Annexes

I. Internationalization Process of the Czech SMEs

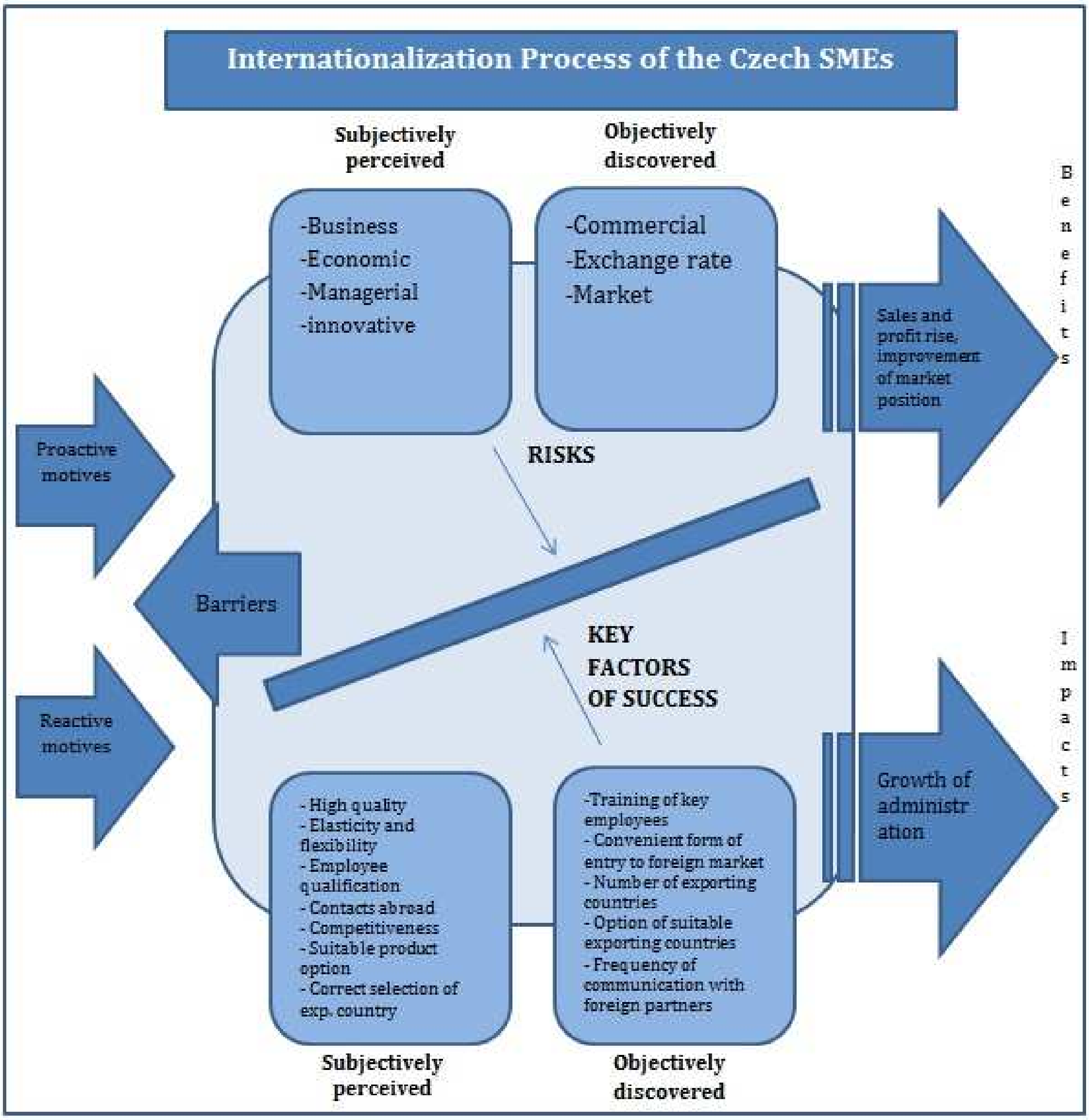

Fig. 13 Internationalization Process of The Czech SMEs

Source: Kubíčková, et al, 2015; adapted by the author.

II. Analysis of the general environment in Poland

POLITICAL ENVIRONMENT

Among the political factors the government attitude to import and direct foreign investments and the general political stability of Poland were considered.

In 2004 Poland joined the EU together with the Czech Republic and other countries. This accession provided a guarantee that Poland will remain a democracy and market-based economy with respected property rights. In 2010 President of Poland and many official notables (head of national bank, ministers and vice president) have been killed in a tragic plane crash where Poland lost many financial and organizational leaders and managers. Despite this situation, the country has not experienced any excessive economic and political instability, the credit rating for country had been unchanged and not serious shocks in the stock exchange occurred. The country proved that it was politically stable during that time period. Nowadays, the political situation is not so stable anymore. There are conflicts between political parties and the European Commission established conditions for the Polish judicial system transformation process, as Poland infringed effectiveness and legitimacy of the fundamental court. The political situation in Poland and many unclarified practices of Mr. Donald Tusk, Polish former prime minister, currently President of the European Council, lead to distrust towards Polish government and the main players of the EU are inclining to leave Poland behind the EU mainstream negotiations.

ECONOMIC ENVIRONMENT

The main economic factors that should be analyzed in the economic environment are the rate of growth of the gross domestic product, unemployment, inflation and trade balance.

Since 2010, when the Polish economic growth rate displayed one of the best results in Europe (3.9 % per year), Poland could keep the pace until 2015 when the growth rate was still as high as 3.6 %, however since 2016 the economic growth has plummeted. The Polish government made some provisions and the measure stimulus applied together with tightening of the labor market to start a new growth. In 2015 the GDP was 474.9 US billion dollars, GDP per capita 12495.3 US billion dollars, GDP (PPP) 0.89 % of world GDP.

Recently, Poland has been increasing its current account deficit. The unemployment rate of 5.9 % (December 2016) which is much lower than in Slovakia or in France, have posed important challenges to continuing Polish economic growth. Significant sectors that could have a huge opportunity for the country’s economic growth are, according to analysts, the manufacturing and service sectors. The foreign direct investments are oriented to major industries. In

Poland in general there is a strong domestic consumption. This fact is seen as one of the key drivers for Polish economic growth as well.

Inflation in Poland is 2.2 % year-on-year (December 2016), that significantly accelerated in comparison with previous periods when Poland was, on the contrary, dealing with deflation. It means the growth rate of the consumer prices is accelerating. This value has been the highest since 2012.

The Global Competitiveness Index (2016-2017) is for Poland on 36th place (from 138 world countries) – The Czech Republic took 31st place. This index detects determinants of a log-term growth of the country. The current situations and developments such as commodity price changes, market volatility or Brexit have had an impact on the data measuring these determinants. (World Economic Forum, 2016-2017)

The report that presents the rankings of the Global Competitiveness Index (GCI) is based on 12 pillars seen in Fig. 14. These pillars provide a general view of the competitiveness attributes. Its base works on the set of policies, institutions and also factors that determine the level of productivity of an economy.

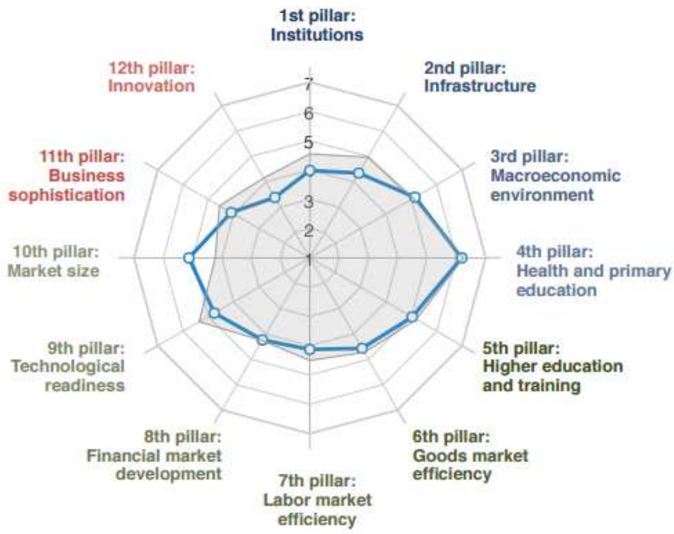

Fig. 14 Position of Poland in the global competitiveness

Source: World Economic Forum, 2016-2017.

The Polish competitive environment got the best ranking in the Market size (10th pillar) – Poland takes a really nice 21st place. In Higher education and training (5th pillar), Poland is on the 37th place, similar as in Health and primary education (4th pillar) on the 38th place. In the Labor and market efficiency (7th pillar), Poland achieved the 79th place, in Institutions (1st pillar) the 65th place and in Innovations (12th pillar) the 60th place, while other pillars are between the 40th and 60th place.

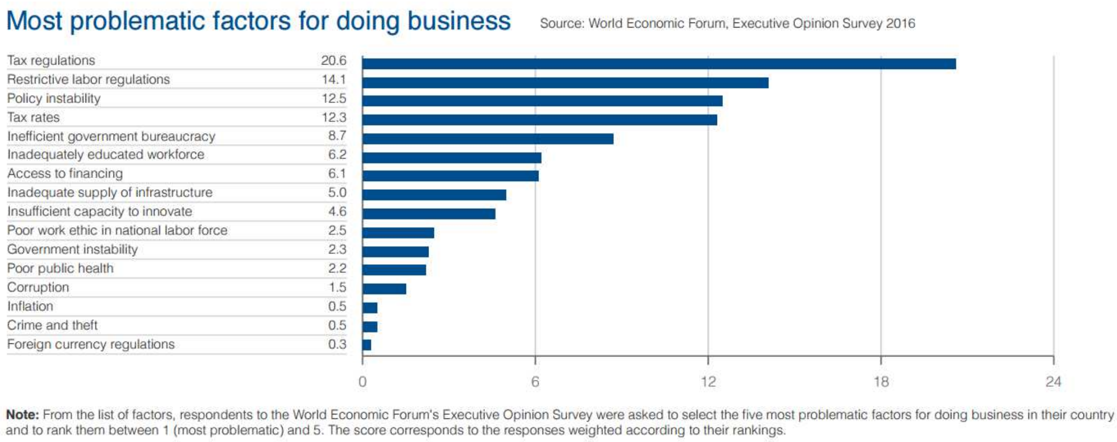

Fig. 15 Most problematic factors for doing business in Poland

Source: World Economic Forum, 2016-2017.

As we can see in Fig. 15, the tax regulations, restrictive labor regulations, policy instability and tax rates are considered the most problematic factors in doing business in Poland. On the other hand, factors such as corruption, inflation or foreign currency regulations have not been considered really important problematic factors.

SOCIO-CULTURAL ENVIRONMENT

Among the socio-cultural factors, it is essential to analyze the culture-difference aspects in Poland which are manifested especially in different attitude to work, to authorities, to competition perception, different material needs or different approach to time and risks conception.

Since the economic transformation in 1990, the import of foreign goods has become boarder. It includes machinery, transport equipment, chemicals, minerals, fuels and intermediate manufactured goods. The Polish export has increased as well, namely of goods such as cars and car components, furniture, electronics, metal products, etc. Since then, Poland has become a country of international labels and brands, shops, dynamic people and new technologies. Poles have changed their approach and expressed their optimism and initiative, and started wake away from the historical numbness.

Over 50 million people around the world speak Polish, which includes all Polish citizens and Polish centers outside the country's borders (London, Dublin, Chicago, etc.).

The attitude to the cultural environment is on a really high level in Poland. Poles tend to culture and have close relationship with cultural education. It includes theater, art, literature and religion. More than 96 % of Polish population is Catholic.

In communication with Polish companies the Polish language is recommended, in contact with authorities and offices it is obligatory. All documentary materials, catalogues and proposals should be submitted in Polish. The purchase customs of Poles are influenced by their income, the goods country of origin, the quality and the price comparison.

Some information needed, partnerships, support programs, and other data can be obtained from the *National Centre for Culture Poland* on their websites at http://en.nck.pl/activity/.

TECHNOLOGICAL ENVIRONMENT

In the course of the past two decades, new technologies have been developing significantly. A new method for synthesizing the purest crystals of gallium nitride and cardiac surgery robots invention are the most important projects that brought together medical science and high technology in Poland. Because of high productivity and low wages, many Polish factories have become a part of German supplying chains.

The most significant sectors in Poland are power engineering, agriculture, high tech research and development, and manufacturing. Joining the EU made the structural funds and grant support available to Polish companies and entrepreneurships in chosen industries.

LEGISLATIVE ENVIRONMENT

For the Polish legislative environment analysis, it is helpful to look at the norms that are related to the legal system, such as the Civil Code (Kodeks cywilny), Commercial Code (Kodeks handlowy), Labor Law (Kodeks pracy), but also those laws that are related to the entrepreneurship field of the company.

Throughout the European Community (EC) as well as in Poland, it is possible to found a company in the form of European limited company. Establishment of this form enables regulation of Council EC *no. 2157/2001, about statute of European company*. The elemental advantage of the European company is the possibility to transfer its headquarters to any country within the European Community without liquidation, contrary to ordinary form of entrepreneurship. The European Economic Interest Grouping (EEIG) was created under EC Council Regulation *No. 2137/85*, and is adjusted by law *No. 360/2004*. This legal entity was designed to make it easier for companies in various countries within EU to do business together.

A substantial part of the European law comprises legislation that adjusts an internal market. A free movement of goods, persons, services and capital and as well as the freedom of settling are enshrined in the primary law in the Treaty on the Functioning of the European Union (TFEU). Subsequently, these freedoms are developed in the secondary law of the EU, especially in many directives.

These freedoms create the basis for the EU internal market functioning. The Right of establishment can be founded in an *article No. 49-55, of the TFEU*. For business companies, the secondary establishment enables the foundation of subsidiary (daughter) companies, subdivision establishment or representation on other country’s territory. A natural person can open a secondary office in different member state. In this case the member state where the main entrepreneurship activities are performed remains unchanged.

A Polish Chamber of Commerce has available more information about commerce in Poland.

III. Analysis of the field environment – the Polish book market

The Polish book market holds almost 3 % of the European publishing market. Poland occupies around 7,5 % of the EU population. The general assumption might be that the Polish book market should be on a growth path, however, a stagnation has started at the beginning of 2011.

Further predictions for the future years anticipate a significant decrease in the income and intensification of competition between publishers.

In Tab. 23 we can find a general overview of book production in Poland in the period between 2011 and 2015.

Tab. 23 Book production in Poland (2011-2015)

BOOK PRODUCTION	2011	2012	2013	2014	2015
Published titles	24,920	27,060	29,710	32,480	34,920
First editions	12,180	13,410	15,580	18,870	21,130
Print-runs (in millions of copies)	122,4	107,9	112,4	105,1	97,7
Average print-run (no. of copies)	4,912	3,987	3,783	3,236	2,798

Source: INSTYTUT KSIĄŻKI - Biblioteka Analiz Sp. z.o.o., 2016.

In 2015 there was a significant drop in the average print-run by 13.5 % (from 3.236 to 2.798 copies). The drop of 7.0 % in overall number of printed publications copies was also substantial lower (from 105.1 mln down to 97.7 mln).

For an overview, the Tab. 24 lists the quantity of published titles, first editions and re-editions that were published between 2012 and 2015 for adults and for children. As we can see, the number of published titles and first editions is still increasing, on the other hand, there has been a rather stagnating or decreasing trend in children literature.

Tab. 24 Belles-lettres in Poland (2012-2015)

BELLES-LETTRES (number of titles)	2012		2013		2014		2015	
	Adult	Children's	Adult	Children's	Adult	Children's	Adult	Children
Published titles	5,223	2,081	5,036	2,178	5,712	2,630	6,785	2,144
First editions	4,495	1,841	4,658	2,092	5,245	2,533	6,253	2,060
Re-editions	728	240	378	86	467	97	542	84

Source: INSTYTUT KSIĄŻKI - Biblioteka Analiz Sp. z.o.o., 2016.

An interesting and new initiative in the book publishing sector is the Poland's first annual post-graduate bookselling course on the university level. This establishment is organized by the Polish Book Chamber, the Book Institute and Warsaw University Institute for Academic Information and Bibliology and is known under the name of "Polish Academy of Bookselling". In 2016 there were first 35 graduates that successfully completed the course.

COMPETITION IN THE INDUSTRY

In the National Library database there are almost 45,000 publishers that are registered in Poland, however not more than 2,000-2,500 of them are active publishers (i.e. publishing several books a year).

In Tab. 25 we can find an overview of publisher's size, sales income in Polish currency and in euro and the market share in percentages from 2015.

Tab. 25 Market share in 2015 on the Polish book market (by size of publishing firm)

	Number in group	**Sales income within a group in zloty mln**	**€ mln**	**Market share in %**
Large publishers (annual income > € 4 million)	35	1,742	408,9	72,3
Medium-sized publishers (annual income from €200,000 to € 4 million)	**~ 250**	**609**	**142,9**	**25,3**
Small publishers (annual income < € 200,000, publishing at least two titles p.a.)	Over 1,500	50	11,7	2,0
Irregular publishers (producing occasional publications)	Over 4,000	12	2,4	0,5

Source: INSTYTUT KSIĄŻKI - Biblioteka Analiz Sp. z.o.o., 2016.

The Publishing House JOTA belongs to the medium-sized publishers' category that is described in Tab. 25. Their potential of the average income per year is similar to that they perceive now in the Czech Republic. This is a good prospective potential for the company. Even if the market share of medium-sized publishers is not really high, it is comparable to situation within the Czech Republic where the value of market share corresponds to the size of publishing firm either.

The following Tab. 26 presents a situation progress in the amount of income from book sales in the Polish book market between 2011 and 2015.

Tab. 26 Income from book sales in Poland (2011-2015)

INCOME FROM BOOK SALES					
	2011	**2012**	**2013**	**2014**	**2015**
Income from book sales at publisher's market prices [in zloty bn]	2,71	2,67	2,68	2,48	2,41
Income [in € mln]	658	639	640	582	566
Percentage growth	-8%	-1,5%	0,4%	-7,5%	-2,8%

Source: INSTYTUT KSIĄŻKI - Biblioteka Analiz Sp. z.o.o., 2016.

As we can see, there is a significant fall in sales in the publishing sector that was caused by various kind factors combinations that lead to progressive changes in retailing sales sector. There has occurred a persistent decline in bookstore sales, and at the same time the internet sales have rapidly grown. The subsequent factors of market value fall were changes that were introduced by the Ministry of Education. The Ministry instructed that school textbooks will be free of charge for chosen grades of education. In 2014 the Ministry supplied primary schools with free of charge textbooks that were issued by the Ministry, it means the educational publishers and book distributors lost their income in this sector. In 2016 it was expected that changes would be applied in the textbook providing system and its improvement, but these rules have not been publicly announced yet. Nevertheless, these new improvements might help educational publishers to be more optimistic that their textbooks could return to schools, but they will still be free of charge.

In Tab. 27 are listed the Poland's biggest book publishers and their income from book sales from 2014 and 2015 are listed, and in Tab. 28 are listed the Top 12 literature publishers, the number of published books per year on average and their main focus.

Tab. 27 Poland's biggest book publishers

POLAND'S BIGGEST BOOK PUBLISHERS		
PUBLISHER	**INCOME FROM BOOK SALES IN 2014 [IN ZLOTY MLD]**	**INCOME FROM BOOK SALES IN 2015 [IN ZLOTY MLN]**
1. NOWA ERA nowaera.pl	261.4	286.7
2. WYDAWNICTWA SZKOLNE I PEDAGOGICZNE wsip.com.pl	243.8	255.0
3. WOLTERS KLUWER POLSKA wolterskluwer.pl	195.4	215.2
4. PEARSON CENTRAL EUROPE pearson.pl	134.6	121.3

5. GRUPA EDUKACYJNA grupaedukacyjna.pl	94.5	99.5
6. WYDAWNICTWO OLESIEJUK olesiejuk.pl	94.4	98.0
7. SIW ZNAK znak.com.pl	75.3	77.0
8. MACMILLAN POLSKA macmillan.pl	52.0	54.0
9. C.H.BECK beck.com.pl	46.9	48.0
10. GRUPA PUBLICAT publicat.pl	34.3	39.5

Source: INSTYTUT KSIĄŻKI - Biblioteka Analiz Sp. z.o.o., 2016.

In 2015 the market share of the five biggest publishers (Nowa Era, WSiP, Wolters Kluwer Polska, Pearson Central Europe and Grupa Edukacyjna) totalled 41 %, whereas a year earlier (2014) it was 37.9 %. In 2015 the number of people employed in publishing sector totalled 4,870, which was 3 % fewer than in the previous year, when the total was 5,260 (in 2014). The year 2015 was also a period in which many publishers evidently continued to widen their range of electronic publications and developed systems for selling them. The main obstacle in the way of fast development of the market is seen in the levels of taxation on distinct forms of publication. Printed books are subject to VAT of 5%, while digital publications have the basic VAT rate of 23%.

Tab. 28 Top 12 literary publishers in Poland

TOP 12 LITERARY PUBLISHERS IN POLAND

PUBLISHER	NUMBER OF NEW TITLES PER YEAR	BOOK GENRE ORIENTATION
1. ALBATROS wydawnictwoalbatros.com	135	Foreign bestselling authors
2. AMBER wydawnictwoamber.pl	165	US and UK fiction (popular and crime)
3. CZARNE czarne.com.pl	80	European prose and non-fiction, reportage and travel writing publisher
4. FOKSAL PUBLISHING GROUP gwfoksal.pl	238	Well-known foreign authors, Polish authors
5. MUZA muza.com.pl	172	Foreign fiction and essays

6. PRÓSZYŃSKI MEDIA proszynski.pl	165	New authors of popular Polish literature (science-fiction, crime, popular science books)
7. REBIS rebis.com.pl	125	Non-fiction, self-help books, popular science and history; books in extensive series
8. SONIA DRAGA soniadraga.pl	106	Literary novels (novels of manners, historical fiction, historical romance, crime and thrillers), non-fiction
9. ŚWIAT KSIĄŻKI swiatksiazki.pl	101	Most popular Polish authors
10. WYDAWNICTWO LITERACKIE wydawnictwoliterackie.pl	95	Leading Polish authors, serious literature, thrillers, crime novels and women's romantic fiction
11. ZNAK PUBLISHING GROUP wydawnictwoznak.pl	135	Literary fiction and non-fiction, children's literature, Poland's most famous authors, history books
12. ZYSK I S-KA zysk.com.pl	130	Adult fiction by Polish writers, leading publishers of fantasy

Source: Created by the author.

POTENTIAL OF NEW ENTRANTS INTO THE INDUSTRY

Among barriers precluding the entry to the Polish book market there is the restricted amount of information about the market, lack of both untrained and expert employees in this branch of industry, poor identification of Polish business opportunities in the book market, and difficult price comparison within present competition.

For the Czech entrepreneurs, Poland is in general a huge, undiscovered and simultaneously non-saturated market with large offer of foreign cooperation. Many Czech companies underestimate the difficulties of this collaboration and the risks related to them.

The most significant risk in sale area on the Polish market is the risk of currency character, especially appreciation or depreciation of the Polish currency – *zloty*. When the exchange rate change occurs, the firms that are doing their business in Poland could obtain less money than they had expected. The possibility is to reinvest the obtained money in Polish currency when the changes in exchange rate are not the subject of the risk mentioned above.

Another possible, yet quite risky solution can be to find a business partner or employ a manager who would be responsible for the start-up and only time would show if they are capable of performing the obligations/liabilities. The problem is that the payment morality in Poland is similar to the situation in the Czech

Republic. Finding a responsible business partner/responsible employee is the most important step for entering any foreign market, in this case the Polish one.

The problem for foreign companies doing their business in Poland, and that is typical for Poland in general, is the excessive bureaucracy and lack of clarity in laws and legal regulations.

During negotiation process with distributors, partners, or suppliers it is also important to follow the rules of etiquette. This could also present a problem as the preferred negotiation language is and the most commonly used one is Polish. The time observance is another important issue. Polish distributors and suppliers pay attention to observing deadlines and time periods during business processes.

POWER OF SUPPLIERS

Suppliers for book publishers are mainly printing companies, literary agents and agencies, translators, authors, illustrators and photographers.

Printing companies are the biggest suppliers for publishing houses. Generally, the printing place is chosen according to actual price offers, quality, new technological processes and material supply that the printing company offers within the EU area. A large number of Polish publishing houses print in the Czech Republic, mainly in Těšín (Těšínská Tiskárna, a.s.). The list of main book-printing companies in Poland is created in Tab. 29.

Tab. 29 Main book-printing companies in Poland

Name	Supply	City
DUKARNIA NARODOWA	book printing and binding, paper publishing products	Kraków
COLOR GRAF SP.Z O.O.	comprehensive book printing, packaging printing	Gdansk
BOOKS AND CATALOGUES (BC)	book printing, offset printing, banners, catalogues printing	Poznan
KURTIAK I LEY	book printing and binding – books in limited editions	Koszalin
AQRAT PRINTING HOUSE	books, offset printing, catalogues and brochures	Wroclaw
PIONIER	books, brochures, magazines, folders, tickets	Kraków
DRUKARNIA BELTRANI Sp. J.	books, catalogues, brochures, folders, posters	Kraków
DUKARNIA SKLENIARZ	high quality books, albums and catalogues books and magazines of high artistic value	Kraków

Source: Created by the author.

Polish publishing houses offer good quality for relatively low prices. Nevertheless, the supply of Chinese printing companies is increasingly more competitive. One of them is company named *Guangzhou Xin Yi Printing Co., LTD*. This company is one of suppliers on the Polish book market from China.

Literary agents and agencies selling book copyrights are integral to book publishing industry. Agents come from abroad or from Poland directly. The field of copyrights is very important and complicated, represents series of dilemmas, not only for lawyers and courts, but mainly for employees in this industry. In last decades the new technology development has been created constantly in Poland and then new circumstances and cases, which were not included in present copyright law, have arisen. Therefore, the Ministry of Culture and Polish Chamber of Books regularly organize copyright forums.

Main Polish literary agencies are listed in the following Tab. 30.

Tab. 30 List of Polish literary agencies

	Name	City	Website/Contact
1.	Macadamia Literary Agency	Warsaw	www.macadamialit.com
2.	Agencja Autorska Autograf	Lódz	www.agencja-autograf.pl
3.	Agencja Literacka Manuskrypt	Piaseczno	www.agencja-manuskrypt.pl
4.	AJA Anna Jarota Agency	Warsaw	www.annajarota-poland.pl
5.	BOOK/LAB	Warsaw	www.literatura.com.pl
6.	Graal Literary Agency	Warsaw	www.graal.com.pl
7.	POLISHRIGHTS.COM	Kraków	www.polishrights.com
8.	Andrew Nurnberg Associates Warsaw	Warsaw	www.nurnberg.pl

Source: Created by the author.

Other important suppliers are translators. In 2010 was founded in Poland an association for literary translators called *STOWARZYSZENIE TŁUMACZY LITERATURY LITERARY TRANSLATORS ASSOCIATION*. The association promotes literature, publishing, reading and Polish language in general. It was founded to create cooperation between cultural institutes involved with literature and translators. The Book Institute Poland created a list of translators ordered according to language. This list can be founded on this link: http://bookinstitute.pl/p,dla-tlumaczy.html.

Authors represent another type of suppliers. Authors are mainly deputized for literary agents and literary agencies that sell their copyrights and negotiate theirs price with publishing houses. Association of Authors and Publishers COPYRIGHT POLAND (*Stowarzyszenie Autorów i Wydawców COPYRIGHT POLSKA – acronym: SAiW*) is a unique publisher-focused organization that hold positions in all relevant aspects of its intellectual property and markets in which they operate.

Their activity is not focused only on Poland, but thanks to joining the IFRRO (i.e. *International Federation of Reproduction Rights Organizations*) they also have influence on solutions in the EU and on the world intellectual property forum which is WIPO (i.e. *World Intellectual Property Organization*).

Illustrators and photographers are considered as not the main but despite the fact important suppliers that are needed for book publishing industry.

POWER OF CUSTOMERS/PURCHASERS

The customers/purchasers of publishing houses in general are the bookstores, book wholesales, internet bookshops, bookshops, e-book and audiobook portals, huge e-shops with wide range of product offer, libraries and final customers (readers).

The Fig. 16 demonstrates the distribution market in Poland. The biggest distribution channel is the Internet (38 % of market share), then Bookshops (36 % of market share) and Supermarkets (15% of market shares). The rest are Newspapers kiosks (8%), Door-to-door (2%) and Clubs and postal sales (1%).

The wholesales have a 50% share of the distribution market. The number of wholesales is still falling, but about 175 firms are active on the market. The most significant and biggest wholesalers in Poland are Azymut, FK Olesiejuk, Ateneum, Super Siódemka, Platon and Wikr.

The faster growth appears to the Internet distribution, especially the internet sales that drive the competition on the price basis and, above all, the growing cost of sales at independent bookstores. The offered discounts on internet bookstores and e-shops around 35-40 % of the retail price are imposed on the new publications. However, not only internet stores are offering discounts, the Newspaper kiosks and shops have started to generate stable sales as well and these sales are mainly related to the new books and best sellers. The sales in Supermarkets are also rising. This fact is influenced by the commercial discount chains activities in combination with attractive range of topics at lower prices than the mainstream book distribution channels. We talk about 25-35 % lower prices on average.

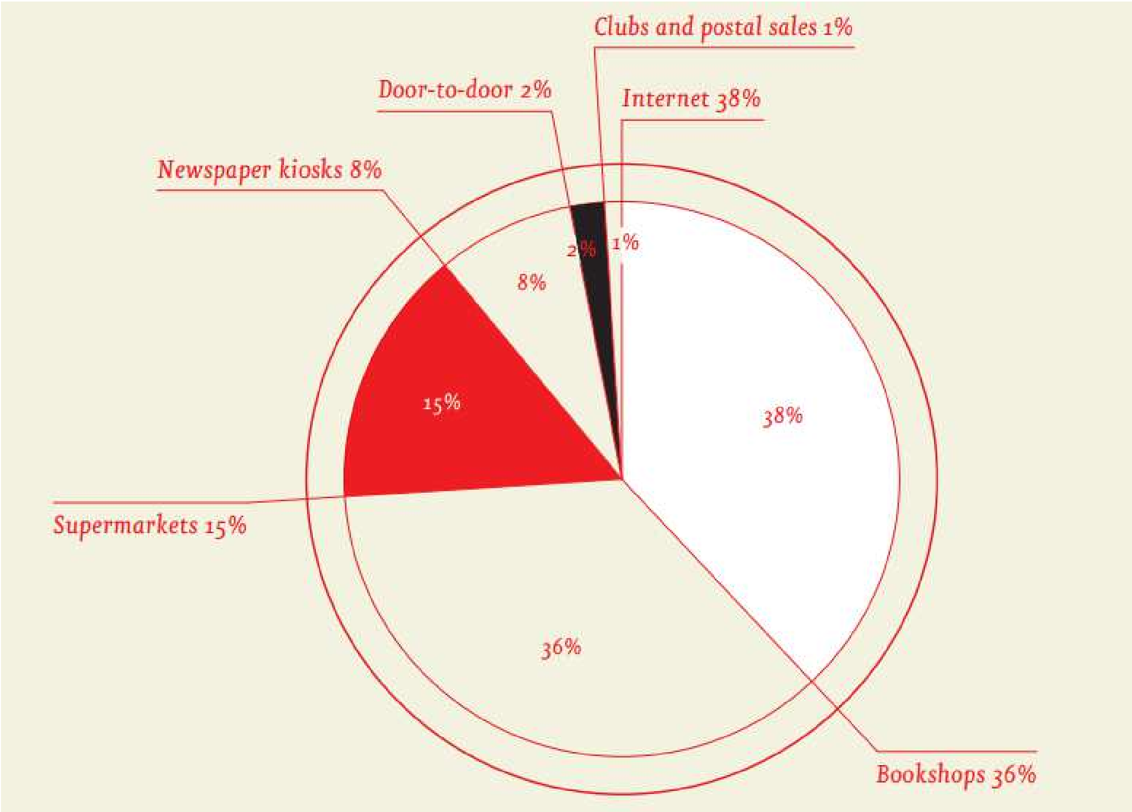

Fig. 16 Distribution market share in Poland (2015)

Source: INSTYTUT KSIĄŻKI - Biblioteka Analiz Sp. z.o.o., 2016.

Main book chains are considered as these followings: EMPIK, MATRAS,, BOOK BOOK, ŚWIAT KSIĄŻKI, KSIĄŻNICA POLSKA, BOOKSZPAN.

In Fig. 16 and in Tab. 31 we can observe an interesting feature of the Polish book market which is a huge percentage of supermarkets sales and distribution, and real book purchases of the end customers. From the Tab. 31 a significant rise in supermarket purchases is visible (marked boxes in the table) in the period between 2012 and 2015. The internet bookstores has higher and higher % of purchases, as well. On the contrary, a considerable decline is observed in the traditional bookshops – see the difference between 2010 and 2015. This trend is detected in the whole book market world-wide, and it is certainly related to the continual development and innovation in IT technologies and communication channels.

Tab. 31 Places where Poles purchase books

WHERE DO POLES PURCHASE BOOKS [% OF BOOK BUYERS]				
	2010	2012	2014	2015
MULTIMEDIA STORE (E.G. EMPIK)	22	29	21	21

TRADITIONAL BOOKSHOP	58	55	49	48
SECOND-HAND BOOKSHOP	7	6	6	4
BOOK CLUBS	12	4	4	5
INTERNET BOOKSTORES	15	12	16	17
NEWSPAPER KIOSK OR SHOP	6	6	10	9
CUT-PRICE BOOKSTORE	6	6	9	9
SUPERMARKET	4	5	**12**	**16**
OTHER	8	4	2	2

Source: INSTYTUT KSIĄŻKI - Biblioteka Analiz Sp. z.o.o., 2016.

The characteristics of customers on the Polish book market can be closely related to the Czech ones. Because of long similar historical aspects that connected Polish and Czech country in the past, it is obvious that people living in these countries have many things in common regarding the cultural preferences and cultural characteristics. The comparison can be seen in the Fig. 17 where is evaluated the culture of Poland and Czech Republic in six dimensions (*6-D Model by G. Hofstede*).

In most of dimensions defined by Mr. Hofstede the Polish and the Czech culture is similar, i.e. Power Distance, Individualism, Masculinity and Indulgence. The Uncertainty Avoidance is much higher in Poland than in the Czech Republic, in the opposite the Long Term Orientation dimension is much higher in the Czech country than in Poland.

The following factors are for Poland and Czech Republic equal or really similar. The high score of Power Distance dimension identifies the hierarchical society where centralization is popular, people accept a hierarchical order in which everybody has a place and where are reflecting inequalities.

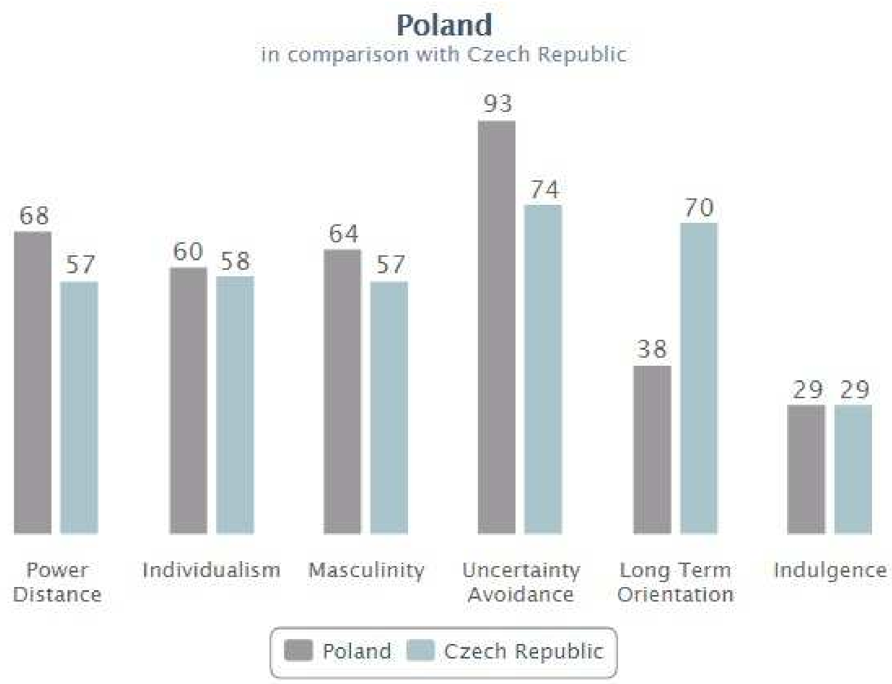

Fig. 17 Cultural preferences in Poland compared with Czech Republic

Source: Hofstede, 2017.

The high score of Individualism means that the society has individualistic character where individuals are expected to take care of themselves and their immediate families only, in general. A high score in Masculinity dimension expresses that people want to be the best (Feminine is the opposite – when people like what they do). These people live in order to work, the emphasis is on equity, competition and performance. The low score of Indulgence reflects actually the opposite – Restraint. The Restrained societies do not put much focus on leisure time and control of individual desires and impulses, these people have a perception that their actions are restrained by social norms.

The following factors are not equal for Poland and for Czech. Very high Uncertainty Avoidance dimension expresses that Poles highly prefer to avoid uncertainty, there is emotional need for rules, precision and punctuality are the core things, and security is very important element for individual motivations. The totally opposite factor for Poland and Czech Republic is the only one, such as the Long Term Obligation. Very low score means that the society is much more normative (Poland) than pragmatic (Czech Republic). People in normative societies have a very strong need to establish the absolute truth, they exhibit a huge respect to traditions, small propensity to save for the future and need to achieve quick results in short time. The pragmatic society works reversely.

These facts are very useful for company's future analysis of the Polish customers' needs, their attitude to purchase and their characteristics. Because, mainly these facts are similar to the Czech ones, therefore the purchasing morality and expected behavior of consumers (i.e. end customers) can be comparable without any doubt to the Czech Republic where the company has long-term experiences.

THREAT OF SUBSTITUTE PRODUCTS

Electronic books (e-books), audiobooks, film industry (movies) and theatre performances can be considered as substitute products to printed books.

The **e-book market** started its boom and in 2015 its value was in total 62 mln zloty and has grown by 10.7 %. The significant rise was seen in a number of Polish books (in Polish language) under copyright and in the public domain, as well. The total number of Polish titles was estimated at 41,000 at the turn of 2015 and 2016, and 55 % of them were commercial titles. The sales of electronic publications via the Internet channels are a subject of basic VAT rate (23 %) according to rules within the EU. This regulation leads to imbalance between various forms of the same content in the taxation, mainly because a VAT rate of 5 % is imposed on printed books in Poland. The development of the e-book market is strongly supported by the publishers who are responsible for a number of attractive book titles that are brought on the market in general and by digital book distributors who effectively promote e-reading and therefore are raising the e-book sales.

From the customer point of view, the central focus within this industry should be a breadth and attractiveness of the offered book spectrum, customer service of the store (such as payment system, loyalty programs and availability of the e-books. The pricing of e-books is not the main focus. The area for competition can be considered the costs of sales support (distributors' margins that are on the average around 30 % of the retail price of book's digital edition). The improvement of selling models of e-publications is still under way, but generally the forms and present tools have been imported from the market of printed books and were adapted to the digital trade conditions.

In 2015 a new feature was introduced concerning the introduction of e-reader subscription that provides access to a database (offered by the firm Legimi) offering several thousand titles. This platform is an alternative distribution to transaction sales where the reader becomes the owner of the e-book. Compared to the subscription form which enables an access to the relevant book title temporarily (under fixed payment, e.g. for 1 month).

Another product that is considered to be a substitute for classical books is the **audiobook**. In 2015 the estimated sale value in Poland was the total of 36,5 mln zloty, which is by 25 % more than in the previous year. The range of audiobooks' offer increased as well, over 14 % (from 3,250 to 3,720 audiobook titles in 2015; publications for learning foreign languages are not included). A proportion of sales of audiobooks on CDs and online sales is approximately 60:40 per cent, where online sale is still growing. The dynamic growth of audiobook production in general was during the years 2014 and 2015, where the main range of books offered in an audio-form consisted of those with a greater commercial feature and potential sales. The ordinary progress is to publish a printed book with biggest expected sales potential and issue an audiobook and its electronic version simultaneously. The leading audiobook distributor in Poland, the Internet platform Audioteka, that issues audiobooks on CDs, has advanced and at the beginning of 2015 implemented new strategy of increasing its own operational and capital engagement in audiobook production by co-financing titles' recording (several titles in a year). Nowadays, Audioteka disposes of really wide range of international titles, including audiobooks in foreign languages, not only Polish (Spanish, Czech, French, English, Italian, Slovak, Chinese, German, etc.).

Other substitutes are the **film industry**, such as movies, cinema, and **theatre performances**. Both of them are considered to be highly strong substitutes that are dependent on customers' preferences, interests and their purchasing power. For both of them two situations are typical. First, the movie or performance is created on the basis of a regular printed boo. It means, there is a book published with its potential while following its success on the book market a screenplay or theatre script are created later on and the movie or play is brought to the world. The second situation is just the opposite. There is a famous movie on the film industry market, or famous theatre play, and somebody will write a book with the same scenarios and publishing house publishes it with high potential to be a famous book on the book market. Both the first and the second situations are effective and work very well with both of industries, i. e. the book industry as well as the film/theatre industry.

IV. Analysis of JOTA's internal factors

PHYSICAL RESOURCES

The most important company's physical sources are their own building and land with offices and the general base for functioning of the firm including all office equipment (computers, etc.), corporate cars (5) and book warehouse (1).

HUMAN RESOURCES

The company employs 28 regular employees and variable quantity of external editors, proofreaders and instructors. In Fig. 18 we can see that the company has a hierarchical organizational structure. The main firm's departments are marketing and promotion, commerce and sales, project and program management and editorial board. All these units are directly subordinated to the managing director who is subordinated to the main executive director of the company who has the last say in the most important decision making processes.

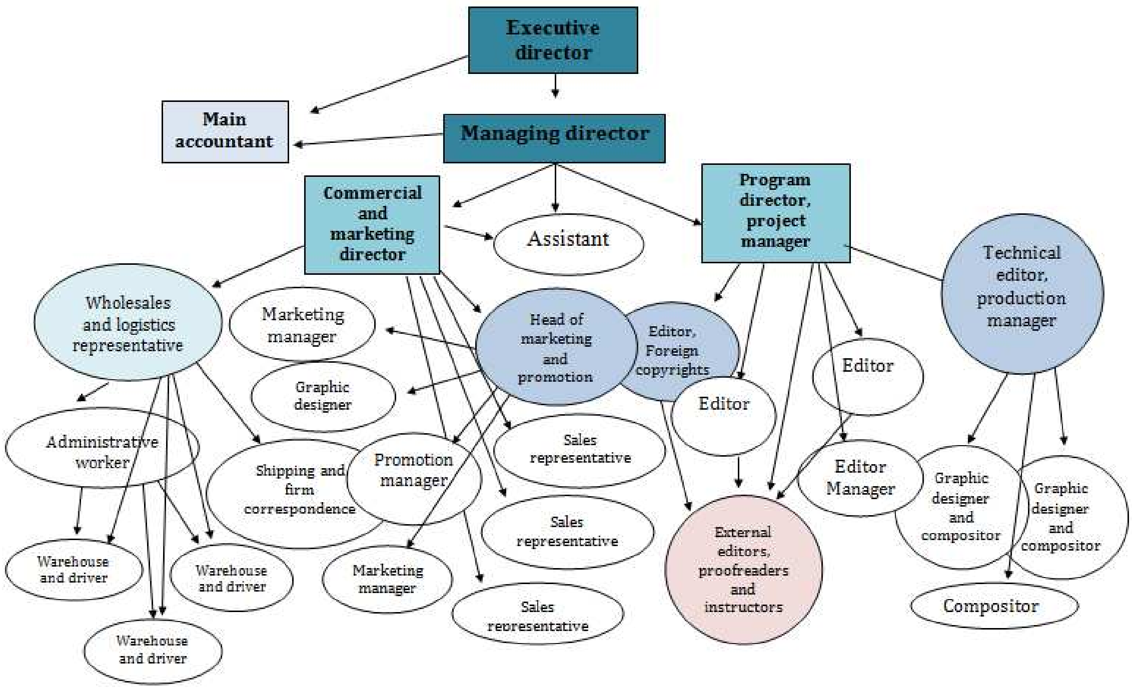

Fig. 18 Organizational structure of the company

Source: Created by the author.

FINANCIAL RESOURCES

The company has been financially independent over a long period. It means, the company does not have any debts, bank loans or long term obligations.

Since 2010 it got subsidies from the EU to support its application of new technologies in case of customer relation management and order management. This IT area project is called "*JOTA's Information Technologies*" and its identification number is Project 2.2 ITP03/270 which is co-financed by the European fund for regional development.

The Nordic states support translations from their languages to other in the whole world with the help of international grants for selected publishing houses and other organizations. JOTA has obtained these small grants too.

Other EU subsidies and grants are in-process right now. These grants are related to the HR development, training and education of employees.

The financial resources will be evaluated by financial analysis elements such as liquidity ratios (Tab. 32), activity ratios (Tab. 33) and profitability ratios (Tab. 34).

Tab. 32 Liquidity ratios

Indicator	Recommended value interval	Calculated value 2015	Comment
Current ratio	*1,5 – 2,5*	3,0	The bigger size of this value is explained by really high company's inventories. It is still considered as good value.
Quick ratio	*0,7 – 1,2*	1,5	The bigger size of this value is explained by really high company's inventories. It is still considered as good value.
Cash Asset ratio	*0,2 – 0,5*	0,3	This value is absolutely fine. Company is able to pay its short term obligations in time.

Source: Created by the author.

Tab. 33 Activity ratios

Indicator	Recommended value interval	Calculated value 2015	Comment
Total Assets Turnover Ratio	*1,6 – 2,9*	0,89	The turnover of total assets is really slow, the company disposed by really high inventories, that is typical for this field of entrepreneurship.
Time of Inventory Turnover	-	180 days	It expresses time how long are inventories on average committed.
Time of Receivables Turnover	-	140 days	Time of receivables turnover determines change of

			receivables in cash.
Time of Obligations Turnover	-	218 days	Time of obligations turnover expresses a time period when creditors provide a trade credit.

Source: Created by the author.

The trade receivables and obligations are in most cases short-term. It is obvious that the company has a huge amount of inventories in the form of stored books. The books are a low-turning product in general, it means that when one title is sold out during one year, it is considered as a really good situation. If it is sold out during 2 years, it is considered a good situation and if it is sold out in 3 and more years, it is counted as really not good situation. To sum it up, this market is really specific in the inventory issue and it varies a title from title what turnover rate each published book will have.

Tab. 34 Profitability ratios

Indicator	Calculated value 2015	Comment
Total Assets Profitability Ratio	0,30	How effectively the company creates a profit.
Equity Profitability Ratio	0,45	How effectively the company appraises inserted own resources.
Sales Profitability Ratio	0,25	This ratio expresses a size of revenues that the company must create to achieve 1,- CZK of the profit.

Source: Created by the author.

All these profitability ratios are considered to be acceptable values. There is still a space for their improvement and better allocation of resources.

INTANGIBLE RESOURCES

The most important intangible resources for the company are the books' copyrights. The company also disposes of purchased licenses such as accounting software, operation system Windows including Microsoft Office and graphic programs. Another really important software is their own internal firm software that connects all departments within the company (better cooperation, faster process proceedings, etc.).

COMPETITIVE ADVANTAGE DETECTION

The publishing house JOTA, s.r.o. is one of the oldest publishing houses in the Czech Republic being on the Czech market since 1990. Therefore, nowadays the reader can expect a quality of JOTA's published book titles. The material and personal base, and their publicity and fame create very high values of company's image nationally. The strong and creative marketing and editorial team are other important advantages in the book industry. The long-term built relationships with literary agents and agencies, wholesalers and retailers, are a significant advantage on the book market that has many specifics indeed. The minimal labor turnover (fluctuation), constant team of professionally capable people and good relations on place of employment are next important factors that strengthen the company's competitive advantage on the book market. Fully-connected internal information system of the company that interconnects all company's departments, commerce and accountancy simplifies and accelerates all procedures within the company.

These detected competitive advantages are used as a base for the SWOT Matrix, as well.

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