendations for overcoming risks

It is necessary to implement several steps to handle with the risks in the foreign market. The steps are determination of context of the action of the company, identification, analysis, evaluation and treatment of risks. During these steps business should make the regular control and monitor the situation to be able to react to potential changes.

- **Late payment by foreign customers.** The businessman should realize where he wants to operate. Each place has different payment manners and he has to count with it before enter. He can also open an account in chosen country to have money sooner.
- **Change in the overall economic situation in a foreign market.** In this case is important to diversify risk by extending business activities into more foreign markets, not only one. To prevent these risks is essential to constantly monitor the situation and be prepared to any changes.
- **Loss of key foreign customers.** One of the solutions is to start on different foreign market, where will be enough of sales. To prevent this risk is necessary to take care of customers and to adapt to their needs.
- **Non-acceptance of goods by foreign customers.** This risk can be decreased, if the entrepreneur finds through surveys, advertisements and other instruments whether the foreign customers are interested in his assortment or not.
- **Exchange rate risk.** To avoid exchange rate risk is important to monitor and predict development of the domestic currency to foreign currency. With these measures a company can easily change prices, and thus not to be affected by negative developments. The other solution is to set up prices at a level to cover potential losses. Last recommendation is to close agreement with the pre-arranged prices.

5 Discussion

To fulfill the goals of the thesis, it was necessary to study the literature and internet resources dealing with with internationalization process. The main phenomena were disassembled in the literature overview.

In the next part was needed to have overview about current situation in the Czech Republic. It was chosen results of SMEs which are similar to micro-subjects. There is a lack of data about micro-subjects, thus it was not possible to find enough information.

To verify and obtain data from micro-enterprises was used in-depth interview designed by author. The entrepreneurs were chosen randomly. Three of them comes from Zlín, where the most micro-enterprises are, one is located in Brno and the last from Václavov. Four of them have been involved in foreign business activities.

The questions of in-depth interview were compiled according to results by Tuzová dealing with agricultural SMEs. It was investigated how the chosen enterprises perceive risks and barriers and what are the most problematic.

As mentioned before, there is any survey dealing with micro-subjects so author built the survey on the results related to small and medium sized enterprises which are similar to entities with less than 9 employees. Entrepreneurs stated the survey came from real base and they are influenced by these factors.

The in-depth interviews were done in oral form and the interviewer had opportunity to ask questions face to face and respondents reacted quickly and directly. Interview had three parts. The first was the introduction with the topic and author and why is important to obtain data. Second was devoted to the questions and last dealt with the notes and comments. The interview was done based on the study of literature and previous researches. It was selected topics to find out, what motivates businesses, what barriers and risks are crucial for them.

Chosen businesses could add any notes and comments on each question and also they mentioned the problems which they had or how to solved them. In addition it was also discussed production procedures or other topics such as future plans.

The results differ in the ranking and how strong each entrepreneur perceive them. The motivators which drive entrepreneurs to cross the border are connected with better conditions abroad. The results showed, that weak demand in the domestic market, efforts to increase turnover of the company, better price and big potential abroad are the main motivators for four internationalized businesses. Only one which has been operating on the domestic market is not interested in foreign business activities, because of high transportation costs. The owner has to change the way of packaging the products and currently he is not able to do it due to enough capacity and insufficient amount of products which they could offer.

Despite of the fact, that four of focused on the operating abroad, they would rather support Czech market and inhabitants thanks to easier trade arrangement, less paperwork and not so often inspection by vets. As SMEs they are interested in the promotion of local employment and development. It follows, that

companies make decision based on better pricing and sales abroad. If they did not do business abroad, they would stay in the domestic market.

Based on author's findings were found obstacles of internationalization process, which are crucial for chosen enterprises. Barriers mentioned were extra steps for entrepreneurs, convenience and courage of person, legislative obstacles, language barrier, older people in agriculture, administration burden, state support, weak cooperation with local shops preferring sales of the cheaper assortment and solvency of the customer prevent business to cross the border.

The main barriers according to Tuzová's researches are connected with the solvency of the foreign buyers, excessive transportation costs, lack of language skills, problems with relevant foreign business representation and finding business opportunities abroad.

According to the results the biggest risks are late payment by foreign customers, change in the overall economic situation in a foreign market, loss of key foreign customers, non-acceptance of goods by foreign customers and exchange rate risk.

For finding differences the comparison between data from different sectors and surveys was done. It was chosen the researches by Kubičková, Toulová and Tuzová from Czech SMEs, Tuzová's and her agricultural SMEs and OECD survey.

The most serious risks and barriers were identified and author recommended how to deal with them based on the abilities of chosen enterprises. The common advice is to be prepared to potential changes, be informed about foreign market, monitor and analyze the situation for all spending in the foreign market.

Differences in perception of risks and barriers are caused by the experience of chosen enterprises and they been operating on the foreign market or not. It has to be considered also the fact, how strongly each entrepreneur perceives risks, somebody looks for a risk on a purpose and it is challenging for him. For other is risk something neutral or even has risk aversion, it depends on the subjective view of respondent.

It is not possible to generalize the results because it was not done the quantitative research and author has only a small sample. She focused on the qualitative data and tried to find more details about concrete issues and thus go deeper.

Diploma thesis can be beneficial for the micro-subjects from agriculture sector. Despite of the limited data (5 businesses) obtained by the author's survey it provides a perspective on particular specifics associated with the process of internationalization process. It can serve as a guide for agricultural businesses thinking about enter to foreign markets. They can find what kind of obstacles can expect there and with which risks they should count.

6 Conclusion

The diploma thesis dealt with the internationalization process in terms of risks of the barriers. The main aim was the identification of risks of barriers of chosen micro-enterprises from agrarian sector. Along with the main objective were determined partial goals. Partial goals were finding of risks that are crucial for internationalization and what prevents most from entering the foreign market, to get deeper into issue with usage of in-depth interview, to make comparison between agrarian micro-enterprises with other from different fields and to suggest the measures eliminating problems of internationalization process.

In the Literature Review was processed data from written literature and internet resources. Globalization, internationalization, theoretical approaches to the internationalization process, explanation of small, medium and micro-enterprises, limitation for them, forms of the entries to the foreign markets, motivation factors, success factors, barriers and risks were explained.

The object of the theoretical part was to put theoretical framework and outline of the topic which led to the second part, Specifics of the internationalization process of agricultural micro-enterprises in terms of risks and barriers.

In the Methodology the author explained the methods of this thesis. The final paper was written with usage of analysis, synthesis, induction, deduction and comparison and processing of one of the most common qualitative method in-depth interview.

Second part of the diploma thesis was devoted to the description of the current situation of agriculture in the Czech Republic, conditions of the business and the subsidies. It was described small and medium sized subjects among different sectors to have overview about current situation. The data about micro business has limits, thus were chosen SMEs because they are similar. In regards to Tuzová's research were commented motives, barriers and risks of agricultural SMEs.

In-depth interview was performed by author. The previous researches are in written form and have limits. In-depth interview was in oral form and it was possible to get more details. Due to this quantitative method, diploma thesis is a contribution because it is dedicated to obtaining and verifying data from micro enterprises, which have a lack of attention in surveys and literature.

It was chosen five micro subjects from agriculture sectors. Four of them has been involved in business activities abroad, one not. Author found out what are motivators, barriers and risks connected with business activities abroad.

Based on the answers of the entrepreneur the main motivators of enter foreign market were examined. To the most important belong efforts to increase turnover of the company, lack of demand in the domestic market, better price and big potential abroad.

Interesting fact was discovered. Business operating on foreign market would prefer to stay on domestic market and support local market and inhabitants. It is caused by easier trade arrangement, less paperwork and not so frequent veterinary inspection.

The barriers of internationalization were identified. As entrepreneurs said, extra steps for entrepreneurs, convenience and courage of person, legislative

obstacles, language barrier, older people in agriculture, administration burden, state support, weak cooperation with local shops preferring sales of the cheaper assortment and solvency of the customer prevent business to cross the border.

Based on survey from Tuzová were evaluated obstacles according to subjective points of views and intensity how entities perceived them. There were differences in ranking of these factors, but to the most important belong worry about non-payment of contract by foreign buyers, language barriers, high cost of transport of goods in foreign markets, difficulties with finding business representation and difficult to obtain reliable foreign business opportunities. All internationalized companies have experiences with them and had to solve them.

The chosen agricultural enterprises think, that risks include financial stability of the customers, preference of domestic than foreign product, animal disease, change the preferences of customers, lack of experience of the businessman and troubles to find relevant information.

Author asked about the evaluation of the risks from Tuzová's research, how strongly the enterprises perceive them and how they sort them from the biggest risk. According to the results the biggest problems are late payment by foreign customers, change in the overall economic situation in a foreign market, loss of key foreign customers, non-acceptance of goods by foreign customers and exchange rate risk. To sum up there are differences in the ranking but for all enterprises are driven by same factors and have to deal with similar problems.

In the next part were compared the author's results with data from different sectors and surveys. The results by Kubičková, Toullová and Tuzová from Czech SMEs, Tuzová's and her agricultural SMEs and OECD survey were assessed.

Lack of demand in the domestic market was one of the most important motivators from author's result, although agricultural SMEs did not mention it. Also the interviewees did not stated that competitive pressure in the domestic market or low competition motivate them to cross the border which represent essential motivators for agricultural SMEs.

Agricultural small and medium sized companies perceived lack of state support as the most crucial, although micro-enterprises think that they have got enough of it. Respondents also considered as a small obstacle inability to provide sufficient amount of products which represents bigger threat for SMEs. Business from OECD is afraid of lack of information about foreign market, on the other hand chosen agricultural think that are able to find enough information.

Last part was devoted to recommendations which could eliminate most problematic barriers and risks that were found out with regards to author's result. To prevent barriers there are factors eliminating them and help with overcoming them: find relevant information about solvency of the partner, find staff with foreign language skills or ask for help Czech Chamber of Commerce, establishment of strategic alliance, ask for advice other entrepreneur, use indirect export.

To avoid risks connected with foreign market there are recommendations to open an account in chosen country to have money sooner, diversify risk by spreading business activities to more countries, constantly monitor and predict any changes, to take care of foreign customers and adapt to their needs, make surveys whether the foreign customers are interested in the products, predict and monitor development of the currencies, set up higher prices to cover losses or close agreements with pre-arranged prices.

Each point has its solution but it is common for all enterprises to have enough information about foreign market, be prepared to potential changes and monitor and analyze the situation for all time.

7 Literature

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8 Annexes

In this chapter will be listed the annexes which are dedicated to agriculture subsidies, tables and graphs and in-depth interview processed by author.

8.1 List of subsidies

Rural Development Program 2014-2020

Thanks to the Rural Development Program in Czech agriculture will go in the next few years nearly € 3.1 billion (over 84 billion). It will be 2.3 billion euro (63 billion dollars) from EU sources and EUR 768 million (21 billion dollars) from the Czech budget.

The main objective of the program is restoring, preserving and enhancing ecosystems dependent on agriculture especially through agri-environment measures, as well as investments for competitiveness and innovation of agricultural enterprises, promoting the entry of young people into farming and landscape infrastructure.

The program will also support the diversification of economic activities in rural areas in order to create new jobs and boost economic development. Supported will be the community-led local development, respectively LEADER approach, which contributes to better target the aid to the local needs of rural areas and the development of cooperation at local level.

The operational program for fisheries

Operational Program for Fisheries focuses on sustainable aquaculture and competitiveness based on innovation, competitiveness, knowledge and effective use of resources.

Subsidies under the Common Market Organization

The common organization of the market is divided into two main areas, crop and livestock production. The aim is mainly to regulate the supply of the product so as to prevent its variation. It applies to both first products and products after the first processing.

The direct payments

The most important source of the finance for agriculture is direct payment. Since 2004 is provided through Single Area Payment Scheme. The reformed CAP allows Member States to decide increasingly on the adjustment of direct payments under the first pillar.

There is a great emphasis on a friendly approach to the environment through planting mode, generational change in the country through support for young farmers and support sectors or regions facing certain difficulties. CAP also allows Member States greater degree of judgment by targeting funds, including transfers between pillars for direct payments and rural development program. The financial allocation for the first pillar is approximately 25 billion CZK.

National subsidies

Exclusively from national resources supports the Czech Republic through a series of targeted programs a wide range of necessary activities. Thus, the state seeks to contribute to maintaining the production potential of agriculture and its contribution to the development of rural areas.

Cross Compliance

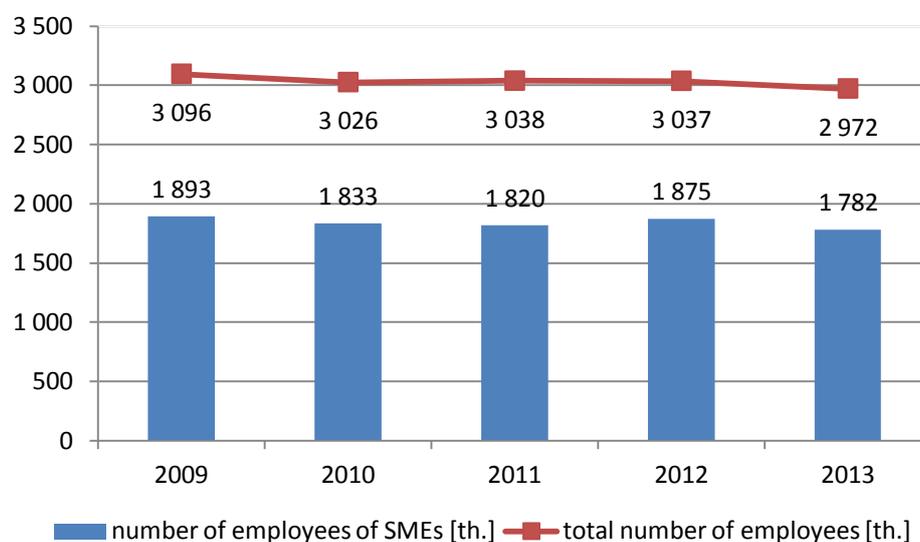
Since January 2009 in the Czech Republic are carried out checks compliance (Cross compliance). One of the main topics of c CAP is addressing the negative impacts of agriculture on landscape and environment. Compliance control system in 2003 initiated the reform of the Common Agricultural Policy and has become a key element in negotiations for the preservation of European subsidies for agriculture in the future.

It has to be fulfilled the conditions of the maintaining the land in good agricultural and environmental condition, compliance with statutory requirements in the field of environment, public health, animal and plant health, animal welfare animal welfare and the minimum requirements under agri-environmental measures to get payment of direct aid and other selected subsidies. In the event that an applicant for a grant complies with these conditions, it may be reduced or, as a last resort, used none selected payment subsidies.

Support and Guarantee Agricultural and Forestry Fund, Inc.

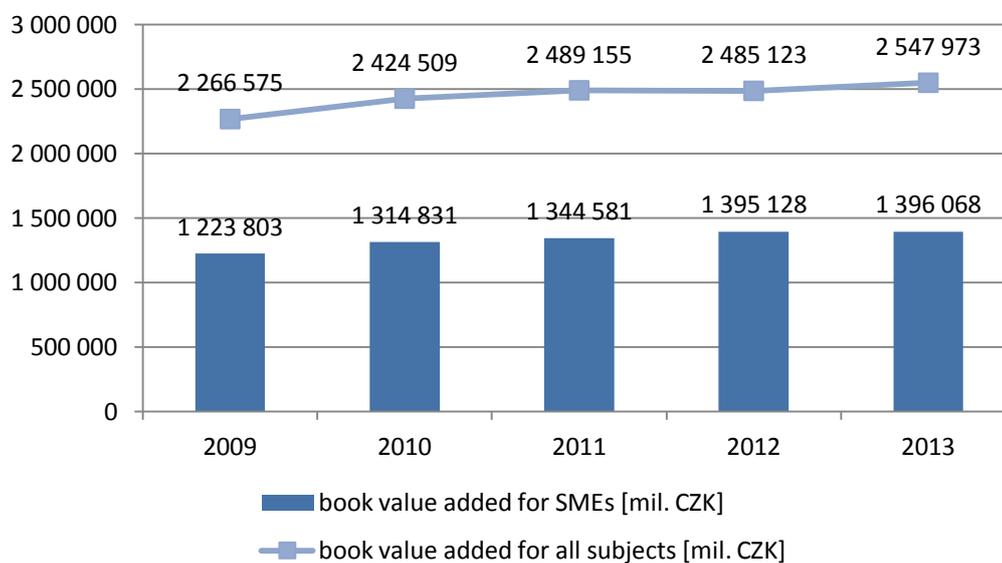
It is one of the tools of Czech agriculture operating under the so-called "*national aid*". The main activity is currently subsidizing interest on loans to enterprises engaged in agriculture, forestry, water management and the industry dealing with the processing of agricultural production and financial support insurance. Currently, the activity PGRLF expanded to help agricultural operators to solve a temporary lack of funds for operating costs during the global crisis and to provide funding to complete the project plans to municipalities as part of the Rural Development Program in the form of payment of VA (Eagri.cz).

8.2 List of graphs and tables



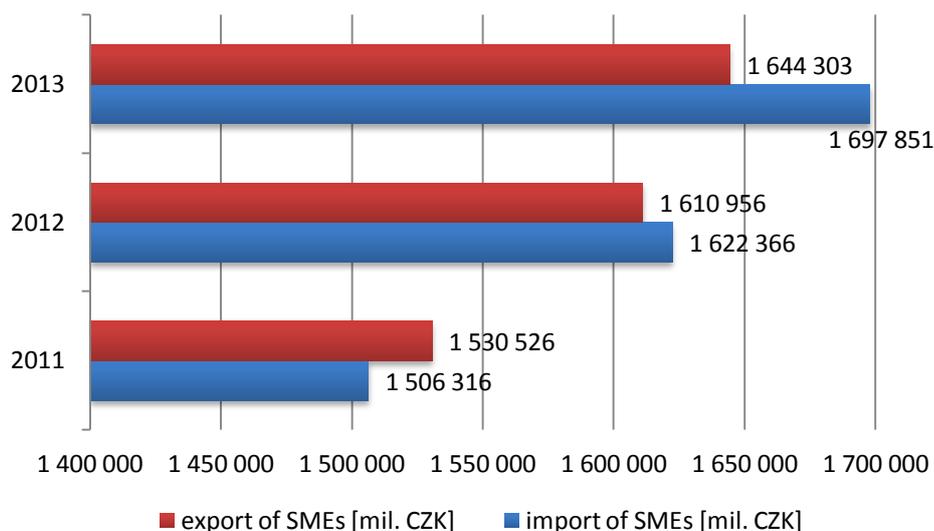
Annex 1 The number of employees of SMEs 1 in the Czech Republic in 2009-2013

Source: http://www.mpo.cz/assets/cz/podpora-podnikani/msp/2015/1/Zprava_o_vyvoji_MSP_2013.pdf



Annex 2 Development of value added of SMEs in the Czech Republic in 2009-2013

Source: http://www.mpo.cz/assets/cz/podpora-podnikani/msp/2015/1/Zprava_o_vyvoji_MSP_2013.pdf



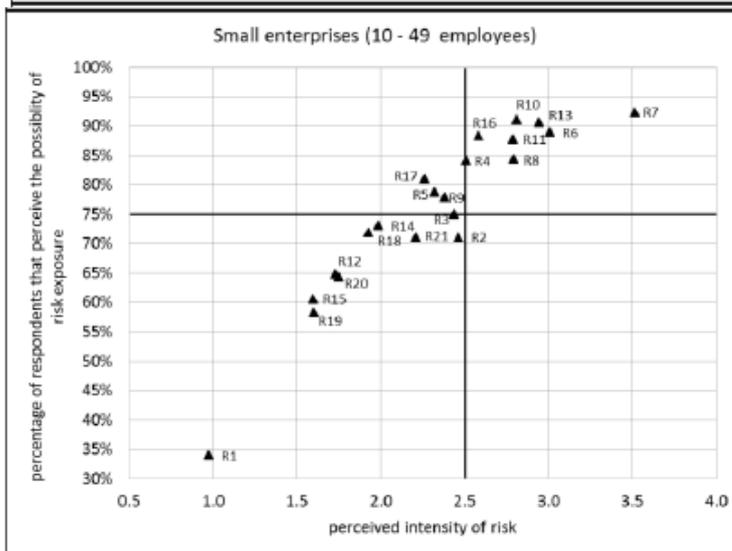
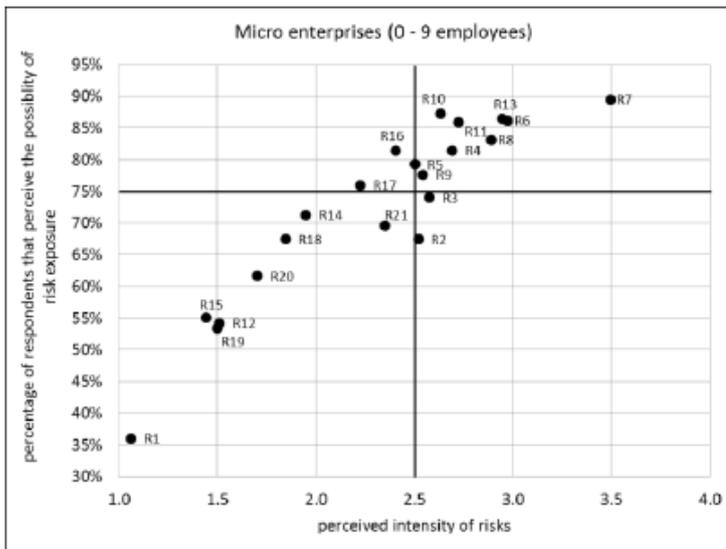
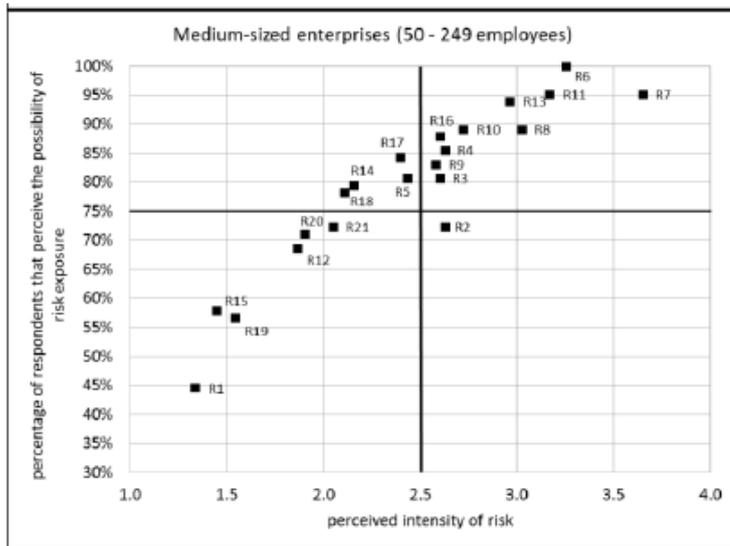
Annex 3 Foreign trade: Small and medium-sized enterprises (physical and legal persons) 0-249 employees

Source: http://www.mpo.cz/assets/cz/podpora-podnikani/msp/2015/1/Zprava_o_vyvoji_MSP_2013.pdf

RANKING	BARRIERS OF INTERNATIONALIZATION OF WORLD SMEs	RANKING	BARRIERS OF INTERNATIONALIZATION OF CZECH SMEs
1.	Shortage of working capital	1.	Identification of foreign business opportunities
2.	Identification of foreign business opportunities	2.	Inability to connect with potential foreign customers
3.	Lack of information to analyze the market	3.	Lack of trained staff in the internationalization
4.	Inability to connect with potential foreign customer.	4.	Excessive transportation costs
5.	Obtaining reliable foreign representations	5.	Obtaining reliable foreign representations
6.	Lack of managerial time to internationalization	6.	Lack of information to analyze the market
7.	Lack of trained staff in the internationalization	7.	Lack of managerial time to internationalization
8.	Obstacles with comparison prices with competition	8.	Lack of the state support
9.	Lack of the state support	9.	Shortage of working capital
10.	Excessive transportation costs	10.	Obstacles with comparison prices with competition

Annex 4 Barriers of internationalization of world and Czech SMEs

Source: OECD 2009; Kubíčková, Toullová, 2013



Annex 5 Risk matrixes for small and medium-sized enterprises
 Source: Toulová, Votoupalová, Kubíčková, 2014

Explanatory notes:

Natural disaster (R1), the risk of political instability (R2), customs policy and restrictions (R3), legislative changes (R4), changes in tax policy (R5), withdrawal of business partner from contract (R6), insolvency of business partner (R7), default on a contract by supplier (R8), non-acceptance of consigned goods (R9), decline in foreign demand (R10), deterioration in economic situation in the target market (R11), the risk of reduction in credit availability (R12), foreign exchange risk (R13), transportation risks (R14), language barrier (R15), the possibility of entry of new competitors in the market (R16), poor access to information (R17), the risk of changes in technologies (R18), the risk of seasonality (R19), the risk of replacement by substitutes (R20), the risk of government interventions (R21).

8.3 In-depth interview

- 1) Čím se Váš podnik zabývá? Můžete mi jej stručně charakterizovat?
- 2) Co se nachází ve Vašem sortimentu?
- 3) Živíte se zemědělskou činností nebo máte ještě jinou práci?
- 4) Můžete mi prosím říci, jaké distribuční kanály v případě prodeje Vašich zemědělských produktů využíváte. Jakým způsobem se dostávají ke konečnému zákazníkovi?
- 5) Znáte pojem internacionalizace, co podle Vás znamená?
- 6) Uvažujete o působení na zahraničním trhu, pokud ano, co Vás motivovalo vstoupit na zahraniční trh. V případě, že ne, z jakého důvodu neuvažujete o vstupu na zahraniční trh?
- 7) Proč myslíte že podnik vstupuje na zahraniční trh? Jaké jsou pro to důvody?
- 8) Co si představuje pod pojmem bariéry internacionalizace?
- 9) Můžete mi prosím zhodnotit bariéry na základě toho, jak silně je vnímáte od 1-5, 1 největší, 5 nejmenší (Annex 6).
- 10) Jak byste ohodnotili následující bariéry podniků na zahraničním trhu. 1-nejmenší bariéra, 5-největší bariéra.
- 11) Jak byste seřadili jednotlivé bariéry na zahraničním trhu dle největší bariéry po nejmenší.
- 12) Myslíte si, že je pravděpodobné, že se podniky s těmito bariérami mohou potkat?

13) Je některá uvedená překážka tou, která Vám brání vstoupit na zahraniční trh? Jak jste ji řešili?

14) Co si myslíte o riziku na zahraničním trhu?

15) Ohodnoťte rizika pro podniky na zahraničním trhu stejně jako bariéry.

16) Setkali jste se na zahraničním trhu s některým z těchto rizik?

17) Ohodnoťte rizika od nejhoršího.

18) Je nějaké další riziko, se kterým se může podnik na zahraničním trhu setkat?

BARIÉRA/STUPNICE	1	2	3	4	5
NEDOSTATEK STÁTNÍ PODPORY					
JAZYKOVÁ BARIÉRA					
NESCHOPNOST NABÍDNOUT DOSTAČUJÍCÍ SORTIMENT					
OBAVA Z PLATEBNÍ NESCHOPNOSTI PARTNERŮ					
PROBLÉM SE ZÍSKÁNÍM ZAHRANIČNÍCH ZÁKAZNÍKŮ					
LEGISLATIVNÍ PŘEKÁŽKY					
NEINFORMOVANOST O ZAHRANIČNÍM TRHU					
VYSOKÉ NÁKLADY NA PŘEPRAVU ZBOŽÍ					
OBTÍŽ PŘI HLEDÁNÍ SPOLEHLIVÉHO ZAHRANIČNÍHO ZASTOUPENÍ					
PROBLÉM PŘI HLEDÁNÍ OBCHODNÍCH PŘÍLEŽITOSTÍ					

Annex 6 The list of barriers

Source: author

RIZIKO/STUPNICE	1	2	3	4	5
KURZOVÉ RIZIKO					
ZMĚNA EKONOMICKÉ SITUACE					
ZTRÁTA KLÍČOVÝCH ZAHRANIČNÍCH ZÁKAZNÍKŮ					
NEPŘIJETÍ ZBOŽÍ ZAHRANIČNÍMI ZÁKAZNÍKY					
POZDNÍ PLATBY ZA ZBOŽÍ					

Annex 7 The list of risks
Source: author