

**Opportunities for Small and Medium Sized
Enterprises in Znojmo region**

Supervisor:

Doc. Ing. Lea Kubíčková, Ph.D.

Bc. Marek Hanák

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Abstract

Hanák, M. Opportunities for Small and Medium Sized Enterprises in Znojmo region. Diploma Thesis, Brno: Mendel University in Brno, 2017.

The thesis is focused on the topic of internationalisation of SME in Znojmo region and on their opportunities. The main part of the thesis is a set of recommendations for the whole segment of SME in Znojmo region. To gather necessary input, primary and secondary data were used. For primary data, semi-structured in-depth interviews were conducted with companies operating in Znojmo region. To gain knowledge about their current situation and motives, risks, barriers towards internationalisation. The current process of the SME in Znojmo region was compared with UPPSALA model of internationalisation.

Keywords

Internationalization, UPPSALA model, qualitative research, Znojmo, SME

Abstrakt

Hanák, M. Opportunities for Small and Medium Sized Enterprises in Znojmo region. Diplomová práce. Brno: Mendelova univerzita v Brně, 2017.

Tato práce je zaměřena na téma internacionalizace malých a středních podniků na Znojmsku a jejich příležitosti. Jako hlavní část práce je uveden soubor doporučení pro celý segment malých a středních podniků na Znojmsku. Pro získání potřebných dat byly použity sekundární a primární data. U primárních dat byly provedeny polostrukturované hloubkové rozhovory se společnostmi působícími na Znojmsku. Cílem těchto rozhovorů bylo získat znalosti o jejich současné situaci a motivacích, rizicích, překážkách internacionalizace. Současný proces malého a středního podnikání ve Znojmsku byl porovnán s modelem internacionalizace UPPSALA.

Klíčová slova

Internationalizace, UPPSALA model, kvalitativní průzkum, Znojmo, MSP

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1 Introduction

Small and Medium Sized Enterprises play significant role in the economic world and not only in the regions but also on the worldwide level. They contribute to all parts of economic activity and play key role in economic growth of the country and labour market as they employ large part of citizens in any country.

Internationalization process has become, over the time, widely discussed topic and especially in case of SME's on market all around the world. Companies are often searching on a foreign market for new opportunities to support their growth. This is not limited to large companies only; nowadays small and medium sized enterprises are being encouraged to take part in this internationalization process no matter the size.

This thesis will focus on SME's which have their seat in Znojmo region. It needs to be mentioned that Znojmo region is on borders with Austria, another member of European Union. It will not be focused on specific field of business of SME's but on the sector of the SME's in the region. The objective of the thesis is to conduct analysis of the selected sample of companies operating on the market, their current business activities and attention will be paid also to the level of their internationalization and operations on foreign market. The analysis helps to develop opportunities and recommendations which are supported by the data from the secondary and primary data collection. The final opportunities and recommendation will be focus on the whole sector of SME's which are conducting business in the Znojmo region and should be useful for all SME's which are operating there. The results from the analysis will be compared in the following chapters with the UPPSALA internationalization model. And the thesis will either confirm or deny the validity of the model for border regions such as Znojmo region.

The final objective of the thesis is to propose opportunities and recommendations, which could help the entire sector of SME's in Znojmo border region with conducting business in this border region. The opportunities which are created by the close distance but also a relation to the border region on the Austrian side of the border. The recommendation will focus mainly on the possibilities for the companies how to take advantage of this location towards fulfilling their objective as a company. Those recommendation and opportunities will be concluded based on the qualitative research within the region and selected sample of SME and city representatives on Czech border side and analysis of the current state of SME described in the analytical part of the thesis.

1.1 Objective of the thesis

In the thesis, the author will propose several opportunities and recommendations, which will be valid for the whole sector of SME in Znojmo border region. Firstly, a literature overview will be conducted, which will provide a necessary knowledge about the topic, it will be elaborates synthesis of findings from monographs, scientific articles and studies relevant to the topic.

Results will be based on research of secondary and primary data to propose the opportunities and recommendations which could help the entire sector of SME in Znojmo region, as stated above. It is important to mentioned that focus will be paid to the level of internationalization of SME in the region. The results will be then compared with the UPPSALA internationalization model, which relates to the difference in psychological and physical distance. The opportunities and recommendations will be furthermore compared and discussed with similar studies in the field of internationalization.

2 Small and Medium Sized Enterprises

According to Kubickova, Toulova, Tuzova (2015), small and medium sized enterprises can be described as individual business entities with one or more entrepreneurs, with low number of employees, and relatively small capital

Small and medium sized enterprises are defined in the EU recommendation 2003/361. Based on this EU recommendation “an enterprise should be any entity, regardless of its legal form, engaged in economic activities, including in particular entities engaged in a craft activity and other activities on an individual or family basis, partnerships or associations regularly engaged in economic activities.”

The important factors to consider when evaluating an enterprise is the number of staff. In other words the headcount. Turnover is the second important factor to consider, but some enterprises engaged in trade and distribution have higher turnover than the ones in manufacturing. For this reason, it should be combined with the balance sheet criterion, which reflects the overall wealth of the enterprise. It is expected in the EU recommendation that the financial criteria will be adjusted to the changes in prices and in productivity. It needs to be distinguished between groups of enterprises who may have higher economic power than genuine SMEs. To consider SME as autonomous and not part of a holding who has controlling power. A limit was established of below 25% inclusive which can be owned by other enterprise. If the limit is exceeded the enterprise cannot be considered as SME. This criterion can be obeyed in case of “business angels” (Individuals or a group of individuals pursuing regular business of investing venture capital). This is allowed due to their ability to give valuable advice to the starting SME.

Company category	Staff headcount	Turnover	or	Balance sheet total
Medium-sized	< 250	≤ € 50 m		≤ € 43 m
Small	< 50	≤ € 10 m		≤ € 10 m
Micro	< 10	≤ € 2 m		≤ € 2 m

Table 1: SME description

Source: Commission recommendation no.2003/361

Duarte (2004) is saying that SME have an important role as development agent in today's society. It has even been said that the small and medium sized enterprises are the engine of the economic growth. In almost any country the business entities are composed from over 90% of SME. Those firms have an undoubted influence on several aspects such as employment, taxes and innovation. The competitive advantage of the small and medium enterprises is drawn more toward to the marketing side then technology. This allows to develop differentiation strategies for those firms. The companies enter rather isolated markets where they operate only on a niche market, which enables them to earn high profits. The size of the firm is an important factor as it offers higher flexibility compared

to large firms. SME's also have higher speed and are more adaptable to accommodate market changes and to react to them. Small companies can act as agents of change on the market, as their role in output is not as significant compared to the large scale companies, but their dynamic role enables them to be the starting point in the market change.

2.1 Advantages and limitations of SME

According to Veber (2008), small and medium sized enterprises are an important part in creating competitive environment as they help to avoid creation of monopoly because they cannot create one due to their small size. SME are also more effective at using scarce resources which has an impact on the increase in productivity and decrease in prices.

They are also very flexible because they react quickly on changes of the business environment; their employees are more universal compared to corporate employees who focus more on the specific process. Thanks to the flexibility and lower costs they are able to produce a smaller series of products. According to Veber (2008) SME are closer to the technique LEAN, where the cost reduction is done based on the search for lower production costs from the prospective of energy and inputs.

As a limitation Veber (2008) mentions that for example, worst position during procurement procedures for state, where larger companies have advantage. SME might also be threatened by large companies and corporates for their dumping prices. They are also excluded from orders where large investments are essential for entering. Small and medium sized enterprises are also more influenced by externalities (government decision) and internalities such as sickness leave of several employees.

2.2 Cross Border co-operation

According to Gerfert (2009) in current world that there is a huge emphasis on liberalisation of markets and opening of international borders. On the other hand it can also be observed the complete opposite, that is protectionism of borders and certain areas. Nevertheless, the co-operation can be distinguished to several levels, where not all are suitable for cross border co-operation. The definition of co-operation from Cambridge English Dictionary is the following: "Co-operation is the process of working or acting together for a common purpose or benefit."

When the cross-border co-operation is mentioned, the meaning is that there is a co-operation across borders of two or more countries.

The European Commission distinguishes between direct and indirect co-operation. In case of the direct cross-border cooperation, it is a form of collaboration of different countries or regions that are sharing the same border. The main objective is to create a mutual benefit and reach common goals which are shared in the cross-border region. In case of the indirect cooperation, it is form of collaboration of countries, regions across borders which do not necessarily share the same border.

The cross-border collaborations are intended to reach common goals of countries or regions. A common goal can be a such: sustainable development, economic welfare and promotion of co-operation between entities from both border regions.

2.2.1 Cross border cooperation of SME

According to Broek, Rutten and Benneworth (2015) the cross-border regions are a place of testing of the European integration. To support the integration there has been substantial funding provided to the cross-border regions in various programs starting from 1989. Currently there is a 5th wave of Interreg program, which is highly focused on the innovation and collaboration of SME's and knowledge institutes. For SME's to cooperate on cross-border level there is series of prerequisites to be fulfilled, as the utter importance is to have a network of firms in place to co-operate with. It also requires trust and undertaking certain risks connected with cross-border operations. Currently co-operation is a rare phenomenon with SME's, including co-operation on regional or national level.

Broek, Rutten and Benneworth (2015) stated that SME lacks those connections to the cross-border companies and expects cultural, juridical and administrative barriers. In the paper, they developed a four-phase model in the cross-border innovation process:

- Pre-cooperative phase
 - Company does not recognise the market behind the border. The place behind the border is not present in the mind-set of the managers, thus not even considered
- Bilateral cooperation phase
 - The decision to overcome the burden of the border has been made. Firm needs to start to create a network on the other side of the border.
- Network cooperation phase
 - Firms on both sides of the border know each other. More companies are a part of certain network, already has present linkages.
- System cooperation phase
 - Systematizing the relationships in the cross-border region. Working across borders is natural for firms, and cooperation is easily conducted on both sides of the borders.

3 Internationalization

In the following chapter the author is focused on the general terms such as globalization and internationalization, the actual process and the scientific findings throughout the years of research in number of monographs, scientific articles and studies which are focused on this topic.

3.1 Globalization

A first thing, which must be mentioned is that what is globalization. In general, this cannot be taken as single concept with a set beginning and end. There is no direct definition of this term, as it changes over the years and cannot be set as a general truth. The definitions are changing and cannot be applicable for all people in all situations.

As defined by P. V. Nikitin and J. E. Elliott globalization involves economic integration, the transfer of policies across borders, the transmission of knowledge, cultural stability, the reproduction, relations, and discourses of power. It is a global process, a concept, a revolution according to as cited by G. Gaburro and E. O'Boyle (2000).

Swedish journalist Thomas Larsson stated the following view on globalization: "Is the process of world shrinkage, of distances getting shorter, things moving closer. It pertains to the increasing ease with which somebody on one side of the world can interact, to mutual benefit, with somebody on the other side of the world." There are many researchers all over the world dealing with globalization, this term over the years has gained plenty of definitions. Charles Oman stated following "Globalisation is the growth, or more precisely the accelerated growth, of economic activity across national and regional political boundaries."

The International Monetary Fund refers to globalization as to increasing of economy interdependence between countries around the world with increasing volume and variety of cross-border transaction in goods and services.

What should also shall be included is the production and globalization in this field as the Colour of Resistance. This is describing that globalization refers to mainly the expansion of production by a firm to many countries around the world. As per their opinion the process of globalization gave bigger power to the corporation over the national states and weakens national ability to regulate them.

To be more specific one part of globalization is the economic globalization, according to Čerňek and Staňkova (2015), Economic globalization is closely related to the economic integration. The global integration has significantly increased the volume of goods and international flow of capital. Most of the financial flows is happening between North America, Europe and South-East Asia.

3.2 Internationalization process

Internationalization process can be understood in several different ways. For example, according to Kubíčková (2013) it is the connection of the company to the international business environment. On the other hand, for Welch and Luostarinen the internationalization is a process of increasing the participation in international operations.

According to Pavlak (2014) there are 4 main motives to start international cooperation with foreign entity:

1. Opportunity to enter new markets
2. Access to new capital
3. Access to new technology
4. Lowering the risks of operating business

There are several different strategies for how small and medium sized Enterprises can enter foreign market. One of the possibilities is to focus on the product, due to increasing competitiveness on the market, the life cycle of the product is being shortened. This then leaves place for innovation. The short life cycle also means shorter time for return on the investment. The costs for research and development of such new products can be substantial, the global markets can help to spread those R&D costs among several different markets.

Another important factor to start the internationalization process is, according to Pavlak (2014), the experiences of the managers of a company. The right understanding of the operations and risks is essential. With the increase in the knowledge or experiences the stress of entering a new foreign market is mitigated. It is necessary to keep in mind, based on Hodicova (2011) the decisions about entering a foreign market are usually wrongly structured strategic decision processes, as it is difficult to estimate the outcome of those decisions. The decisions made are new and unrepeatable, and there are no standardized methods to come up with a solution. According to Hodicova (2011) the knowledge of the manager is also important but it needs to be accompanied by creativity, experiences, and finally the intuition of the manager. This is not valid for only one isolated decision but for a variety of processes.

Hodicova (2011) distinguished 2 main factors which are then split into another two sub factors influencing the internationalization process of SME:

1. External
 - a. Macro factors
These factors can be influenced by the firm in only a very limited manner. As Macro factors, it can be mentioned Social-political factors, Demographical factors, Geographical factors, economical etc.
 - b. Micro factors

These factors belong to the immediate surroundings of the company. It consists of suppliers, customers, substitute product, competitors, and potential competitors

2. Internal

a. Soft factors – resources and skills

At the same time company must have not only capital to proceed with the internationalization but also the correct human resources, the corresponding organizational structure, and non-monetary resources. From the broader prospective of the soft factors firm image, employee motivation or company culture can also be included.

a. Hard factors

Due to the interconnection of both internal and external factors they cannot be judged separately.

All of the above are valid for the SME but one of the important parts that needs to be mentioned in relation to the SME is regional cooperation within more countries. The regional cooperation is offering to the companies to enter the foreign market with safe of costs and access to the foreign know-how.

3.2.1 Form of entry to foreign market

The decision about entering to the foreign market needs to be accompanied by the decision of what is the best alternatives on how to enter the foreign market. According to Kotler (2004) the most common modes of entry to the foreign market are export, joint venture, and direct investment.

Export is the easiest form of entry, Kotler mentions that it is important to bear in mind that the products are being manufactured in the home country of the company. It brings the smallest change in the products portfolio, organization and investments. There are two forms of export:

1. Indirect export
2. Direct export

For the indirect export, there is a need for an intermediate in the process (specialized export supporting company, governmental export organizations, ...). These intermediates bring the know-how to the process and mitigate the risks. The direct export on the other hand, is solely controlled by the company, there is no use of the intermediates. The direct export might bring better revenue as there is no fee for the intermediates. This approach brings higher risks for the company. Here are more options how to engage in the direct export:

- Export department within the company
- New branch in the foreign country
- Send sales person to the foreign country

Thanks to the internet, the world is easily interconnected, thus it is easier for the company to engage in the foreign market operations, as all the communication can be done over internet.

Joint venture is another option to enter the foreign market. The difference is that the company creates a partnership with a foreign company to market their product in another country. There are several different types of joint venture:

1. Licensing
2. Contractual manufacturing
3. Common ownership of company
4. Management contract

In the case of licensing the company provides licence for a fee to a foreign entity to follow their know-how and processes to manufacture the goods. Contractual manufacturing consists of having a contract with a foreign entity to manufacture their goods. Common ownership is inviting more investors to create a company in the foreign market. And lastly the management contract, the company provides management guidance to a foreign company, there are no products involved, only the know-how.

The most expensive and most risky form of entry to the foreign market according to Kotler is direct Investment. As direct investment is considered building a factory in foreign country. For the risks in the direct investment can be mentioned for example, currency fluctuations, change in legal environment and position of labour unions.

In international marketing (Czinkota and Ronkainen, 2007) is also Franchising as a form of entry to foreign market. This means that the parent company grants another independent company right to do business in a specific way in which the parent company operates. The right can consist of several forms: selling the product, using its name, production, preparation, marketing techniques and business approach.

Cunningham (1986) describes another form of entry to the foreign markets that identifies five strategies used by firms to enter new foreign markets

1. Technical innovation strategy - perceived and demonstrable superior products
2. Product adaptation strategy - modifications to existing products
3. Availability and security strategy - overcome transport risks by countering perceived risks
4. Low price strategy - penetration price and,
5. Total adaptation and conformity strategy - foreign producer gives a straight copy.

3.3 Models of Internationalization

In the chapter that follows the author paid closer look into the actual models of internationalization that can be used by the companies that want to entry into a new foreign market. Several main models will be briefly described, those models have been chosen by the author due to their importance as per the research made by the author.

3.3.1 Stage model

The stage models of internationalization describe the process as a linear and sequential with characteristic stages (Coviello and McAuley, 1999). There are two major streams of theories based on the stages: the Uppsala model (Johanson and Vahlne, 1977) and the Innovation-Related Internationalization Model (I-Model) (Bilkey and Tesar, 1977; Cavusgil, 1980). Both depict the process as a gradual and sequential development of export by stages. They are based on the series of a committed decision made based on experiences, expectations and managerial capabilities, etc. according to Anderson (1993) both U-model and I-model can be viewed as behavioural models.

3.3.2 Uppsala internationalization model (U-Model)

There are plenty of theories on how a firm can enter any foreign market. In this part it will be described in more details UPPSALA model created by Johansson and Wiedersheim-Paul in 1975. Their model assumes that firms have a lack of knowledge about countries which are close to the seat of a company and they want to avoid as many uncertainty. For this reason, the company starts with export to the neighbouring countries, as they are well-known and the business practises will be rather similar to the ones in their home country.

In their paper by Johansson and Wiedersheim-Paul (1975) distinguish 4 phases of company entry to the foreign market:

1. No regular export activities;
2. Export via independent representative (agent);
3. Sales subsidiary;
4. Production/manufacturing.

The reason why Johansson and Wiedersheim-Paul considered the 4 phase is that they closely related to the actual involvement of the firm in the market and that they are related to the people who are involved in the business operations. Each of the four phases require different commitment for resources and reflects the firms level of knowledge about the market. In the first phase the company has no resources committed to the foreign market and no channel which would provide information. The second phase represents an information channel about the market that is established. There is also a small commitment to the market. In the third phase, the company receives information already controlled about

the sales influencing factors and it gains a direct experience from the market. The last phase described by the UPPSALA model is an even larger commitment to the market.

The concept is preventing or disturbing the flow of the information between firm and market. The factors are language differences, political system, education level, industrial development and political system.

The second approach is considering the psychic distance, this was elaborated by Johansson and Vahlne (1977). They created a theory whereby the markets which are unknown to the firm, different, culturally different or markets about the company lacks information, in most cases also in large geographical distance. This blocks the information flow about the markets and companies perceive large uncertainty for them to enter those markets. Based on this model companies rather enter market about they have solid information. On those information, they can mitigate risks and foreseen new opportunities, thus the option for failure is minimalized. The optimal source of needed information is according to Kubickova, Toulova, Tuzova (2015) from person experiences with the market. For this reason, companies are starting to invest into one or more neighbouring markets.

Johansson and Vahle (1977) to generalized the model, they made basic assumptions about the company. The First assumption is that the company is considering a long-term profit. Second, the risk-taking of the company is kept on the low level. Thirdly, the above-mentioned assumptions are followed throughout the firm on all of its levels. Fourthly, the perceived opportunities and risks are turned into committed decisions and current activities.

The UPPSALA model is based on a four-core concept, where there are 4 key factors:

1. Market commitment;
2. Market knowledge;
3. Current activities;
4. Commitment decision.

These 4 factors are divided into two groups, the first one is about the current state of the firm – state aspects, and the second includes factors influencing the changes in the firm – change aspects.

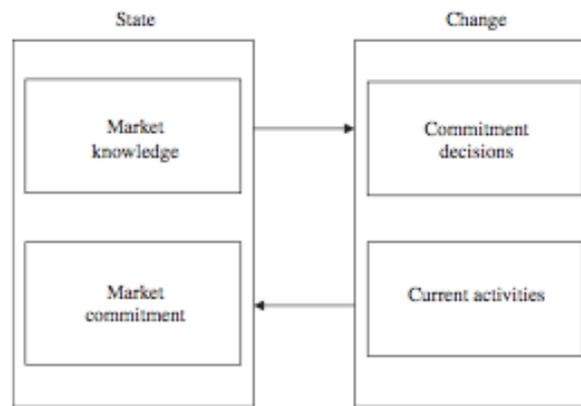


Figure 1: The basic mechanism of internationalisation: state and change aspects

Source: Johanson & Vahle (1997)

The UPPSALA model was revisited by the authors Johanson and Vahle in 2009, due to the changes in the business environment from 1977 till 2009. Currently the business is viewed more as network of relationships. According to Johanson and Vahle (2009) enterprise is no longer viewed as an individual object but rather as a part of business network. This also has an impact on the 4 key factors, which has changed to show the involvement in the network.

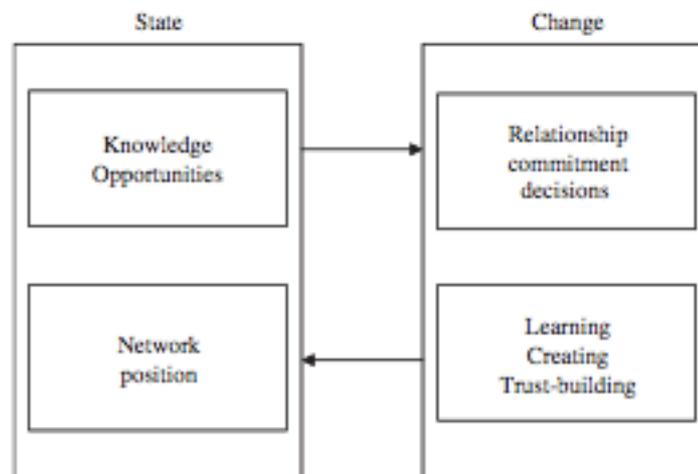


Figure 2: The business network internationalisation process model

Source: Johanson & Vahle (2009)

As described in the model above in Figure 2 according to Johansson and Vahle (2009), it shows the same mutual relationship between the state and change aspects. It states that the enterprise is according to this revisited UPPSALA model, dependent on the relationships with the other parts of the business network. The enterprise enters the foreign market based on the knowledge that has been received from their partner in the business, who can be in the foreign market or has the needed knowledge about the foreign

market. By the sharing of the information it creates a relationship between the enterprises within the network. Based on those relationships, enterprise has a deeper knowledge about the foreign market and thanks to the new information it can search for opportunities, which escalates to new commitments.

The new 4 core model also shows that the position within the network is important, as enterprise can be either inside the network where it receives all the benefits from the relationship. On the other hand, an enterprise can be also outsider, which creates major obstacles for the company to enter the mutual beneficial relation which the company within the network has.

3.3.3 Critique of Uppsala internationalisation model

The critique of Uppsala model is according to Anderson (1993) that the model is not very well connected to the usual practice. There are limits of how to depict the borders between the stages of internationalization as described in the Uppsala model. According to Anderson the model also lacks explanation of what drives the enterprise to move between stages.

Calof and Beamish (1995) in their criticism against the model pointed out the model suffers from essential problems. Firms do not follow the stages as described in the Uppsala model. They stated that there is a methodological problem in positive relation between the theory and empirical findings. After they presented a model of executive's beliefs and attitudes for changing internationalization mode.

Grady and Lane (1996) suggest a change in the theory of psychic distance as there is a variable of manager's perception of cultural differences. And the actual psychic distance is largely dependable on the manager's or management perception.

From the market knowledge prospective, Hedlund and Kvereland (1985) suggested that the prerequisite of having an extensive foreign market knowledge to enter the stages of the internationalization process is no longer a limiting factor for an enterprise.

A number of researchers took a closer look at the stages of the depicted in the Uppsala model, and found them too deterministic (Reid, 1983; Thurnbull, 1987). They argue that the export option will mostly depend on several factors: foreign market opportunity, firm's resources and stage of life cycle.

3.3.4 Innovation-Related Internationalisation model (I-Model)

This model explains the internationalization model as innovation related, in other words the decision to enter the foreign market is considered as innovation for the enterprise. The I-models were studied by a number of researchers for example Bilkey and Tesar (1977), Cavusgil (1980), Reid (1981), Czinkota (1982). According to Anderson (1993) I-models illustrate the internationalization process as a step-by-step development. The models share similar patterns, but the differences lie with the number of stages that are depicted by each researcher and the description of each of the stage. The higher stage means more experience or involvement than the previous stage, this shows the gradual behaviour of the model. According to Lin (2010) the differences of views on the model by researchers,

the decision of internationalization is effected by either push or by pull force. When talking about push force, there is an external factor which initiates the export decision to be made. In case of pull force, there is an internal change which is implicated in the progress from one stage to another one.

As previously mentioned the approaches to the model differs in a number of stages, according to Leonidou and Katsikeas (1996), the differences can vanish by generalizing the I-models to three main stages:

1. Pre-export stage: the only interest is with domestic market; enterprises evaluates the possibility to enter foreign market; already exported to foreign market but for limited time only.
2. Export trail stage: Irregular export to the foreign market
3. Advance export stage: Regular export, with extensive knowledge about the foreign market including commitments on the international markets.

Bilkey and Tesar [1977]	Cavusgil [1980]	Czinkota [1982]	Reid [1981]
<p>Stage 1 Management is not interested in exporting</p> <p>Stage 2 Management is willing to fill unsolicited orders, but makes no effort to explore the feasibility of active exporting</p> <p>Stage 3 Management actively explores the feasibility of active exporting</p> <p>Stage 4 The firm exports on an experimental basis to some psychologically close country</p> <p>Stage 5 The firm is an experienced exporter</p> <p>Stage 6 Management explores the feasibility of exporting to other more psychologically distant countries</p>	<p>Stage 1 Domestic marketing: The firm sells only to the home market</p> <p>Stage 2 Pre-export stage: The firm searches for information and evaluates the feasibility of undertaking exporting</p> <p>Stage 3 Experimental involvement: The firm starts exporting on a limited basis to some psychologically close country</p> <p>Stage 4 Active involvement: Exporting to more new countries—direct exporting—increase in sales volume</p> <p>Stage 5 Committed involvement: Management constantly makes choices in allocating limited resources between domestic and foreign markets</p>	<p>Stage 1 The completely uninterested firm</p> <p>Stage 2 The partially interested firm</p> <p>Stage 3 The exploring firm</p> <p>Stage 4 The experimental firm</p> <p>Stage 5 The experienced small exporter</p> <p>Stage 6 The experienced large exporter</p>	<p>Stage 1 Export awareness: Problem of opportunity recognition, arousal of need</p> <p>Stage 2 Export intention: Motivation, attitude, beliefs, and expectancy about export</p> <p>Stage 3 Export trial: Personal experience from limited exporting</p> <p>Stage 4 Export evaluation: Results from engaging in exporting</p> <p>Stage 5 Export acceptance: Adoption of exporting/rejection of exporting</p>

Figure 3: Review of the Innovation-related Internationalisation models
Source: Anderson (1993)

3.3.5 The Eclectic model

According to Laine and Kock (2000) eclectic model, where the most known was created by Dunning in 1988 so called OLI model, are based on rational decision making within the firms and considers the environmental factors as an important part of the model. According to Laine and Kock (2000) this model is more likely to be used by larger companies

3.3.5.1 OLI model

Dunning (1976) in his paper distinguished three advantages in which companies based their decision to how they will enter the new market:

- Ownership advantages: Machkova (2006) stated that this includes the specification of each of the firm, e.g. know-how, size of the company.
- Location advantages: Machkova (2006) based the location on right selection of the target market, where is offered suitable employees, stable business environment and infrastructure.
- Internationalization advantages: According to Dunning (2000) it is that the company will manufacture the product themselves in an international environment rather than provide a licence to a third party.

3.3.6 Network Model

The network model is based on findings by Johanson and Mattsson (1988) which allows external actors or organisations to influence the internationalisation of the firm. It connects two levels of degree of internationalisation. On one side is the degree of internationalisation of the firm and on the other side is the degree of internationalization of the market. In the model is a large emphasis on the knowledge and experiences from the international environment, but this experience is taken rather from either a firm or an organization rather than an individual

3.3.7 Born Globals

In comparison to the companies that undertake the stage process to enter the foreign market, there are companies which are from the first moment focused on the international markets. Those enterprises did not undergo any step by step process on internationalization, but those companies immediately after or shortly after their establishment entered the international markets. Loustrarinen and Gabrielsson (2004) defined the born globals as enterprises which after 3 years of their existence have export over 50%. This number can differ depending on the researcher for example Kedia and Davis (2000) suggest minimal 25% of export after 3 years of existence.

According to Knight, Cavusgil and Tamar (2009) characteristics of Born Globals can be described as below:

- Substantial activity on foreign market – focused mainly on export,
- Limited financial resources and assets
- Internationally oriented – experiences management of the company with foreign experiences
- Product differentiations – focusing on products, which are not offered on a large scale
- Emphasis on IT – enables them to work with partners worldwide
- Third party contractors are widely used – e.g. transportation of products.

4 Methodology

The diploma thesis will be written with regards to the standard scientific and research methods, which include following methods: analysis, synthesis, induction, deduction and comparison.

Analysis helps to find out the nature of the studied material, their essential features and their relations. Synthesis refers to combination of more materials together that form one comprehensive material. Induction refers to method that derives reasoning from selected materials that supports the conclusion based on the evidence provided. Deduction is process of that from one or more statements derives certain conclusion, it links the statements with the conclusions. And lastly the method of comparison that is describing the how one statement compares to another one.

For analysis, secondary statistical data from available sources both online and printed will be used. The literature resources will be used to cover the theoretical background of the researched topic. In the literature review, firstly the theoretical background of globalisation and internationalization processes will be analysed including the options of forms of entry to the foreign market. Furthermore, it will be researched several models of the internationalization from several different authors including the critiques of those models.

The primary data will be used to fulfil the objective of the thesis, which is analysis of Small and Medium sized enterprises in Znojmo region, and to define opportunities and create recommendation for their process of internationalization. To create specific recommendations for the current issues of the Small and Medium sized enterprises facing certain risks, semi-structured in-depth interviews will be conducted with sample size of responded companies. This will create the background for further analysis of the current environment in the selected time frame. The semi-structured in-depth interviews were selected as it the most suitable option how to obtain the needed data and discuss it with the companies. It is goal of the author to conduct in-depth interview in 5 randomly selected companies which operates in Znojmo region

Furthermore, synthesis will be used by the author, the provide general output of the information provided. Deduction and induction will be used to provide deeper analysis of the selected sample of the companies from the theoretical backgrounds, secondary and primary data. Comparison will be used together with the above-mentioned research methods to show the data set in the details.

The whole set of information will be analysed by qualitative data and text analysis, quantitative text analysis and statistical data analysis in research marketing programme called MAXQDA. This tool helps to determine and describe all responses from semi-structured in-depth interviews and will create a mind map graph with most frequent responses and show mutual relationships

5 Analysis of secondary and primary data

In the following chapter the main findings from secondary and primary data will be depicted for further analysis with help of the methods mentioned in the chapter methodology. The first part of the chapter will be aimed to the analysis of the secondary data. Furthermore, the analysis of the primary data will follow with description of the companies and their motives and risks, barriers. This chapter will be provided the basis for following chapters where the opportunities and recommendations will be shown as part of the objective of the thesis.

5.1 Secondary data

For the secondary data research, the author strives to find the latest possible data which were available in the time of the analysis. To be able to discuss the trend of the development of the Small and Medium Sized enterprises time frame starting at 2010 and continuing to the latest available date was selected. The position of the SME and their role is analysed below from the prospective of the EU, Czech Republic and lastly Znojmo region.

5.1.1 The role of SME

Small and medium sized enterprises are important actors for economic and social factors of countries. Their importance in economy is highlighted by the number of jobs they create in every country. They help with economic development of countries, mitigating or even vanishing inequalities, demographic development needed for structural changes. The SME's helps with increasing productivity and competitiveness on the markets. They are closely linked to innovation and technological growth. This helps any country to growth the income and gross national product of the state.

5.1.2 The role of SME in EU

In the European Union Small and medium sized enterprises are one of the most important part of the economy. According to the Annual report on SME's (2016) in year 2015 the EU was conducting business over 23 million SME's which generated 3.9 trillion EUR in value added and employed 90 million people from EU28.

Even through the years after the economic crisis in late 2008 and 2009, the SME are currently showing growth in both value added and employment. The growth varied across countries of EU28 but the overall trend has the right upward direction. The performance is supported by good current macro-economic conditions, in the domestic EU28 market. This market is the important for SME's as most of them when taking part in foreign market operations, it is mostly within the EU28.

When comparing EU28 to the USA, there is a larger share of total value added and employment in the EU28 than USA.

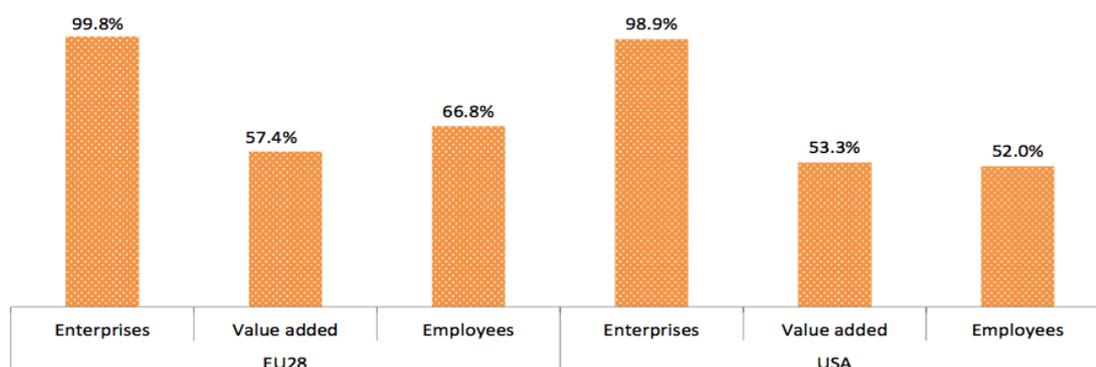


Figure 4: Importance of SME in the EU28 relative to the USA,2015

Source: Eurostat, National Statistical Offices and DIW Econ

5.1.3 The role of SME in the Czech Republic

According to the Ministry of Industry and trade, their report from 2015 about SME states that the ratio of SME on the market comparing to other business is 99.83%. If the number will be compared with EU28 according to the Annual report on SME (2016), in the Czech Republic, there is the highest number of SME (9.4) per 100 inhabitants in year 2015.

SME employed 58.90% of the labour market even though this number is high, there is a small negative deviation from the previous year. On the other hand, the added value created by those businesses was 54.12%, according to the Annual report on SME (2016) this number is above the average of EU28 annual growth, for the Czech Republic, of value added is 5.7%.

The investments to the Small and medium sized enterprises has an increasing trend over the past 6 years, and currently the investments are in a percentage of 59.85% of overall investments from the business sphere.

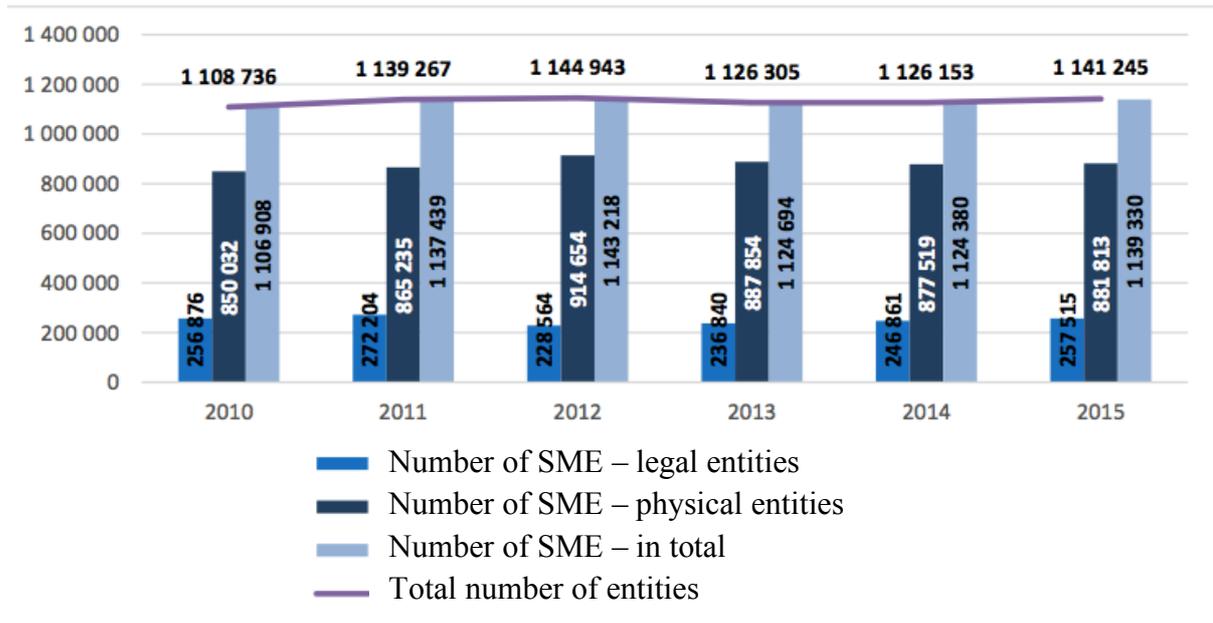


Figure 5: Number of SME in the Czech Republic
Source: Ministry of trade and industry (2015)

What should be mentioned in connection to the SME is their involvement in foreign market operations. The trend over the years 2013 – 2015 increased and SME are increasingly involved in the foreign operations such as import and export. According to the Czech Statistical office small and medium sized enterprises are still in negative numbers when comparing export and import, but export is continuously increasing as visible in the graph below.

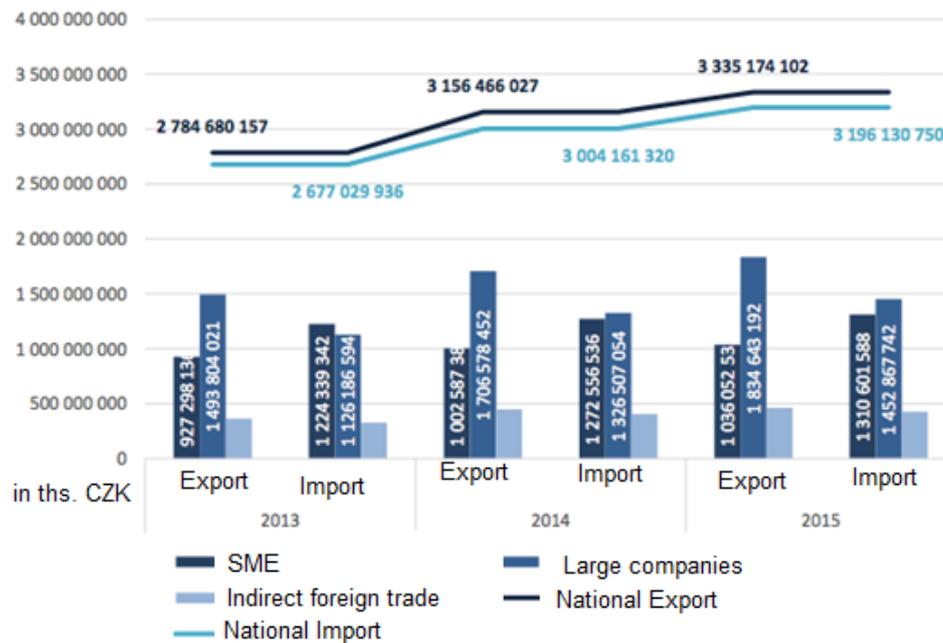


Figure 6: SME versus Czech Republic foreign trade from 2013 till 2015
Source: Ministry for Industry and Trade

5.1.4 The role of SME in Znojmo region

The role of the SME in Znojmo region is similarly important as in the EU and in the Czech Republic, it is the back bone of the industry in Znojmo region. As you can see in the graph below it is visible that the number of SME in the region is over 25,000 including companies which are larger than 250 employees. The whole set of numbers can be seen in the Table 3 below:

Year	2010	2011	2012	2013	2014	2015	2016
Total number of enterprises	24 377	24 968	25 250	25 304	25 597	25 792	26 064
Enterprises without employees	7 864	7 805	7 387	7 696	7 902	7 807	7 779
Micro enterprises 1-9 employees	1 956	1 976	1 932	1 854	1 915	1 901	1 936
Small Enterprises 10-49 employees	448	407	384	387	377	389	389
Medium enterprises 50 - 249 employees	100	97	96	94	95	90	90
Large enterprises 250+ employees	7	8	7	8	8	10	9
Not defined	14 002	14 675	15 444	15 265	15 300	15 595	15 861

Table 2: Number of SME in Znojmo region
Source: Czech Statistical office, database KROK

It is important to mention as per the data shows in the table 2, the total number of enterprises is increasing every year in the region. Although the numbers are fluctuating the trend is clearly visible in the table, the overall numbers are increasing.

5.2 Primary data collection

In order to gain the needed information and create the analysis of the current environment of SME's in Znojmo region, the author selected to conduct a semi-structured in-depth interview in select sample of companies. All the companies fulfilled the conditions and are categorised as Small and Medium sized enterprises by the guidance imposed by European Commission, and are described above in the previous chapter.

To create the recommendation, the primary research was conducted with the relevant management of the company or the owner of the business. It must be kept in mind that those interviews were semi-structured. The respondents were asked the questions which are depicted below, but they could talk freely about any other part of the internationalization process in their company but also about the Small and medium sized business environment in Znojmo region. The list of companies including the timetable of planned interviews was set up during the research of internationalization process of Small and Medium Sized Enterprises. The entire set of data will be used for developing of the recommendations for the Small and Medium Sized enterprises in Znojmo region

1. Brief description of the Company
2. Are you involved in any foreign market operations?
 - a. Do you plan to enter any foreign market?
 - i. Does the distance of the new market influence your decision?
 - ii. Will you use/ Are you taking part any supporting program created by the Municipality/state/EU?
 - iii. What are your main motives behind the decision to enter foreign market?
 - iv. What are the risks you need to undertake to enter the foreign market?
 - v. What are the barriers you identified?
 - vi. Do you send your managers to foreign countries – firms in your network to gain experiences

Overview of the interviewed companies:

Company*	Established	Number of Employees	Industry	Turnover**
Company A	1990	10	Constructions	10.5 mil CZK
Company B	1991	0	Consulting	2.4 mil CZK
Company C	1994	25	Constructions	13.2 mil CZK
Company D	1994	6	Wooden manufacture	Not publically accessible
Company E	1991	19	Metal constructions	7.8 mil CZK
Company F	1993	6	Agriculture	3.9 mil CZK
* Companies real name were hidden based on the request from the companies				
** Turnover is taken from the last publically accessible source				

Table 3: Overview of interviewed companies

Source: Author's research and www.justice.cz

5.2.1 Company A

Company A was established right after the revolution in the Czech Republic, in the 1990 when it started as only private person but later it transformed to limited liability company operating on Czech market with seat in Znojmo, Czech Republic where is the only office of the company. It operates in the rather niche market of building scales for motor vehicles. This is business model that operates on business to business base. The customers of this company are spread all around the Czech Republic and Slovak Republic. The company employed 10 people when the interview was conducted. The focus of the firm is to delivery high quality products to their customer including services after the actual built of the scale such as revisions and repairs and modernization of current scales using the latest technology. It is also validated to approve the scales for the authorities, which is also part of service which is being provided by the company.

The activities which are conducted abroad are limited to Slovak market, due to short psychological distance of the market. The close so called psychological distance is also set by the fact that the management of the company is composed from citizens who were educated in Slovakia and have close relation to this country including extensive knowledge about the market including existing relation to firms currently operating on that market.

The involvement in the foreign operation is limited to export activities only. The volume of export of both products and associated services is minor comparing to the volume of sales in the Czech Republic as mentioned by the owner of the company. Currently they are not considering penetrating a new foreign market due to the limited knowledge and lack of contacts in any other market except Czech and Slovak.

In the author's opinion, the company is showing a good prospective in penetrating the foreign market as the product is not very common and the market is rather niche. There are certain limitations which needs to be fulfilled by to company to entry any foreign market. The main restrictions are the legal ones, due to different laws which are currently unknown to the company, it is not possible to enter the foreign market at this very moment. This involves mainly the direct laws which are aimed on the regulation of the scales, calibration techniques and the right of the company to calibrate and recalibrate the scale on regular basis. This service is included in the current company's products. The law limitation also includes the laws which are focused wage dumping which were imposed in Austria starting this year. The company management is very aware about these changes and all the requirements that company needs to fulfil in case they want to send their employees to Austria to work on selected project. As the manager of the company mentioned, there is a high risk of penalties being imposed on the company for every employee being abroad. The penalties are in the level that it could create a bankruptcy for the company in case of missing any documents. There is also barrier to enter the new market due to language limitation, there is lack of German knowledge in the company, the current management and workers of the company have no knowledge of German language, as per the opinion of the owner of the company, it is essential in case the company wants to enter a new market to have a high level of the end market language, this language knowledge should be levelled with all employees within the company from the workers to higher management of the company. Due to current situation on the company it would be necessary to hire more manpower for the management roles. This is highly costly, as the management of the company would prefer someone who already have the experiences with penetrating Austrian or German market, preferably the Austrian market.

The company certainly see the opportunities in the penetrating the new foreign market. The possibility to increase the sales is very attractive. As they believe their products are very competitive thanks to their quality. The company also see the possibility in gaining new contacts in the market which would help them to enter the network of the current companies operating on the market in a similar field. Another opportunity for the company is competitive advantage in the price. The assumption of the company is that the products are cheaper on Czech market than in Austria based on the higher purchase power and GNP in Austria. The company will have the advantage in the costs of the production, the entire production of the scale will be done in the Czech Republic and the final product would be moved to Austria and installed there with help of the current employees of the company. This will minimize the labour costs for the company. As most of the costs will arise in the Czech Republic, only the installation will be held in Austria on the premises of the customer, as per the legal environment in Austria, Czech company needs to pay equal salary to their employees based on Austrian law. This means that only fraction of the entire production will be done outside of the Czech Republic, thus the costs will be lower than for Austrian company. This gives the Company A the competitive advantage and higher profits.

Unfortunately, the company has no study available about the size of the potential market, about the risks and barriers on the Austria market as they are not considering in

near future to penetrate the market. In the author's opinion, the company has a potential to enter the market, but it needs as mentioned above the missing knowledge. There is also the lack of interest of the management to enter the foreign market. As mentioned above, they do not consider Slovak market as foreign one due to short psychic distance towards to management and owner of the company. The owner is also not interested in any future enlargement of the company, thus the only possibility, in the meaning of foreign market operation is export. As the owner wants to stay in control of the entire company.

5.2.2 Company B

Company B was established as limited liability company in 1991, from the very beginning it focuses on the field of consultancy for management of other companies. It provides a consultancy to provide a management model to fulfil conditions of various certification of ISO including the final certification provided by third party. It also focuses on establishing a functional project management for a company. These are the main fields where the company operates, but it does not limit to the above. It provides financial consultancy, optimization of processes, customer audit, strategic management and monitoring of recruitment process. The company works with freelancers, thus there is only one stable employee who is the owner of the company. Depending on the number of projects which are currently pursued by the company the number of freelancers is increasing or decreasing. In the time of the interview the company has cooperated with 5 freelancers in pursuing several projects in the Czech Republic.

The company is working only on the Czech market, primarily in Znojmo region and its surroundings. Currently the firm is looking for some new opportunities as the number of companies which are interested in the consultancy is lowering every quarter. The firm is considering to penetrate Austrian market for an extensive period. As it stands now, the company has not conducted any research of the market to validate the business opportunities of the market. As the owner mentioned in the interview the know-how of the company is valid without borders and the same principles can be applied to company anywhere in the World. Due to language knowledge of the manager and the close distance of the Austrian market too, it is being considered as the first place where to start with the international operations of the company. Thanks to extensive knowledge of the company in field of management they do not want to plainly start to offer their services abroad. In the time when the interview was conducted the company started to look for a business partner in Austria. From previous engagements of the company it has a well-built network of companies on the Czech market, as mentioned by the manager of the company, past clients have contacts in Austrian market for number of companies who are engage with them as their suppliers or customers. Even with this extensive network of contacts the company finds it very difficult to penetrate the market. As per the interview the company is interested in finding a business partner in Austria who will offer the services of the Czech based company in cooperation with them. The company B is struggling to find a partner who would be on a similar level of expertise in the management field with the ISO consultancy. The company wants to keep their good name on the Czech market, as they believe the trust is very important in this field of work. Past clients of the company

used to get management consultancy from Austrian companies, thus the company B has also relations with consultancy companies in Austria. Those are the companies which will be contacted firstly if they would be interested in cooperation with the Company B. As the manager of the company mentioned, they are considering more options how to enter the foreign market and it all depends on the future agreement with the business partner, what type of entry will be selected. The current option as per the in-depth interview it was mentioned:

- Company B will be hired by Austrian company in Austria for certain project;
- Partnership;
- Creating a new company fully based in Austria in cooperation with the business partner;

The company B would prefer to take is step by step. They would like to create a partnership with an Austria business partner and cooperate on the any future projects and provide mutual help with current projects. After certain period of time, when both companies gained a mutual trust, they would like to start considering establishing a new company based solely in Austria. Where the Czech company would have majority of ownership and would have the decision-making power. As the manager of the company mentioned this is in a long-term strategy of the company and it is not something that they want to rush into. They do see risks in entering a new market, especially Austria. The company consider the Austrian market as a rather closed for entry of a foreign company in this field. As mentioned above the trust is an essential part of conducting business in the field of consultancy, this should be mitigated by the Austrian business partner.

The initial offering of the company would be solely focused on the preparation of the client for ISO certification. The rest of the activities would be added later after some time spent on the foreign market but it was emphasized during the interview, that it is not strict guidance, which will be imposed on the foreign market. As the system which is currently used is to make a first visit to a company and make an analysis of the company management system, based on this analysis an offer is made to a client on its weak points and its areas of improvements. Based on the current system in the company, it is very likely that the actual offer will involve more complex work then only preparation for ISO certification. The competitive factor for the company in the Austrian market was mentioned, mainly the deep knowledge of the ISO standards and ability to apply it throughout the company on all levels of the client firm. This can be proven by many successful certification achieved on the Czech market. It must be kept in mind that the actual certifications is carried out by the certification authority. The one, which is used the most is a German certification authority. The company has experiences with audits carried out by both Czech branches but also Austrian and German ones. Thus, the company name and the manager of the company is a well-known name to the certification authority.

The motives behind entering the foreign market is to keep the same or even increase the sales of the company. Mentioned above the current sales are dropping every quarter and to keep the sales on steady level it is essential to find a new market. The growth of

experiences of the Company is considered as a secondary motive. The opinion of the manager of the company is that the Austrian market is tougher and that the competition is higher for such a company. It was also emphasised to the author, that for now, they do not want to start the foreign operation the capital city Vienna. The firm wants to start in smaller cities or towns which are close to the borders with Czech Republic. One of the reasons for this is lower competition and the distance of the trip which will have to be made from the Czech Republic to the client's place of business.

5.2.3 Company C

Company C was established in 1994 as a limited liability company and in 1999 established a second branch also as limited liability company. From the start of the company it is focused on the installation of air-conditioning systems and air-conditioning units for both companies and households. The company is not limited to only installation of those units but also the creating the project for both air-conditioning systems and units (further A/C). As well as construction activity connected to the installation of those systems and units, furthermore they sell and install air purifiers. As part of their offer the maintenance of AC systems and units is also included. Currently the company employs 25 people, including the management of the company, sales department and manual workers. The company is closely focused on the South Moravian region but it offers their services for the entire Czech market. In the past, they have been engaged to do one foreign activity, for the Czech government body in Austria. The management of the company does not include this as foreign operation, as the whole business was conducted in Czech with all of the papers in Czech language, and were paid in Czech currency. However, the installation took place in Austria, and in the author's opinion this can be considered as export activity because the final place of the installation was conducted abroad. This was the only foreign operation that was mentioned by the management in the in-depth interview, but as explained above they do not consider this as a foreign operation.

This company is in similar situation as Company A, they do not consider entering into the foreign market in the near future. They have not started any steps towards to entry, but the management is keeping themselves informed about the situation on the Austrian market and the possibility of how to enter. As Austria is close to the seat of the company it is being considered as one of the option to enter. The other option is again Slovak market due to short psychic distance of the country. Although the company is worried about the logistics in case of the Slovak market, due to larger distance to the capital city, where they would offer the products, mainly for business buildings, shopping malls etc. They would not be interested in providing A/C units to households on the foreign market but rather large A/C systems to businesses, in case of larger A/C systems the price might be more competitive even with the larger costs for transportation. They also foresee a risk in the exchange rate, in both markets which are being considered by the company the used currency is Euro. The company management is also aware about the Central Bank interventions to the exchange ratio of Euro and Czech crown, in the time of the interview it was uncertain what the steps of the Czech Central Bank will be. The company is currently aware of only a few main competitors on both markets, but they do

not have the full picture of the competition on either of the markets. For this, they would need to conduct an extensive market research, and in this moment, they do not have enough manpower to conduct such analysis. It is also important to mention that the costs of the analysis which would be conducted for the company, as per the opinion of the management of the company, the overall price would be not affordable for the company at this moment. They also highlighted, that without the deep analysis of the business, legal, and market analysis they would not enter the foreign market, as it is too much risk connected with the entry. During the in-depth interview, it was also discussed that the management of the company do not have required experiences with international expansion that they do not want to undertake such a huge step in the current state of the company.

On the other hand, they do see a potential in the foreign market, mainly in the increase of the current sales with more opportunities on the foreign market. The management of the company believe in their high-quality solutions proven by the long list of past clients, where they still provide maintenance to this day. The actual A/C units which they provide are not custom made but the A/C core systems are manufactured by leaders in the industry, the know-how is the actual creation of the system of the core units to provide a pleasant working environment in the selected locations. Thanks to entering into the foreign market the company assumes to get contacts on the foreign market which, as per the experiences, is leading to new clients. In case of entering the Austrian market they also would like the actual diversification of the risks for the company. It was mentioned the Austrian market only as they believe that the Slovak market is to large extent like the Czech market and the actual diversification would be limited

In the author's opinion, the opportunity is very real for the company C to enter the foreign market thanks to their extensive experiences and long tradition on the Czech market. The company's management is aware about the risks connected to the entry to the foreign market operations and they do want to have an extensive research of all the aspects of the foreign market prior the actual entry. They are open to any export activities, but they do not make any steps towards any foreign market, which could lead to new customers.

5.2.4 Company D

Company D was established in 1994 and it is focused on the production of wooden toys, custom wooden furniture, construction wood and other wooden products. This company is registered as a licensed craft. It is family run business; the family employs occasional temporary workers for any demanding manual labour. Other activities on the management level, design, accounting, manual work and logistic is conducted by family members. Firstly, we need to split the business to two different parts – wooden products (custom furniture and toys) and construction wood and other wood. The wooden products are being manufactured on site of the company from raw wood which is being bought by the company from suppliers in the Czech Republic, this is being delivered to the site based on orders created by the company. The products are being sold in larger batches to small shops around the Czech Republic, but also Austria, Slovak Republic, United Kingdom

and Germany. In this case, the company is already involved in the foreign trade operations. During the in-depth interview, it was discovered that the company is involved only in the export of the products. They do not have any business partner abroad, or any branch. They operate solely in their location in Znojmo region with Czech wood. They are actively searching for opportunities on foreign markets in the above-mentioned countries. As the owner mentioned the actual orders from abroad came in by pure accident, in this the company is strong in word of mouth. Most of the clients mentioned after some investigation, that they bought their products in the Czech Republic and they would like to offer similar natural wooden toys or furniture in their shop as well. As the company started in 1994 the prices were and still are very competitive with any foreign produced goods, including high-quality which is important for the company, as their main competitive advantage is the in the high-quality wood and the final product. As these products are being made from raw wood they do not want to infuse it with any toxic agents, this is valid for both toys and wooden furniture. They want to keep the natural part of the wooden toys and products as it also gives them competitive advantage on the markets.

In the second part of their business the construction wood and other wood. Those operations are limited to Czech and Austrian market. Large part of their business is conducted in the place of their business in the Znojmo region. This includes clients coming from Austria and Czech Republic, to buy or pick up the construction wood and other wood. Austria has been a close market for the company due to the short distance to the borders, and their competitive prices, which are still lower compared to the prices of wood in Austria. At the very beginning of their business they did not do anything to attract customers from the Austrian market, but this has changed over the last couple of years and they have started with promotion activities in border region of Austria for construction wood and raw wood for heating purposes. Thanks to their promotion which consisted of paid advertisement in the local newspaper and banners alongside routes with contact details and their offerings of raw wood. Unfortunately, the problems with delivering goods to Austria are not known to the current owner of the company as this was done by his predecessor. The current owner took over the business after the Czech Republic entered the EU and there was no issue with delivering the goods to the foreign country. The relationship with the foreign clients is based purely on placing order and delivering the goods to the selected location by either company's trucks or transportation company, which has a contract with the owner for delivery of the goods to the Austria. From the beginning of year 2017, there was a new law imposed in Austria and the company prefers to use the transportation company due to long process of bureaucracy connected with the transportation to Austria. Connected reason for use of the 3rd party transportation is full use of the company owned trucks for domestic delivery of goods. It was also emphasized, that once the goods are on the 3rd party truck, as per the agreement with the company, the owner is no longer liable for the goods and all the risk is transferred to them.

They foresee several risks connected with foreign market operations, as their foreign operations are limited to export, the main risk is security of payments for the manufactured products. To mitigate this risk, they established a clear guidance for any foreign operations, firstly they receive the money for the goods and after the confirmation that the amount is received they send their products to the foreign client. As the owner mentioned this is for every first order, afterwards if the orders are received monthly from

certain client, then they are open and able to start negotiation regarding any new terms of the business. It is limited to the relationship that is established with the foreign client and the duration of such a relationship and their payment history.

The main motives for the foreign operation is the drive towards higher sales of the produced goods and the increase of the market for the company. The company do not deliver to further location but mostly to the Austrian border region, they are considering new possibilities on how to have a larger market share on the Austrian market. This will require an expansion of their current location to create more storage area for the raw product. As mentioned during the interview this is part of their long-time plan to purchase more land in the surroundings and expand with larger product portfolio, meaning to offer more natural wooden products.

5.2.5 Company E

Company E was established in 1991 and it is focused on metal constructions and metal joinery installation work. It has two executive directors who share the same amount of power within the company. The two directors have split the work and each take care of one side of the company, one for the manufacturing and one is looking after the business itself. The company was established as a limited liability company by only one person and it had one employee at the very beginning. It is family-run business and the two executive directors of the company are a close family. The company creates its designs based on the order from the customer and they are able to create any type of metal construction based on any design. They work on custom metal constructions for their clients, who consist of private persons and businesses as well. They focus on both interior and exterior metal construction for example: staircases, doors, shelters, lift shafts, etc.

At the time of the interview the company had signed contacts with customers only from the Czech Republic, mainly in the Znojmo region. It was mentioned that they are not limited by the region and that they provide their services in the entire Czech Republic. For now, they are not thinking about establishing a new branch of the company, as mentioned before it is family run business and they prefer to keep it this way. The executive directors want to have a full control of the entire business and they do not want to share the power with any more individuals. As mentioned by one of the directors, they are fully utilised and reaching their highest level of production, which they are able to do with the current state of the company. They are not planning on expanding from the current state of the company, as it is demanding work for the directors of the company, and they do not want to risk with anymore investments than necessary.

As previously mentioned, on the current view on the expansion, they are not planning to penetrate any foreign market with establishing a new branch or start a partnership with anyone from a foreign country. One of the directors state that they are involved in export activities only. The export activities are limited to Austria, as this is the market which is physically the closest one as highlighted but the directors state the purchasing power is larger in comparison to the Czech Republic ones. One of the main motive for the export activity is the increase of sales of their products. The export activities also increase the utilization of company's employees and consecutively creates a profit for the

company. The directors denied that they are in official partnership with anyone from the foreign market, but they have a close relation with several architects from Austria who are using their services for their projects in neighbouring region of Austria. As emphasized by one of the directors they have no long-term contract in partnership with any architect from Austria who is supplying work to the company. It was mentioned that there is only one option that those architects are offering to their clients, but they can usually beat the Austrian competition by price, even though there is not a huge difference any more. Currently they think that the favours are on their side thanks to the high-quality products and professionalism that they strive for. They believe these are their competitive advantages on any market: high-quality products, professionalism, over 20 years of experience in the industry. Their contacts on the foreign market were gained more than 10 years ago, as that was the time when they started with the export activities. Their first client from Austria was gained through word of mouth, based on the recommendations which he received from previous customers on the Czech market. Currently their export activities are only the minority of their business and most of the orders are from the Czech Republic.

They do not foresee any risks connected solely with their foreign operations. As they are involved only in the export activities, the risks are like the ones which they face when conducting business on Czech market. They do have insurance in form of a bilingual contract which was checked by a lawyer focused on the Austrian law. The directors said that there are only minor changes to their contract, which they use for home market operations. It was mentioned by the author of the thesis, if they are aware about a new legislation on Austrian market about wage dumping and all the new rules and fines connected to the new law. Unfortunately, they were not aware about any new rules with sending employees to Austria to work on their projects. As this is a new law which went into force in January 2017, it was mentioned that from the start of the year until the time of the interview they have not been involved in any export activities. However, they have one project where they sent their bid recently for an exterior staircase to one Austrian company in the pipeline. Guidance was provided by the author about the new law and necessary documents with internet sources of the new law. This mitigated the risk connected with the foreign market operations, as part of their work is to provide installation of the constructions in the desired location.

The lack of interest in deeper penetration of the market is from the point of view of the author understandable, as they are currently fully utilized and to keep their high-quality products they want to keep all the decision power in their hands. They do not have any promotional activities on the either the foreign market or Czech market, as they rely on the relationships with the architects that have been created over the time of existence of their company.

5.2.6 Company F

Company F was established in 1993 as a limited liability company, it is focused on agriculture, mainly production of wine and connected services. At the time of the interview the company had 6 employees, but the number fluctuates as they hire temporary workers for seasonal work in the vineyards and in the production.

As mentioned the company is focused on production and sales of wine bottles, they produce high-quality wine sold in specialized wine shops and restaurants. They are primarily focused on the Czech market, where they have the highest sales of their products, even though their wine is offered in several wine shops throughout the Czech Republic, mainly larger cities and restaurants in cities as well. They do sell part of their production directly to the consumer from their e-shop which is operating only in Czech language and ships only within the Czech Republic and direct sale from their wine cellar in the Znojmo region.

The company operates mainly on the Czech market but they are involved in the foreign market operations in the form of export. The company executive director mentioned that the countries where they export to are Slovakia and Austria only. Most of the export is going to Slovakia where the company has an extensive network of contacts and it sells their wine to number of wine shops and a few restaurants in three cities. The Austrian market has a minor contribution to their sales and the export activities started only 3 years ago. The executive director of the company does not have a network of contacts in Austria and it limits the opportunity for the company. In Austria, the company sells their wine to four wine shops in neighbouring region only. As the company is rather limited by the yearly yield of grapes from the vineyard, the current expansion is not possible as they do sell out the dedicated volume of production through their channels, including the export in Slovakia and Austria.

Currently the company is in the process of looking for a new property to set up a new vineyard, but as emphasised by the executive director of the company this is a long-term process, when the first yield will be collected and will become a profitable vineyard. This will increase their current production of wine, another option for the company would be to buy grape juice from different producer, but this is not the way the company wants to direct and they rely on their own production of grapes in company owned vineyards. Thus, the future expansion is already planned and in making but due to the strategy of the company it cannot be sped up, as they want to rely on their own grapes to keep high quality wines. Unfortunately, it also increases their dependability on weather, and the actual production is fluctuating every year as there are many factors influencing the quality of the grapes.

The main motives for the foreign market operations is the increase in sales and to sell out all the production volume every year. Another motive to start to export products in Slovakia and Austria, was the entry of the Czech Republic to the European Union in 2004. At that time, the company started to export their products on Slovak market and Austrian market due to the close distance from the seat of the company and the production facilitates. Another motive was the demand for the wine in the foreign countries, this was reached thanks to extensive network of contacts of the executive director and the sales

person who travel to promote and sale the wine on different fairs and to specialized events dedicated for wine sales.

The risks in which the company see the foreign market operation is the security of payments. To mitigate the risk the company is selling to partners who are known to the company for a longer period of time. Most of the risks, from the point of view of the executive director, are mitigated by their dedicated sales person who meets most of the clients face to face. Most of the payments are usually held up front in case of first time order. The executive director believes in building relationships with the associated business for the profit of both parties involved.

5.3 Analysis of the primary data

The analysis of the primary data was done in programme MAXQDA as described in the chapter methodology. It was necessary to code the transcript of all interviewed companies. The code was created by the author, based on the knowledge gained throughout the first part of the thesis, where the theoretical background is explained based on the previously made research on the topic.

5.3.1 Main motives of the market sample

The following chapters describe the motives of each company where the primary data collection took place. To every part of the following text is a figure attached with the subtract from the analytical programme MAXQDA for better overview of the company's main motive. Each figure includes all of the motives that were gained throughout the in-depth interview, the thickness of the connecting lines is showing the strength of the connection between the company and its motive.

- **Company A**

Analysis of company A regarding the current position to enter to foreign market operations. As per the in-depth interview the analysis about the main motive, risk and barriers were carried out by the author.

The company A has a foreign activity limiting to export on Slovak market, and the main motive behind entering the market was the increase in sales which is brought by new opportunities in the foreign market. The increase in sales and actual workload has a direct impact on the profitability of the company. The exporting activities supported full usage of the potential of the company which has a short psychological distance, thanks to large similarities in language, where no learning of another language is required to carry out business negotiations. Also, a lot of cultural similarities which are based in common history of both countries. This was identified as one of the main motives behind the export happening to Slovak market only. Increasing the foreign market operation will have an impact in enlarging the network of contact that is currently available to the manager of the company. This is connected to the theory network theory, as the company become an inside part of the network on the Slovak market and will gain access to more opportunities

on that market. On the other hand, it is not valid for Austrian market, as the company has very limited knowledge which does not allow the company to enter the market.

Following this important motive which is valid for Austrian market is the possible price competition in which the company can fight the current competition on the market by their price. As the price is composed from fixed costs, such as the costs of the components needed for the final construction but also variable labour costs. These labour costs are comparatively lower on the Czech labour market than on western foreign markets. The lower labour costs are to the advantage of the company as 90 % of the manual work is done in the company seat and the rest in the desired location. Last is the Market knowledge that it relates to the psychological distance with the Slovak market, where the company has an extensive knowledge but on the other side there are extensive limits for the price competition

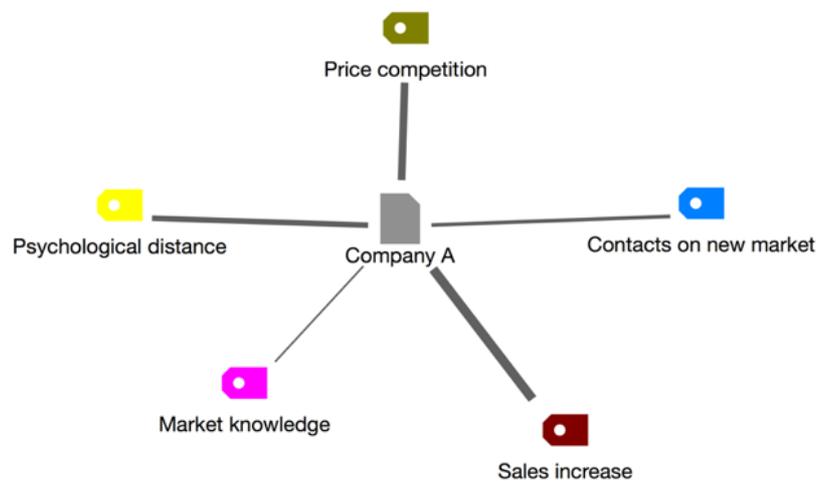


Figure 7: Company A motive's analysis.

Source: Author's research

- **Company B**

Company B's main motive is the sales increase due to decline in their sales on the Czech market. The next option for them is to penetrate a new market to start with the increase of sales of their services. The next point is the actual physical distance to the foreign market, thanks to the location of the company in the Znojmo region the company can benefit from the close distance to the foreign market. As discussed, the psychological distance is relatively different from the physical but thanks to the past experiences and knowledge of the company the psychological distance to Austrian market is also shortening for this company. It is important to mention that the management of the company had spent time abroad in Austria and this keeps the psychological distance of the market on the lower level. Another main motive to work on their existing contacts on the foreign market, as they do have access to the network of the companies on the foreign market. They are still in the position of an outsider, the company have not penetrated the market. One of the motive for the company is to get closer with the companies on the other side

of the border and become a member of their network. They are also building on the current know-how, it is important to know that it is valid on both side of the border in a similar manner, there are no differences. They do not have to adjust anything for foreign market only start on the market and become a valuable member. And as the last main motive behind the entering a new foreign market is the growth in experiences of the management of the company. For the field in which the company operates it is important to have a lot of experiences on similar projects it gives a large amount of credibility to the company on the outside and every project increases the level of expertise of the manager.

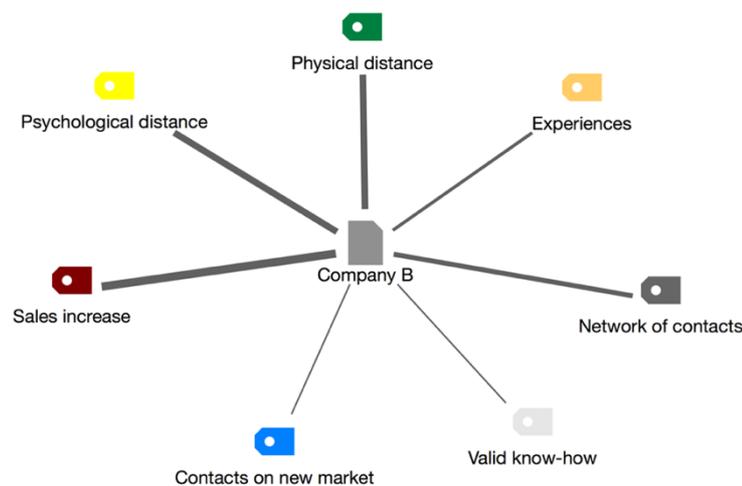


Figure 8: Company B motive's analysis.

Source: Author's research

- **Company C**

Company C is no different from the selected sample of the companies and the main motive is to increase the sales of their products, which can be done via the foreign market operations. As another motive, it was identified that the goal was to gain contact on the foreign market, this is in connection to the following point, that is to gain new long-term clients. As mentioned in the in-depth interview on the foreign market the company wants to focus on the market of business cliental, and to deliver larger systems with service coverage which will bring long term revenue to the company. Due to short psychological distance to the new market, export is the first step in the internationalization process, thanks to new client on the foreign market the company might be considering opening a new branch in the foreign country. Another main motive of the company to enter foreign market it might be considered also diversification of the risks, even though the markets have very short psychological distance, to have a part of the sales happening on different market it mitigates the risk by diversifying between two different markets. The physical distance appeared as well in the mind map below and it is thanks to this possibility to go and visit the market by the current employees of the company and no need to many new labour on the new market as the labour can be supplied from the current location. Another point that is believe d by the company as one of the motive is the price competition that

can be beaten by them. This is underlying the point of Slovak market using EURO as their currency and the option of the EURO vs Czech crown exchange ratio. This motive seems with large importance for the company but it is dependent on the policies of the Czech National Bank and it does not give security to the company that they will be able to fight the competition by their prices.

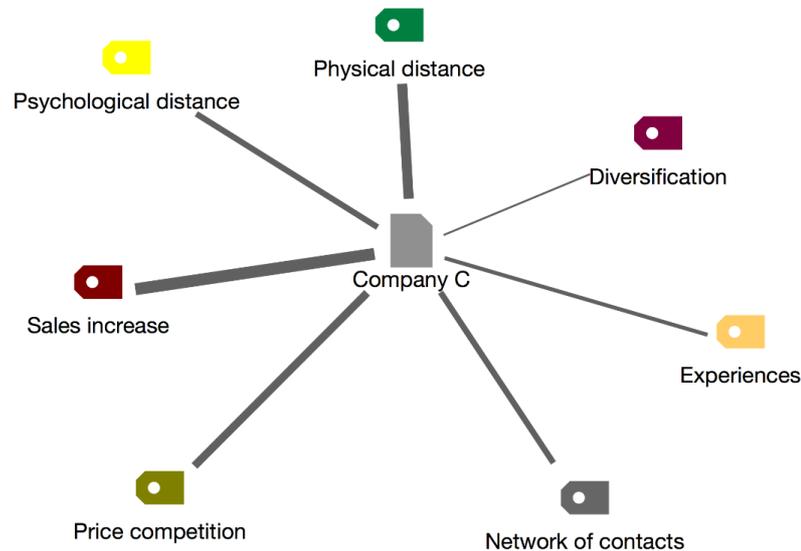


Figure 9: Company C motive's analysis.

Source: Author's research

- **Company D**

The author based on the in-depth interview with the owner of company D, has found out several main motives which are behind the entry to the foreign market. The first motive is the increase in sales for the company, the foreign markets are increasing the size of the potential market for the goods to be sold there. There is still a large opportunity for the company to increase the sales in the markets where they already export. As the current situation is holding up without any promotion what so ever. The company has not started any advertising and they are solely relying on the word of mouth. The second motive was identified in the price of the products and the difference between the price on the Czech market and the price that they can charge on a foreign market, as the products are currently sold in number of markets. The prices are different for the Czech market and for foreign market, especially because all the foreign markets are in Western Europe, the margin which is going directly to the company is higher, thus profit per one product is higher as well. And as a last point of the main motive is the current strategy of the company to go through expansion on their current premises. This expansion will allow the company to increase the production and the stock of raw materials. The physical distance is valid for their second part of the business relating to raw and construction wood. Because of the short physical distance the company was able to penetrate the market with their goods long time ago. This is related to the location of the company within the Czech Republic,

border region and the physical distance played a role in offering the products on the foreign market. In their decision to enter this market played one of the main roles the price differences between Austrian material and Czech material, as the company could and still can offer lower prices but having higher margin of each sale.

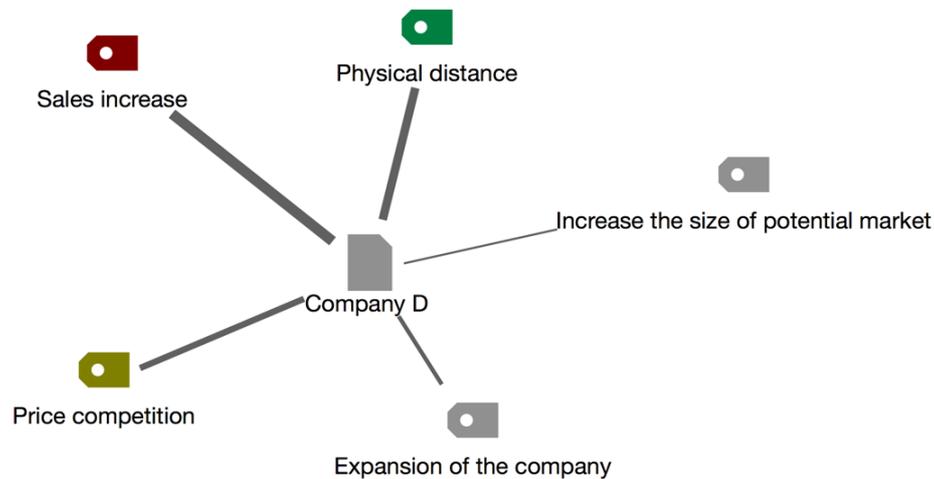


Figure 10: Company D motive's analysis
Source: Author's research

- **Company E**

For company E, the author of this thesis identified 7 main motives based on the in-depth interview that was conducted with the executive director of the company. An important motive is the actual physical distance from the seat of the company to the foreign market. This rapidly increases the potential market of the company, where the company does not find a border as limitation but can freely conduct business in both countries. This is consecutive to increase the sales, as this is one of the main motives of the company, this is always the primary goal of the company. Due to the lower utilization of the company employees during certain months throughout the year, the fixed labour costs are too costly for the company. One possibility is to lay off employees and keep on the minimal required number, or to penetrate a new market to gain more orders and contracts. As discussed on the in-depth interview the higher profit on the export articles is one of the motive for deeper integration within the foreign market. As the company wants to keep their factory in its original place, and the manufacturing in the Czech Republic, it will mean lower labour costs for each product sold compared to the Austrian company. Due to higher purchasing power (Eurostat,2017) in Austria the prices are differentiated from the prices on the Czech market, therefore, higher yield on every product. This will mean increase in the profit for the company. As one of the last motives behind the internationalization is to extend the network of contacts on the foreign market. Increase of the orders from the foreign market will impact also the size of the network the company is part of. The company is working together with several partners, based on gentleman agreement only. By

closing contracts and creating partnership with their current contacts on the market, they can secure higher market share and it can be profitable for both sides of the partnership, depending on the negotiated terms of the contract.

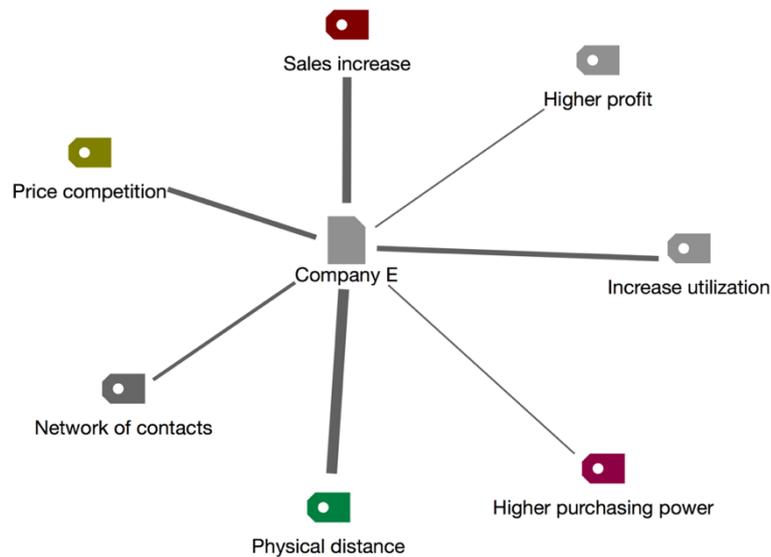


Figure 11: Company E motive's analysis.
Source: Author's research

- **Company F**

Company F is the only one which is operating in agriculture from the selected sample of the market of SME interviewed for the research in this thesis. As this company is already operating on the foreign market, as mentioned above. The main motive behind entering the new market was, to increase the sales of their product as shown in the Figure 12. The increase of sales was important for the company at the beginning to have enough funds to pay for the needed expansion. It was highlighted that this stays as their main motive by the executive director of the company. The existing network of contacts on the selected market made it easier for the company as they directly sold their product to known clients. In particular, on the Slovak market, the clients were asking for the product themselves, which made the start of the export easier and it mitigated risks connected with export. The combination of familiar clients and demand for their goods also had a huge impact on the owner's willingness to go ahead with the export. Another main motive was that the product which was sold on the Czech market only, was not fully sold during the previous sales timeframes. As the stock of the unsold product was reaching its capacity, the company started to engage in export activities on the Slovak market. Important step in the development of the company's export activities played entrance of the Czech Republic to the European Union in 2004. This lifted several limitations that were imposed prior the entrance and the sale of the company's goods became easier than prior to the entry to EU. It should to be mentioned that the entry to EU influenced the initial penetration of the Austrian market. Thanks to the already existing network of contacts on the Slovak

market and the openness of the owner towards the Slovak market, it was one of the motives to work on those relationships and keep in touch with the existing contacts and expanding it in Slovakia. The difference in the situation was, when the company was entering the Austrian market, as the relations towards the Austrian market were not so strong, but the physical distance played important role in the decision-making process. The physical distance played key role due to the strategy of the company to have a face to face meeting with their bigger clients.

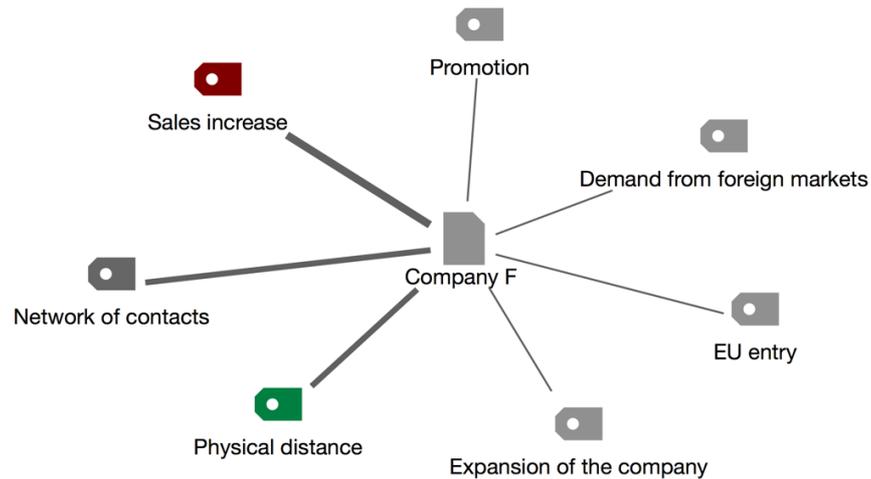


Figure 12: Company F motive's analysis

Source: Author's research

5.3.2 Main risks and barriers of the market sample

The following chapters describes the risks and barriers of each company where the primary data collection took place. To every part of the following text is a figure attached with the subtract from the analytical programme MAXQDA for a better overview of the company's main risks and barriers. Every figure includes all the risks and barriers that were gained throughout the in-depth interview, the thickness of the connecting lines shows the strength of the connection between the company and its risks and barriers.

- **Company A**

Where the author sees a risk, based on the interviews, is the lack of any analysis of the foreign market. The company started to export based on the demand for their goods from the Slovak market and management contacts being on the market. The company has no overview about the competitors on the market and the actual size of the potential market. If the foreign market operations should take an increase in the volume, the company will have to conduct proper research about the market in which it wants to penetrate. The possibility for the company is to enter the Austrian market due to close physical distance, but it was pointed out that the psychological distance is very different, meaning larger,

and the market is more distant for the manager of the company. As per the author and the owner opinion it is not possible to enter any new country market without the knowledge of any foreign language, with the minimal requirement of English language. It needs to be mentioned that the company, even though it is monitoring for the opportunities on the market, it does not plan to enter Austrian market. This is due to lack of interest on the owner side to penetrate the market.

There are also certain barriers which have been identified by the author for the company, in case they would like to penetrate Austrian market or any other market. The first barrier is the lack of contacts on any foreign market, excluding Slovak, the manager of the company has no ties to anyone outside of his place of business and the owner identified it as a strong barrier to enter new market. As the owner is not language savvy, the lack of knowledge of any foreign language limits company's options to enter any foreign market. It is seen as a large barrier, but in the author's opinion this can be overcome with a properly established education programme within the company. Although it will bring costs to the company, and it increases the risk for the company. It is also for a longer length of time, as the language limitation cannot be overcome in a short timeframe. Another barrier which is currently lying with the possibility to enter the market are legal restriction, as the business of the company is highly controlled by the government it even increases the burden on the company. Not to mention the current law which came into force in January 2017 regarding the deployment of employees in foreign countries, which puts extensive pressure on the companies with need to have a number of documents while the employees of Czech company works in Austria. Those barriers could be overcome by some internal measures within the company but the owner of the company has a strong feeling about entering foreign market and is not willing to undergo such a risk in the situation of the company, which was at the time of the interview. Not to mention the company would hire an external resource to drive the conquer of the foreign market, it is not currently acceptable for the company owner as for the need to have a full control over all processes.

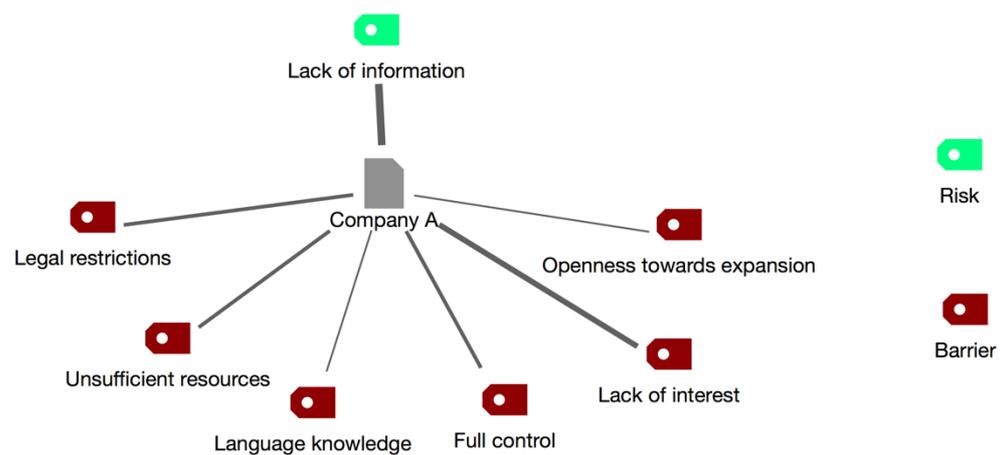


Figure 13: Company A main Risks and Barriers

Source: Author's research

- **Company B**

Company B is currently considering and working on the entry into a new foreign market, and Austria is the preferable market due to short physical distance. It needs to be mentioned that the psychological distance of the Austrian market is further due to severe differences. The company is aware that without a proper market analysis it is very risky to start with the entry to the market. Currently the company does not have any market analysis what so ever. During the interview, it was discussed that the entry without this analysis is not possible for the company's manager. There is also a lack of resources within the company to conduct such a research, it was visible that the manager was not willing to hand over this responsibility to third party, due to costs savings. Another risk which was identified is the actual selection of the business partner on the Austrian market. To select the correct partner who is aligned with the company strategy, environment, form of work has been found to be very difficult. If the company finds a partner who will not represent the company on the level it is desired, it might cause high damage to the company's reputation on the new market. The business partner shall represent the company on Austria market and acting as first point of contacts. The mitigation of such a risk is based on the interview to provide a share of the profit to the business partner. This might be one of the tools on how to mitigate the risk of the wrong business partner. It was also mentioned thanks to the contacts of the manager, that on the Austrian market is high competition in this field of business. More complex information is expected from the market research which the company needs to conduct.

The company is working towards the start of the foreign market operations for an extensive period of time, unfortunately it has not started with any actual steps towards the start of any foreign market operations. As one of the reasons, the manager's opinion about the Austrian market is a high level of closeness of the market, which is coming for the experiences that were gathered during the cooperation with the Austrians companies. The willingness of the Austrian companies to close a partnership with a Czech company is low.

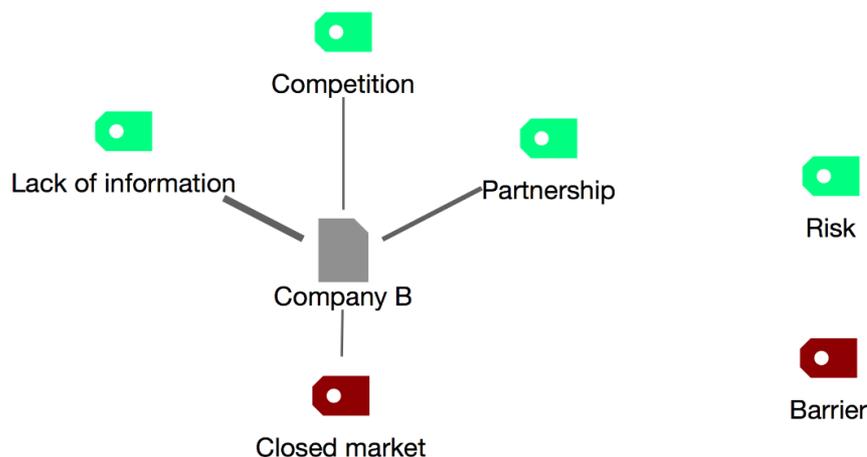


Figure 14: Company B main Risks and Barriers

Source: Author's research

- **Company C**

During the interview and discussion with the manager of the company C in cooperation with the author, it was identified 4 risks which relates to the possible internationalization of the company. It needs to be mentioned that the manager did not see any barriers which would prevent the company for entering the new market. To mention the risks in more details. The first risk is that the company would enter a market without any or with very limited knowledge about the market. The lack of such research, which can include the size of the potential market, competitors, legal boundaries etc., is an important factor which is influencing further decisions towards the possible internationalizations. If the company would enter the market without this research it might highly underestimate or overestimate the size of the marker, or the power of the competition, pricing, and legal framework. Another risk relates to the logistics, the current set up in the company, it would be too costly for them to operate on the market, but this is a valid risk for the Slovak market only due to the longer distance. The risk would be mitigated by accepting only business to business offer to create larger systems rather than individual units. As the research was conducted in 2017 there also lies a risk connected with the deployment of employees in Austria, including the transportation. This risk can be mitigated by hiring a third party to perform all the logistics to Austrian locations. Another risk is the unsecure exchange rate risk. In the time of the interview it was not certain what the exchange rate of the Czech crown and EURO will be, due to interventions from the Czech National Bank to keep it at artificial level. The manager sees this as a risk with high impact towards the level of margin. This is related to the last risk which was identified, the lack of experiences of the management of the company with the entry to any foreign market. The company has no experience with any foreign market operation, even export, as said by the manager. It would not be confident to enter into the market despite the high-quality of the products.

From the barrier prospective, as shown in the Figure 15 below. The first is the lack of interest among the management to enter such a market, even the motives are very attractive for the company. They do have a lack of interest in entering the market as they see the costs of entry are too high in a short period and the profit out of such entry can be visible only after several quarters. Another barrier is the low number of current resources and the options to find qualified workers on the current labour market.

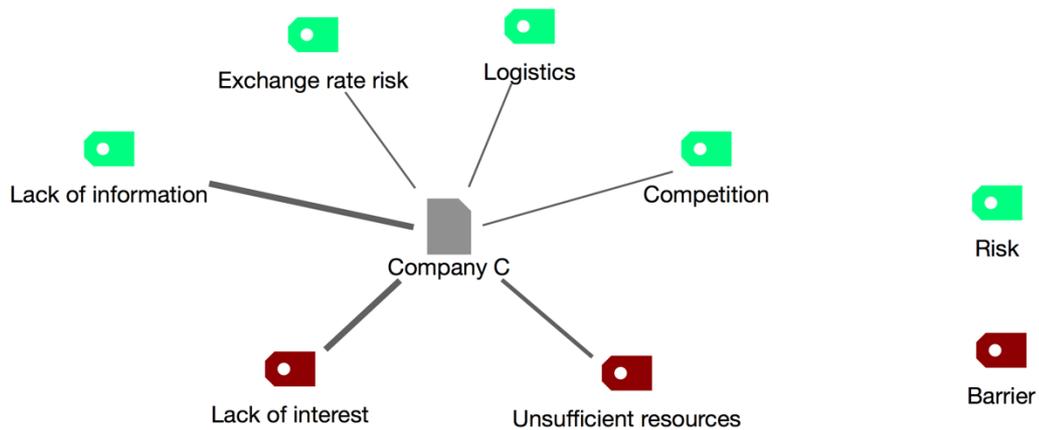


Figure 15: Company C main Risks and Barriers
 Source: Author’s research

- **Company D**

Company D is already involved in foreign trade operations in several countries in Europe. They have already identified risks that are connected with export. It is for them the security of payments as they are sending only small numbers of products at abroad at once, the potential loss is not significant compared to the overall sales. To mitigate these risks they are charging the customer up front, but when they establish a relationship with the customer, the terms of payment are changing and it depends on individual agreement. They foresee a low risk in the security of payments when the special terms are applied. Another risk which is connected with the foreign market operations is the logistics, especially transportation of the construction wood, as there is complex terms which are needed to be fulfilled for any transportation to foreign country, including the EU, the company is mitigating the risk by hiring a vendor who is providing them with the transportation services. Also, the security of payments is taken care of by the vendor, as they are fully responsible for the goods during the transportation. This was negotiated by the owner with the vendor. They are using only a single vendor to do all the transportation. There is always risk connected with sudden increases in the price of the fuel, consecutively the increase of the price for the service from the provider.

During the collection of the data the owner of the company has not identified any barriers that are in place for the company. The barriers have been overcoming in the time when they started the export.

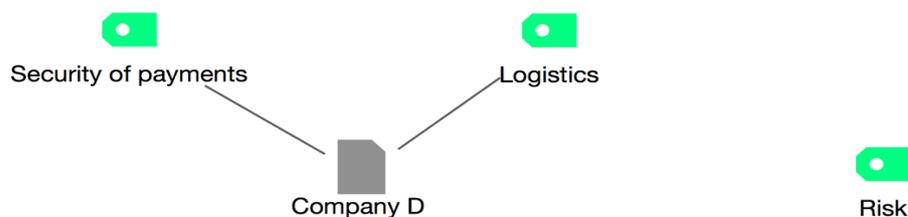


Figure 16: Company D main Risks and Barriers
 Source: Author’s research

- **Company E**

Company E is already taking part in the foreign market, but it has not established any branch in the neighbour country. As they are receiving orders from the clients based on recommendations from their so-called partners in Austria. As risk, they see the lack of any contract with the foreign partners. This might cause losing all the business in case the partner will just to decide not to use the services of this company anymore. As they have not established any rules of the partnership and the entire relationships is based on a gentleman's agreement between the executive director and the Austrian partner. There is a high risk in losing the partners in case someone will offer them some better conditions, as currently the partners do not have any providing from providing the business to the company. This means that the current relationship with their partners on the foreign market is very fragile and has no legal grounds, which could be used in case the partner is not fulfilling the common agreement they have established. This is largely depending on the honouring the terms by both sides. A new risk which was raised by the author to the company executive directors is the new legislation about deployment of employees to Austria. There are several documents which need to be present with every employee during their work in Austria. In case of missing documents the Austrian authorities are imposing high fines towards the company. As the actual installation of the product is done in the place of the client, it is necessary to consider the legislation and the time-consuming bureaucracy which is related to the needed documents. Another risk that was identified is the investment in case they would need to expand their current operation based on increase of their sales. This can be done but the company has identified it a risk at the current situation.

As major barrier, the willingness of the management of the company to increase their involvement in the foreign trade operations was identified. They are not considering any further development of their activities on the Austria market and not planning to start entering any other market. It is not in their current strategy to expand their business either in the Czech Republic nor into any other market. In connection to this risk, the company management does not want to give up their full control over the company to anyone who would need to be hired by the company, as the current management does not have a capacity to fulfil more orders. And this relates to the last barriers, the insufficient resources, as the actual work is highly technical and extensive education needs to take place for every employee, which is highly time consuming for the current team who is working in the company. The management identified the insufficient resourcing as one of the major barrier.

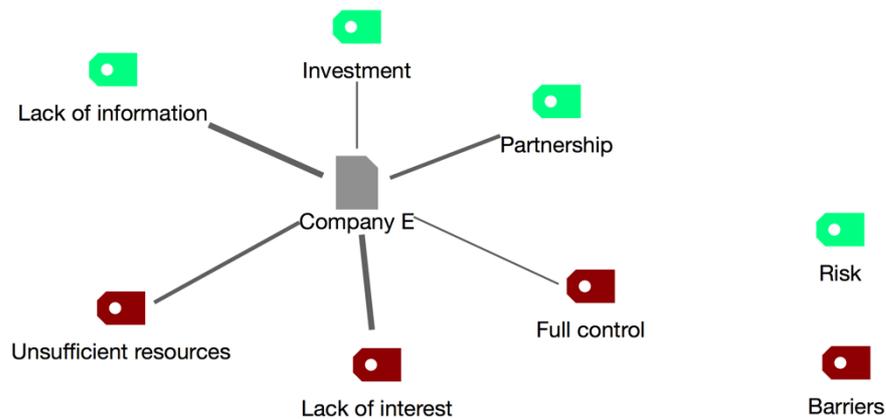


Figure 17: Company E main Risks and Barriers
Source: Author's research

- **Company F**

For the risks which were identified by Company F they are mostly valid for the Austrian market. As their operations on the Slovak market are rather stable and the fluctuation there is minimal over the years spent there, thus the risks which are mainly connected with the Austrian market is the actual lack of contacts on their market. They are not fully integrated on the market and the sales that they are comparing to the Slovak market rather fluctuating. They have been operating on the market for only a few years and the involvement of the company is not so high. It needs to be mentioned that it is not a primary target of the company to fully penetrate the Austrian market. The company is gaining the contact very slowly on specialized fairs abroad. Another risk relates to the security of payments, as the company is sending their goods to the customers on invoice, the payment is being processed after the delivery of the goods. To mitigate the risk in case of any larger order, they prefer to meet with the customer to verify the credibility, but they also introduce themselves to the customer and start to build the important relationships with them. Another risk is the fluctuation of their production as they are highly dependent on the weather condition, it is a risk that in case of low yield they will sell all their production on the markets where they are already established and the offer on the foreign market will be significantly limited. This can damage the good name of the company that is being promote for years.

The barriers which were identified are mainly the volume of production which is not possible to increase in short time. The company is currently working on the expansion so they can increase the production. However, the company will not be able to rapidly increase the production for a couple of years. This relates to the strategy of the company as they want to have a production of their wines only from their own vineyards, where they have a complete control over all the phases of the production and can secure the highest quality achievable. As this is the current strategy within the executive director it means the volume of production will not increase in matter of months, but years. This is very limiting to the company and it slows down the expansion.

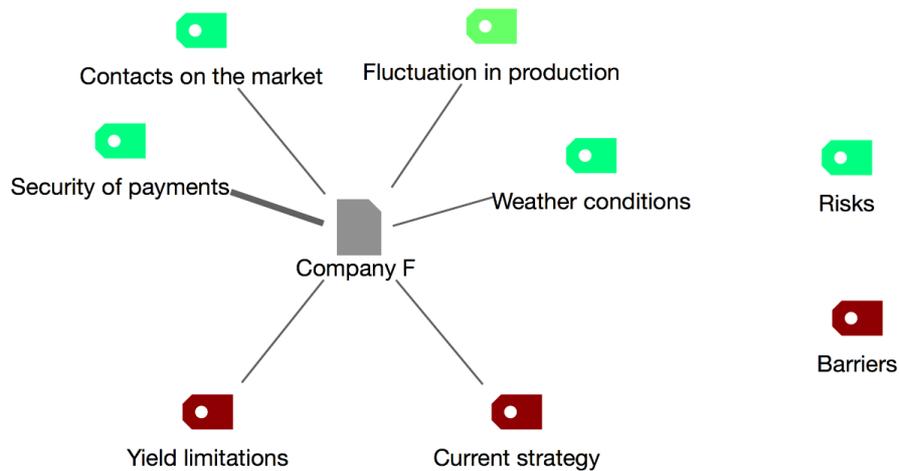


Figure 18: Company F main Risks and Barriers

Source: Author's research

5.4 Conclusion from analysis of primary data

To conclude the analysis of the primary data it is needed to say that the primary data collection took place in 6 companies that fulfilled the limitation set up by the author. The company needs be within the range of Small and Medium Sized Enterprise as per the European Commission guidance. The second limitation was fulfilled for all companies that the seat of the company needs to be in Znojmo region. The analysis of the data was done in analytical program MAXQDA which supplied the data in visual form of mind maps. This is method clearly shows the strength of the relationship to each of the company towards the certain motive, risk and barrier.

The main finding which can be concluded for validity of the model for larger segment of SME. Between the main motives of the SME's operating in Znojmo region belongs:

1. Sales increase
2. Price competition
3. Psychological distance
4. Physical distance
5. Network of contacts.

Those were described in more details in the analysis and are further included in the opportunities for the SME in the following chapter.

The next part is dealing with the risks and barriers of the companies operating in Znojmo region. For larger validity the data with the strongest bond with the risk and barrier are taken into consideration and are following:

Risks:

1. Lack of information
2. Penalties
3. Partnership
4. Competition

Barriers:

1. Lack of interest
2. Insufficient resources
3. Full control
4. Legal restriction

Essential finding of the primary data is that the companies that were interviewed are already involved in the foreign market operations. The foreign market operation where 5 out of 6 companies are participating is Export.

6 Opportunities for SME in Znojmo region

The following chapter examines the opportunities for SME in the Znojmo region based on the research that was conducted for this thesis. The in-depth interviews were analysed in the program MAXQDA as described in the chapter methodology. Once again it is important to mention, that the thickness of lines in the mind map is showing the strengths of the relationship between the core value and motives.

- **Increase of sales**

Most of the companies mentioned as the primary target of the internationalisation the increase of sales. The companies want to be engaged in the foreign market activities for the purpose to increase their overall sales. The increase in sales would help to companies who would be engaged in the foreign market activities with the growth of the company. Which helps the entire industry and the segment of the Small and Medium sized enterprises, as mentioned above the employment in this segment is more than significant. Therefore, it is important to secure consecutive growth of those companies. It is essential that there is no difference in this for the companies in the border region of Znojmo.

- **Price competition**

Price competition is valid especially for the companies that are engaged in the internationalisation towards the Western European countries. In the sample of the companies, it was highlighted that the Czech SME has a valid advantage and can be competitive in the price with the Austrian companies. The Czech companies can offer a lower price thanks to lower labour costs compared to the Austrian labour costs. In the case of the sample companies, when there was a production taking place, everything was done on the grounds of Czech Republic, and only the last part was finished in Austria. This largely helps the Czech companies to be competitive towards the companies, which are operation in the foreign market. It is important to mention that the Czech companies strive for the highest quality possible and the final quality of the product is on the same level as the Austrian product.

- **Psychological distance**

The term psychological distance was introduced in the theoretical part of the thesis, and as per the in-depth interview, it was discussed that the companies started their foreign market operations on the Slovak market, even when the physical distance to the Austrian market is considerably shorter. The psychological distance played an important role in their initial decision about starting those operations. Thanks to close psychological distance to the Slovak market number of companies started with this market. There were number of factors were behind the decision to enter this market and they are explained in the previous chapters. Those reasons differ with each company, but it is important to bear

in mind that the common history, language similarities of the Czech Republic and the Slovak Republic still play an important role for the SME to start with the foreign market operations there. Even though it is not one of the main motives collected in the primary data collection. In the overall analysis, it proved itself as one of the most important motives to penetrate this market.

- **Physical distance**

Physical distance is described in the theoretical part of the thesis as well, the true meaning is very simple and that is the geographical distance from one country to another. This proved to play an important role, as expected in the border region such as Znojmo. This motive became more valid over the years when the Czech Republic became a member of the European Union in 2004 when the restriction started to be limited. There are still certain limitations that will be further discussed in the following parts of this thesis. It is visible that the actual short physical distance from the Znojmo region to Austria plays an important role in the internationalisation of companies operating in the border region.

- **Network of contacts**

The possibility of having contacts, or being a part of an already existing network on the foreign market is significantly helping the companies to engage in the foreign market operations. This proved to be correct in the research done for the purpose of this thesis. Companies who already had contacts on the foreign market. It needs to be emphasised, that the companies are also entering the internationalisation process with the motive to gain more contacts on the market and expand their current network which they have on the market. The motive to gain more contacts and become an inside member of network within the foreign market is a long-term process when the company is a complete outsider and the process is more complicated. Even though the companies see this as a big opportunity and by extending the network they do expect higher sales and growth of the company.

- **Experiences**

Experiences are very valuable for every company and it is increasing the credibility of the company on their home market and to a limited extent also on the foreign market. The company is entering the foreign market operation to gain the experiences of the internationalisation process. The experiences are important knowledge that can be used for further internationalisation of the company.

- **Company expansion**

It was also found out that a reason for the company to engage in the internationalisation is by going through the expansion and the foreign market operation will increase the size of the potential market and sale of their products. By penetrating a foreign market, it gives the company the opportunity to start their expansion, as they would expect an increase in their sales and then also connected increase of the profit. By increasing these two variables, the current situation within the company might reach the full potential of the company and expansion will be required to satisfy the demand.

As the following motives behind the internationalisation of the SME in Znojmo region are not so significant, the following reasons are only valid for one company from the selected sample of the companies during the research and would not be valid for the entire segment of Small and Medium Sized Enterprises in the Znojmo region, they are only mentioned in the mind map depicted above. However, the author would like to mention that the motives, are interconnected with the main motives that are described above.

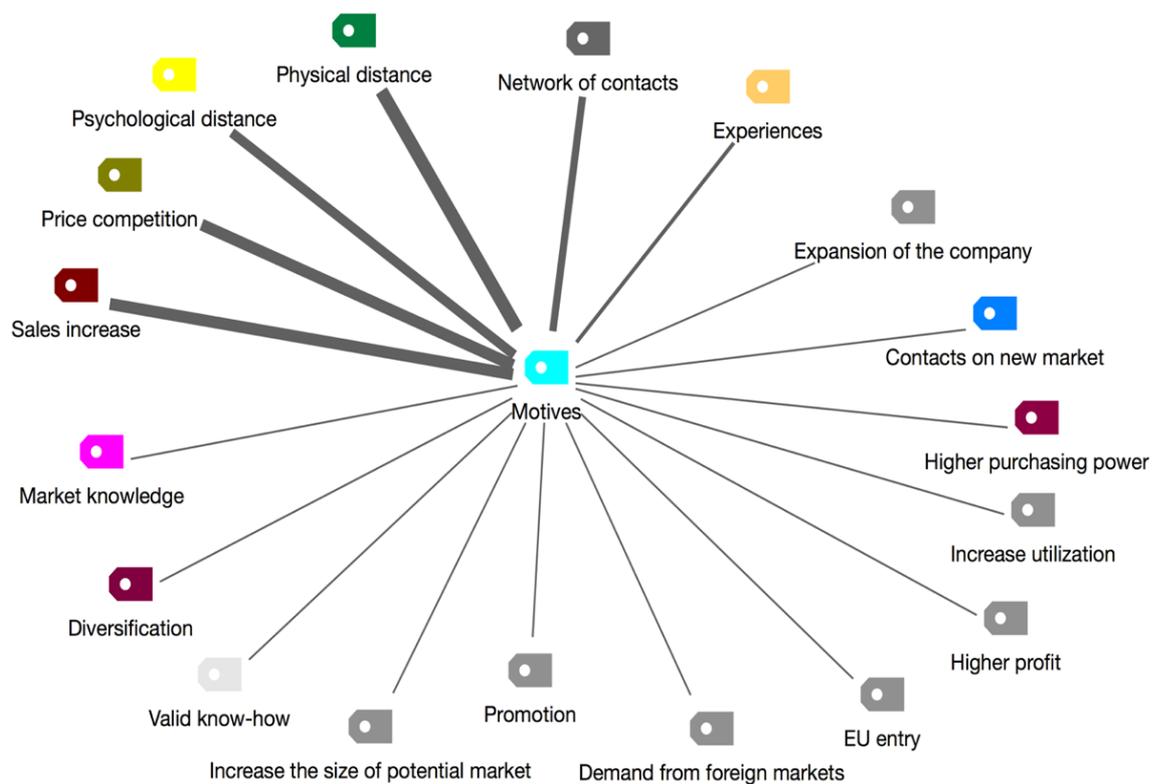


Figure 19 Mind map of the motives

Source: Author's research

7 Recommendations for SME in Znojmo region

The following part of the thesis is focused on the recommendations that are related to the risks and barriers that were identified during the primary data collection. All the risks and barriers are depicted in the mind map below. It is necessary to keep in mind that the connecting lines and their thickness relates to the level of relations if the statement to the particular risk or barrier. It needs to be mentioned that due to the amount of collected data the recommendation cannot be fully generalised and valid for all companies within the region Znojmo. Even though the general idea out of those recommendations can be taken to help any SME operating within the selected region of Znojmo how to avoid potential risks and barriers that they can be facing. It is important to mention that only the risks and barriers which were identified for more companies will be examined below to reach a certain level of generalisation even a limited one.

- **Lack of information**

As the first risk the lack of information was chosen, as it has the strongest bond with the risks, the highest number of companies are facing the risk of lacking information. This risk is connected to the low level of information about the foreign market where the companies want to engage with foreign market operations. The companies are aware about this risk and the lack of needed analysis about the foreign market. As most of the companies are engaged in the export activities and they are not planning to take the next steps towards the full internationalization, are staying under the impression that it is not very much needed. Unfortunately, without a full picture about the market, such as competitive analysis, legal analysis, social analysis etc., it is very difficult for the company to have a full integration with the market. As mentioned above the companies which operates in Znojmo region are mostly focus on export activities. For this reason, the minimal requirement would be the legal and competitive analysis of the foreign market.

To help companies in the Znojmo region there are several consultant companies which are offering direct help with the foreign market analysis. The most known for the Czech exporters is **Czech Trade**. Czech Trade offers variety of services which are there for SME to support their entry to any foreign market. They support their clients from a number of points and strive for a successful entry to foreign market of their clients. They provide education, specialised events and focus on foreign market activities. Czech trade provide a large spectrum of consultancy for companies interested in export and support companies in use of European Funds which are aimed to SME.

Another option is to join the Znojmo's **Chamber of Commerce**. By becoming a member of this chamber, the company will gain access to an extended network of com-

panies which are located in the Znojmo region and working together in number of networking events to share their experiences and knowledge about foreign markets, especially the Austrian market, as it is most discussed among the members. The chamber of Commerce also has close ties to the Embassy of Czech Republic in Vienna and their economic department. Together with the Chamber of Commerce they offer various lectures and discussions about the current situation on the market and legal framework relating especially for Czech companies.

Particularly for very small businesses, in Znojmo region is established a service company (**Zahraniční služby**) which offers their services to self-employed people within the region of Znojmo, but this is their main segment. The author however would suggest this service to the small companies as they provide support with the legal framework of needed documents when entering the foreign market and dealing with tax statements of their clients. They also offer one to one translation services to their clients in case if needed in Austria when dealing with authorities.

In the Znojmo region it is important to mention a program set up by the City hall to support the international relations of Czech companies with Austrian ones, this program is called "**Kolumbus**". One part of this project is to support these companies that are open to the internationalisation. In co-operation with the Chamber of Commerce in Znojmo and Private College of Economic Studies in Znojmo. Together under the program Kolumbus they provide the option for businesses to enter free of charge into the Business incubator to gain important contacts and knowledge. Together with the Chamber of Commerce and its partners on the other side of the border they offer to provide an access to their database to gather the necessary contacts on foreign market. And another service that is provided to the companies is to help with much needed market research or business plan provided by the Private College of Economic Studies in Znojmo. The college is providing professional support of their teachers and help from the students with conducting such a research.

It is also recommended by the author to **set a budget** for creating the market research. The budget differs from one company to another, by the author it is recommended to use percentage of sales from 1% till 5% of Sales to dedicate for market research. In the author's opinion, it is necessary to include all the costs to this budget, external (consultancy companies, services) but also internal costs in case of fully dedicated or partly dedicated employee who is dealing with the market research. The market research needs to have also time boundaries, and after certain period of time the research needs to be finished with a final conclusion whether the market is open for the company and under what conditions.

- **Partnership**

Partnership is included in the risks, due to the partner on the foreign market is fully representing the company there. This risk might be easily mitigated by the correct education about the home country and its full involvement in the culture of the company, in agreement with the partner abroad as per the primary data can be different in each company.

To establish partnership with a company within a foreign market it requires to have extensive knowledge of the market, as it is described in the UPPSALA model of internationalization it is the next step after the export. This is also a recommended approach of the author the follow process when the company first enters the market on the export level and after it builds a network on the foreign market to establish a partnership with a company that is already known to the domestic based company. It is also recommended to establish a clear guidance in a form of contract, clearly mentioning the level of partnership and level of authority of the partners on both sides of the border. It is necessary to establish with the partner a clear business structure, which will help in daily tasks and on the strategic level. With finding the suitable partner again the **Znojmo Chamber of Commerce** and its relation to the **Austrian Chamber of Commerce** can help. Those Chambers keep a close relation and organise networking events together mainly in the Austrian side and the members can join any of those events. This is especially good for creating a network of contact on the other side of the border.

- **Insufficient resources**

One of the barriers which was identified is the lack of resources in the current state of the company. The reason for the barrier is also the lack of interest among the management of the company to dedicate a person for the internationalization. The reason is also the lack of experiences within the management with such a complex process which penetrates a foreign market. To hire a person who will have a sufficient knowledge about the new market is expected by the companies to be highly costly and not as one of their primary targets. Another point of view can be the insufficient resources within the manufacture, as the utilization of the current employees is completely used with current projects and the company owners do not want to increase the number of employees due to cost reasons, future utilization, costs connected with education or needed certification.

It is important to mention again the programme “**Kolumbus**” as above, another part of this programme is looking at offering employment from Austrian companies on the Czech Labour market and vice versa. Thanks to this programme a company can hire a person from Austria who has deeper knowledge about the market, compared to the current management. Together with Austrian Chamber of Commerce the job offer can be distributed to the appropriate members of the Austrian Chamber.

For the labour intensive and manual work the author recommends **creating a partnership with vocational secondary schools**. Schools in Znojmo region are open to option of opening a specialized course trained by professional from the industry. The school’s principals from several schools are interested in possible expanding their current courses for their students. This is beneficial for the companies, even though it is a longer process the labour costs of student on internship are minimal for the company and after finishing studies the benefit is on both sides, the company and for the student too.

- **Full control**

Another barrier which has not such a significant strong bond, but it is still good to mention. It is the willingness of the current management in sharing their power with another or new member of the company. As the sample companies were rather small, or family-run business the willingness to handover the responsibilities to not known person is a not an option for the companies. It is good for the company decisive body to open the discussion among themselves and the level of control they are willing to give up for the sake of the company. It is valid especially as the research took place in smaller companies. Establishing a management levels within the company can help the owner or executive director the get rid of some tasks which are for daily basis and keep focus on the future of the company and its development more.

- **Lack of interest**

The lack of interest in extending the current foreign market operations as mentioned multiple times, the companies are operating only on the base of export towards the foreign markets. The managers of the selected companies are not interested in any further development such as establishing a new branch in the foreign country or even building a solid partnership within the new market. The reason behind the lack of the interest is the physical distance. The access to the foreign market is easily achievable for the companies. Their lack of interest in extending further development of the foreign market operations. It is also coming for the high involvement in the daily tasks of the company and lack of information about the market. As mentioned above the daily tasks can be re-distributed and the information can be obtained through the market research. Once the company would have a clear picture about the size of the market and its competitors on the foreign market, the interest would shift towards the foreign market operations and they would work more on the export.

- **Legal restrictions**

The last barrier that will be discussed is the legal restriction imposed by the foreign government on the access to their market. This is especially valid for the Austrian market, as the companies in the Znojmo region do enter this market in a significant manner. Austrian government imposed a new law which came into force in January 2017, which is to protect the business and employees on their market from inflow of cheap products and labour, officially it is against wage dumping, but it creates a large amount of bureaucracy on the business which are sending their employees on their market. To help with the current legal restriction the company can contact the **Embassy of the Czech Republic** in the country they want to start with foreign market operation. The Embassy of the Czech Republic has a deep knowledge about the current restriction imposed on SME and their actual entry into the market. The information shall be also covered in the market research as necessary part of it.

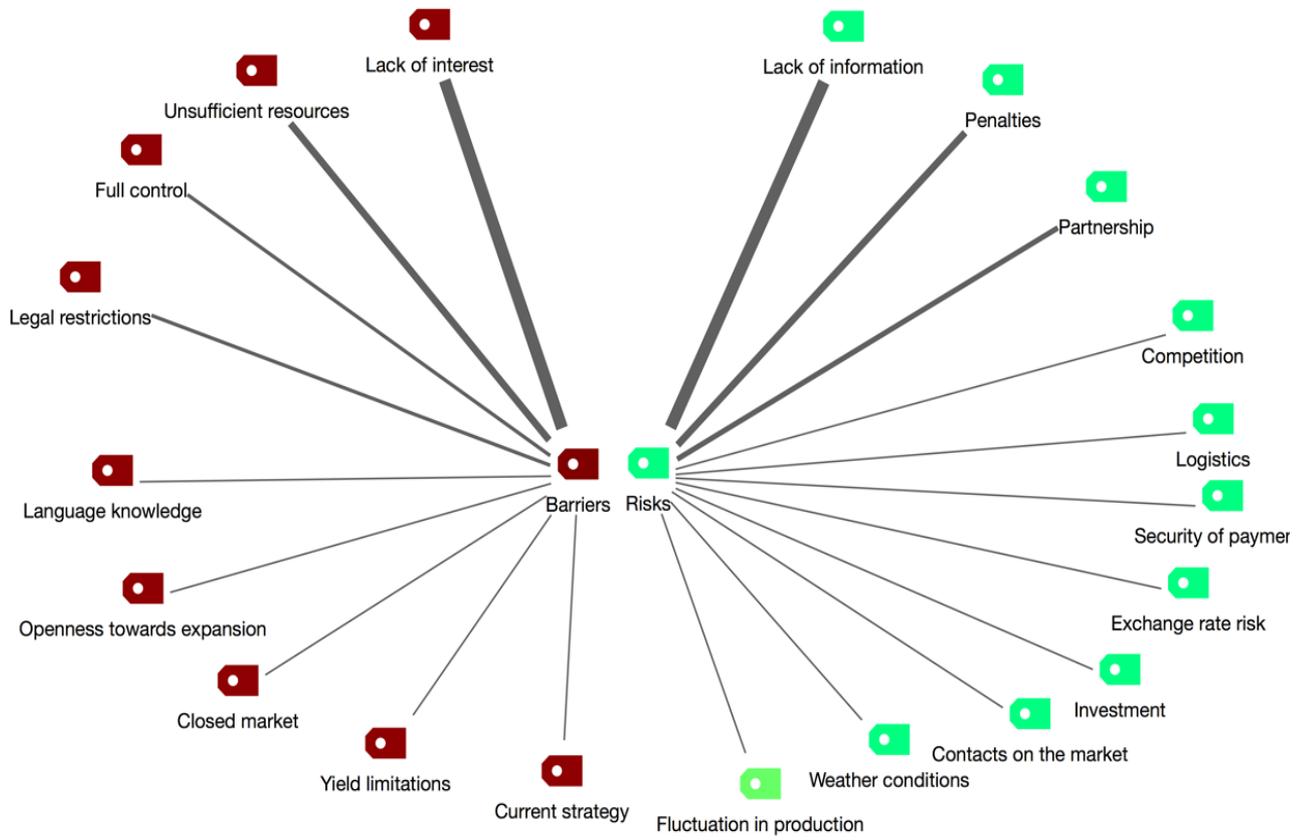


Figure 20: Market Risks and Barrier
 Source: Author's research

8 Discussion

The selected topic to define opportunities for SME in connection to their level of internationalization is a widely-discussed topic, but the aiming to the border region is not covered to such extent. The internationalization itself brings a lot of attention both to the companies but also to the government and European Union. Both of these authorities have programmes to support those companies as they are the backbone of any country. The author selected the topic as it is interesting topic and the importance of the foreign market operations is still increasing.

All primary data was obtained through semi-structured in-depth interviews which were conducted in 6 companies that operate in Znojmo region. It needs to be mentioned that the author focused in this topic on qualitative research only, as it gives more detailed information about the companies and is more suitable for the selected topic. The advantages of face to face meetings with the executive directors, managers and owners of the selected companies gave the author better insight to the company comparing to quantitative research in form of a questionnaire. It provides a better accuracy as the unclear comments could be discussed in more detail with the companies at that very moment. It is important to mention the limitations for selecting the company for in-depth interview: There are only two limitations that it needs to fulfill the guidance proposed by European Commission for Small and Medium Sized Enterprises and the second limitation is set by the topic of the thesis, the seat of the company needs to be in the Znojmo region.

To gain the appropriate knowledge it was necessary to conduct a study from all available materials, academic publications, research papers and other related sources to gain detailed knowledge about the field of Small and Medium Sized Enterprises, due to the location of Znojmo as a border region. The author researched sources about cross-border cooperation on SMEs. And the last part of the study is the process of internationalization and different models. Special focused was paid to research relating to UPP-SALA model due to difference and impact of physical and psychological distance on the SME in their foreign market operations.

Based on the obtained data from the primary data, the author concluded that the motives, risks and barriers of the selected samples of the companies. This analysis created a deeper knowledge about the market sample and their motive and possible opportunities for them on the regional market in the Znojmo region in relation to the foreign market operations. On the other hand, from risks and barriers the author selected the ones which had the strongest relations based on the data and created the recommendations on how to overcome these risks and barriers. This part of the thesis can be used as a guidance for companies operating in the Znojmo region and with their start in engaging in the foreign market operations and to start their internationalisation process.

The main opportunity for the company is to increase the sales by enlarging the potential market in form of foreign market operations. Following opportunities for the companies is the possibility to fight the companies on the foreign market by price competition. Thanks to lower labour costs on the Czech market comparing to Austrian labour costs based on the Eurostat statistical data. The companies can offer lower price and beat their competition and maintain the same level of quality of the products. The main risks are

connected to the market research of the company as it was found out that currently the companies do not own any similar analysis of the market and it creates risks for them. The possibilities on how to conduct such market research is mentioned in the part of the thesis focusing on recommendations.

This relates to the research made by Kubičková, Toulová, Tuzová on Internationalization process of Czech Small and medium Sized Enterprises (2015), this research was conducted for the whole segment of SME in the Czech Republic. The results of the motives of the research are in consensus with the research made in the thesis which is specific for the Znojmo region, Czech Republic. As one of the main motives it was identified, the increase of sales, expansion of business awareness, increase of profits, decrease of the influence of competition, creating new business contacts and relations, better usage of the resources (increase of utilization). From the negative prospective it mentioned increase of the administration and lastly barriers were identified as difficulties in searching for business opportunities, difficulties in starting relationships with foreign companies and also not enough resources. As one of the risks it was mentioned that fear from signing bad contract, risk of security of payment. Following risks was identified the exchange rate risk and risk from foreign country legislation and its changes. It needs to be mentioned that the findings from this thesis are in consensus with the findings from the research made by Kubičková, Toulová, Tuzová on Internationalization process of Czech Small and medium Sized Enterprises (2015). The research in this thesis also highlighted the importance of physical and psychological distance, and comparing to the republic wide research in the bordering region, it was identified as one of the main motives. Thus, it can be said that the border region of Znojmo, has certain influence on the companies and their motive to participate in the foreign market operations.

Straka (2014) in his publication about the risks for SME in internationalisation identified as the one the main motives of Czech SME to enter foreign market operation the increase of sales of the company. Another motive that was identified by Straka (2014) is weak competition on the foreign market, this was not actually between one of the main motives of the researched sample in this thesis. On the other hand, one company mentioned that the competition is strong on the foreign market, but as this was mentioned by only one company it cannot be generalised for the whole segment of SME in Znojmo region. Following motive per Straka is the close psychological distance. This was confirmed also based on the research made in this thesis. The close psychological distance played role in the selection of the foreign market, but also the physical distance played role in case of the companies in the Znojmo region, due to close distance to the border. Another motive identified by Straka is stable legal environment on the market, this was not confirmed by the research made for this thesis, as the legal environment in Austria just went through changes and it will again soon go through another change in relation to the foreign SME operating on the Austrian market. To mention the risks connected in Straka researched it is mentioned the security of payments, this is taken care of by most companies in his research by advance payment, the validity of statement is confirmed in this thesis as well, as the companies in the border region are using the advance payment option as well. Another risk is the partnership risk and contracts, this is also confirmed in this thesis as one of the risk and is valid for the border region too.

The current situation of the companies and their level of involvement in the foreign market operations is that the companies are solely focusing on export activities. In the UPPSALA model created by Johansson and Wiedersheim-Paul in 1975. The companies are in the second stage of the internationalization but without any interest in going forward in the process such as establishing a new branch of the company outside of their domestic market. As another important motive behind their foreign market operation is the physical distance of the market. The actual location of the Znojmo region which is on the borders with Austria have influence on the companies to enter the market. It can be argued that some companies selected as the first option for foreign market operations Slovakia. This was confirmed via the primary data; Slovak market has closer psychological distance as described in the UPSALLA model compared to Austria. The process of companies was either to start on the Slovak market and later one when they had some experiences in export to start their activities geographically closer, market such as Austria. It was confirmed in the thesis the validity of the UPPSALA created back in 1975. The psychological distance has a large influence on the companies in their decision about entering foreign market, but thanks to the physical distance with experiences the company wants to engage also in psychologically more distant market. Therefore, for companies which started with the foreign market operations sooner, the first option was to start on the psychologically closer market, the Slovak marker. For companies which penetrated the market later, with more experiences, their first market to penetrate was the physically closer one.

9 Conclusion

The main objective of this diploma thesis was to determine the opportunities for Small and Medium sized enterprises in the Znojmo region in relation to internationalization and the UPPSALA model. Focus was made to the motives of the companies and the risks and barriers of the company for their foreign market operation. The thesis is divided into three parts: In the first part of the diploma thesis a literature review from the available sources, all sources are cited according to the norm. The main objective of the literature review is to bring a basic level of theoretical knowledge to the problematics of the sector of SME and internationalizations processes. The second part was focused on the analysis of the SME using secondary data starting on the European level, followed by the situation on the Czech market and lastly on the Znojmo region itself. As the last part of the thesis the analysis of the primary data was conducted. The collection of the data was done through semi-structured in-depth interviews as a form of qualitative research technique.

Obtained data were used to create mind maps of the main motives, risks and barriers which are being considered by the interviewed companies. Furthermore, the motives, and risks and barriers were submitted to deeper analysis to provide generalised data which could be applied for the segment of SMEs in the Znojmo region.

To conclude the researched topic, in-depth interviews showed only a few opportunities which are shared among the selected sample of the companies. According to the interview as the primary opportunity the companies see the Sales increase, which is related to the increase of the size of the potential market. As another main opportunity that was identified is the possibility for price competition on the foreign market thanks to the lower labour costs in the Czech Republic comparing to labour prices on the Austrian market. Another opportunity that was identified is the psychological distance, this was valid for the Slovak market. As the companies who are involved in the export activities started on Slovak market and after gaining some experiences they used the advantage of the short physical distance to the Austrian market and took it as an opportunity to start their entry on this market as well. Following opportunity is the network of contacts that can be an important part for any company, as by expanding their network they can become an inside member of the network on the foreign market which will bring more sales related opportunities for the company. It is also an opportunity if the company already have contacts on the foreign market and they can expand their operation there and the penetration of the market will be less risky. Experiences is one of the opportunity as well, thanks to entering a new foreign market the company gains a lot of experiences with the process of internationalisation itself, but also the experiences of conducting business on the new market. Lastly the opportunity for company expansion, this is related to the increase of sales. Once the company will increase their potential market, the sales shall increase as well and based on the situation on the market it will provide an opportunity to expand their current company.

In connection to the motives research also looked at the risks and barriers for the companies from the Znojmo region. The companies' risks which has the highest impact

on their operation, including the highest probability is the lack of market research of the foreign market. The companies entered the market essentially with very limited knowledge about the potential size of the market, legal factors, competition etc. The author provided several recommendations towards possible help that can be provided and that is also regionally easily accessible. As another main risk, it was concluded that the companies lack any experience in forming partnerships with any foreign partner on the other side of the border. The author provided a general guidance, which will provide help to the companies to establish working partnership with their foreign partner. Including possible institution established on both the Czech and Znojmo market which are aimed to help with the process itself. Another point discussed throughout the risks and barriers is the company's management to retain a full control over the entire company. Following points relates to the the lack of interest and legal restriction. The lack of interest can be overcome by giving up some of the responsibilities and focus more on the strategy of the company, once the higher management is not dealing with the day to day task they can spend more time working on the strategy and researches which will show the actual potential of the foreign market operations. And the last point is related to the legal restriction imposed on the companies operating on the foreign market, to know all the legal restriction in detail a market research is needed as mentioned above which will mitigate the barrier.

As one of the objectives of the thesis was also to compare the actual position of the SME and their relation to internationalization and the validity of the UPPSALA model. In the thesis, the validity of the difference between the physical and psychological distance was confirmed. However, it needs to be mentioned that companies which are located on the border region are likely to consider their entrance to the foreign market which has a close geographical distance, even though the psychological distance is larger. For the continuation of the model, the companies should start to think about establishing new branches in the foreign market. This was not proved, as there was a high level of lack of interest between the selected sample of the companies towards their possible full entry to the foreign market. This again is related to the physical distance and the possibility to easily travel to the bordering region. None of the companies has, at the time of the research, any branch or daughter company abroad.

The results from this thesis are comparable with other scientific researches. It is important to mention that the research brings a few new terms to the topic especially about the willingness of the companies in the border region for deeper integration on the foreign market it also shows different results than the other scientific papers. The results could be compared to other researches and the Thesis brought new ideas to the researched topic

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12 Abbreviations

SME	Small and Medium Sized Enterprises
EU	European Union
R&D	Research and Development
U-model	UPPSALA Internationalisation model
I-model	Innovation-Related Internationalisation model
IT	Information Technology
EU28	28 members of the European Union
USA	United States of America
ISO	International Organization for Standardization
A/C	Air conditioning
ths.	Thousand
CZK	Czech Crown

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Appendix

A Complete mind map

