

Mendel University in Brno
Faculty of Business and Economics

Internationalization process of the Czech SME's

Diploma Thesis

Thesis supervisor:

doc. Ing. Lea Kubíčková, Ph.D.

Bc. Martin Chudáček

Brno 2017

Acknowledgement

I would like to thank a lot and express my gratitude to my Diploma Thesis supervisor doc. Ing. Lea Kubíčková, Ph.D for her valuable advices, recommendations, help, personal and professional approach and her very kind openness. I would like to thank too all respondents, who participated in my research.

Statutory Declaration

Herewith I declare that I have written my final thesis:

Internationalization process of the Czech SME's

by myself and all sources and data used are quoted in the list of references. I agree that my work will be published in accordance with Section 47b of Act No. 111/1998 Sb. on Higher Education as amended thereafter and in accordance with the Guidelines on the Publishing of University Student Theses.

I am aware of the fact that my thesis is subject to Act. No. 121/2000 Sb., the Copyright Act and that the Mendel University in Brno is entitled to close a licence agreement and use the results of my thesis as the "School Work" under the terms of Section 60 para. 1 of the Copyright Act.

Before closing a licence agreement on the use of my thesis with another person (subject) I undertake to request for a written statement of the university that the licence agreement in question is not in conflict with the legitimate interests of the university, and undertake to pay any contribution, if eligible, to the costs associated with the creation of the thesis, up to their actual amount.

In Brno 4th January 2017

.....

Abstract

Chudáček, M., *Internationalization process of the Czech SME's*. Diploma thesis. Brno: Mendel University, 2017.

The Diploma Thesis deals with the internationalization process of the Czech Small and Medium sized Enterprises. The main focus is on entrance into the foreign market with a deep evaluation of the potential risks. The first part evaluates theoretical background of the whole process and this part is further extended by the analysis of the Small and Medium sized Enterprises. The second part is dedicated to the own research and the situation on the Czech market. For the purpose of the analyses in-depth interviews were done as the main stream of all information. The author further evaluates obtained data and then the data is used to recommend and suggest Czech Small and Medium sized enterprises how to internationalize and avoid potential risks.

Keywords

Internationalization, SME, risks, motives, recommendation, foreign market

Abstrakt

Chudáček, M., *Internacionalizační proces českých MSP*. Diplomová práce. Brno: Mendelova Univerzita, 2017.

Diplomová práce se zabývá internacionalizačním procesem českých malých a středních podniků. Hlavní důraz je kladen na vstup na zahraniční trh s hlubší evaluací potencionálních rizik. První část vyhodnocuje teoretické pozadí celého procesu a tato část je dále rozšířena o analýzu malých a středních podniků. Druhá část je věnována vlastnímu výzkumu a situaci na českém trhu. Pro účely analýzy byly udělány hloubkové rozhovory jako hlavní zdroj informací. Autor dále evaluuje obdržaná data a ta jsou dále použita ke stanovení doporučení a návrhu malým a středním podnikům, jak internacionalizovat a vyhnout se potencionálním rizikům

Klíčová slova

Internacionalizace, MSP, rizika, motivy, doporučení, zahraniční trh

Contents

List of figures	9
List of tables	10
1 Introduction	11
2 Methodology	12
3 Literature review	13
3.1 Globalization.....	13
3.2 Internationalization.....	14
3.3 Uppsala Model.....	15
3.4 Born Globals.....	17
3.5 Motives of the internationalization process	18
3.6 Barriers of the internationalization process	20
3.7 Risks of Internationalization process	25
3.8 Forms of entry into the foreign market.....	26
4 Internationalization of SME's	27
4.1 Small and Medium sized enterprises	27
4.2 Analysis of the Czech Small and Medium sized Enterprises.....	29
4.2.1 Employment in the SME's sector.....	30
4.2.2 Development of Enterprises Outputs in 2009-2014	31
4.2.3 Development of Book Value Added of SME's in 2009-2014	32
4.2.4 Volume of export in 2009-2014	33
4.2.5 Areas of export of the Czech SME's	34
5 Interviewed companies	35
5.1 Interviewed Czech SME's	35
5.1.1 Company A.....	36
5.1.2 Company B.....	37
5.1.3 Company C.....	38
5.1.4 Company D.....	38

5.1.5	Company E	38
5.1.6	Company F	39
5.2	Motives of the Czech SME's	40
5.3	Risks of the Czech SME's.....	45
5.4	Mind maps of the Czech SME's.....	52
5.5	Recommendation for companies	54
6	Discussion	60
7	Conclusion	62
8	Bibliography/ References	64
A	Complete Mind Map	71

List of figures

Figure 1	Uppsala model	16
Figure 2	Motives for market entry	19
Figure 3	Classification of the export barriers.....	21
Figure 4	Key barriers for SME's operating on the foreign market	23
Figure 5	Negative consequences of internationalization	24
Figure 6	SME internationalization activities	26
Figure 7	Number of SME's.....	29
Figure 8	Employment.....	30
Figure 9	Development of Enterprises outputs	31
Figure 10	Development of Value added of SME's	32
Figure 11	Volume of export	33
Figure 12	Areas of export.....	34
Figure 13	Number of countries do the Czech SME export	34
Figure 14	Mind map	52
Figure 15	Mind map - extended.....	53

List of tables

Table 1	Barriers ranked by SMEs using top ten ranking method.....	22
Table 2	Classification of Small and Medium Sized Enterprises	28
Table 3	Main Motives of Company A.....	40
Table 4	Main Motives of Company B.....	41
Table 5	Main Motives of Company C.....	41
Table 6	Main Motives of Company D.....	42
Table 7	Main Motives of Company E.....	42
Table 8	Main Motives of Company F.....	43
Table 9	Overview of Motives –part I.....	44
Table 10	Overview of Motives – part II.....	45
Table 11	Risks of company A.....	45
Table 12	Economic risks of company B.....	46
Table 13	Non-economic risks of company B.....	46
Table 14	Risks of company C.....	47
Table 15	Risks of company D.....	48
Table 16	Risks of company E.....	48
Table 17	Risks of company F.....	49
Table 18	Overview of risks – part I.....	50
Table 19	Overview of risks – part II.....	51

1 Introduction

Internationalization process has become discussed topic nowadays. This term is closely connected with Small and Medium sized Enterprises. The number of Small and Medium sized Enterprises is increasing and those companies are contributing in the Czech economy. Czech companies are seeking for more opportunities on the foreign market. They are motivated by many factors and if they are successful on the domestic market, they want to be also successful on the foreign market. But not only the motives are connected with the entrance into the foreign market, but also many risks and barriers.

Those Small and Medium sized Enterprises are important players not only on the domestic market, but also on the European market. Those companies are also significantly contributing to the labour market in the Czech Republic and this contribution will be shown in the below part of the thesis.

The Diploma thesis will not focus on specific business field, but the whole sector. The subject of the thesis will be the analysis of selected companies on the market, their business activities and also operation on the foreign market. The analysis will especially focus on risks connected with the internationalization process and the avoidance against them. There exist many sectors where businesses are performing their activities, so as this thesis is focused on general level, final recommendations should be useful in the whole sector.

The main goal of this Diploma Thesis is to state and analyse the sector of the Czech Small and Medium sized Enterprises and according to obtained data recommend and suggest companies how to successfully conquer the foreign market and how to avoid potential risks. These risks will be further used and processed by special tool to show the intensity of each risk. The Thesis will also offer partial aims, which are the deep analysis of the SME sector using secondary data, and mainly focus on its contribution on the Czech market. Secondly the recommendations and suggestions for companies how to avoid potential problems during the internationalization process.

2 Methodology

The diploma thesis will be written with regards to standard scientific and research methods, which are including the analysis, synthesis, induction, deduction and comparison. By the meaning of analysis, there will be analysed secondary data as available sources to this topic using statistical data. The literature resources will be used to mention the theoretical background to the researched topic. The first theoretical part will focus especially on the topic of internationalization, followed by the approaches how to deal with internationalization process. Further to that, there will be described theoretical background of motives, barriers and risks connected with entrance into the foreign market. This part will also provide brief overview of possible entrances into the foreign market.

The thesis will use the primary data to examine the problem and to successfully fulfil the aim of the thesis, which is analysis and recommendation for companies on the Czech market. To specify the problem of the Czech Small and Medium sized Enterprises in terms of risks there will be prepared in-depth interviews with chosen sample size of respondent companies to analyse the environment and to help the author in recommendations for other companies in this sector. All in-depth interviews will be done based on the set timeframe. All in-depth interviews will be done by semi-structural way, as this is the best solution to obtain data and discuss it at the time of interview. By the synthesis, the author will provide general relationship output from obtained partial information and data.

All obtained information from companies will be further analysed as analysis in the qualitative, quantitative and mixed method research marketing program called MAXQDA. This tool helps to determine and describe in a kind way all responses from in-depth interviews and the tool will create mind map figure with most frequent responses and relationships between each other.

3 Literature review

This chapter of the Diploma Thesis will describe the topic of internationalization process of the Small and Medium sized Enterprises. The chapter will start with the description of globalization, which is upper step on the internationalization, followed by the internationalization process itself and connected circumstances.

3.1 Globalization

The world all around us is changing and we as a people are accepting those changes. The globalisation is closely connected with the internationalization, but these terms are very often mixed up.

Ruper and Solomon (2006) defines that the term globalization is used for inhabitants from different countries all around the world who are interconnected in cultural, economic and political ways.

Further to that, globalization is closely connected with cross-cultural differences such as different business behaviour across the world. As Gesteland (2005) explained in his publication, that most of the world markets are relationship oriented.

Relationship oriented people kindly deals with their families, friends and groups well known for them, but on the other hand, there exists also a deal-focused behaviour, which is an opposite to the relationship oriented business.

As Kunešová and Cihelková (2006) published, the globalization was also caused by the technological and innovation progress and to this definitely belongs the growth in telecommunication technologies.

Huber, Nerudová and Rozmahel (2016), the globalization of the world economic systems refers to tightening competition in countries' internal markets. This also increases the volume of pressure for Small and Medium sized Enterprises and its competition within other SME's.

The globalization as previously said is explained and viewed differently. As from the point of view of Jeníček, Klepl (2006), the notion of international relationship is supported by many phenomena during the last century and to one of them belongs the Globalization. In their opinion, this all changed the distance, especially economic, between countries and nations. Globalization also increases the possibility for Small and Medium sized Enterprises or individuals to enter to foreign market, but decreases the possibility of the politicians in the traditional sphere.

Farek, Kaft and Zajcev (2013) say that on the one hand, globalization contains strong potential for growth stimulation and positive effect on labour productivity and the benefits of trade to the speed of innovations, modernization and strengthening competitiveness among businesses. But on the other hand, it does not mean that everybody will be successful and will have economic returns and revenues. Cihelková (2012) published that the globalization (1870-1914) was labelled as the first level and step of internationalization. This was encouraged by the strengthening position of industrialization and rise in the world economies. As

per Cihelková (2012) point of view, she sees that the most advanced globalization is the economical globalization.

3.2 Internationalization

The internationalization process has become a subject to study for many economists who examine the whole process and want to bring new ideas and their own experience into business field. Internationalization is sometimes mixed up with the term of globalization that is not the right and exact usage in some cases.

The internationalization is really complicated process and is not easy to realize the entrance into foreign market in all existing fields of business. The internationalization process cannot be specified in one sentence or statement as many authors have different points of view to this topic.

As Daly claims (1999), internationalization process is heading to the different field then the globalization. His thought mainly directs to the importance of law treaties, international trade and its relations. According to the opinion of Machková (2014), the internationalization is increasing the relationship between nations and closed fields of industries of different countries. This is a process by which national economies are getting closer to each other and strengthening the relationship position between them. Starzycna (2010) sees the internationalization as a process reflecting the trend of development of the national economies which is on the high level connecting all nations and its economies in many field not only as an economic point of view. The speed of internationalization is influenced by the speed of technical-scientific process. Small and Medium sized Enterprises with a smaller domestic market are expanding into foreign markets earlier than those with a bigger market as small market has lower possibilities to engage at home market.

According to Kubíčková, Toullová and Tuzová (2015), the internationalization process is nowadays commonly inflected and any exact definition does not still exist so the word is sometimes used when describing the concept of globalization. Over the many years, several research papers and studies have been published with the same aim to study the whole internationalization process and also sometimes called export behaviour of companies. With regard to their work, the authors Donckels, Haahti, Hall (2002) also see by the term of internationalization, the adaption of firms to enter the foreign markets by many stages and approaches. To approach successfully the foreign market, companies have to follow some rules that are set, but also cleverness of those who implements those steps to successful end.

The success of companies entering the foreign market is dependent on many aspects as for example the region and the current economical situation. Ghauri and Kirpalani (2015) researched, that the European countries and firms are not very active in comparison to the rest of the world. They also say that also when those European countries interpret high level of contribution to the economy and helping the labour market, those advantages are not used and could be potentially

improved. Following the report from the ec.europa.eu (2016), to increase willingness of companies to enter the foreign market should be supported by any government support programs and visions.

The Ministry of Industry and Trade of the Czech Republic introduced the conception of Small and Medium sized Enterprises strategy for 2014 – 2020 (2013), where one of their goals is to support SME's in order to expand into foreign market as the SME Internationalization Support. With the entrance of the Czech Republic in the European Union, there was published a statement: " *With the Czech Republic's accession to the European Union, a market with 450 million consumers was opened up to Czech firms. The EU currently pays particular attention to the elimination of barriers in the EU internal market; nevertheless, state border is still a strong obstacle for Czech entrepreneurs to expand their business, and some of them only rely on domestic demand.*" MPO (2013)

3.3 Uppsala Model

The Uppsala model was firstly introduced and studies started in 1970's with a contribution of Johanson and Weidershiem (1975) and Johanson and Vahle (1977). Scientific paper of Hansson, Sundell, Öhman (2008), introduces the contribution into the internationalisation process of above mentioned authors in the field of entrance in to the foreign market in the following four steps:

- No regular export activities
- Export via independent agents
- Subsidiaries
- Manufacturing and production

Further to that, the structure of those above steps is divided into the groups as state and change aspects. Both groups are introduced in the figure below.

Uppsala model is described but also often commented and criticized by different authors, so as from their point of view, Daszkiewicz and Wach (2012) see the below four groups as a process of the Uppsala model:

- Market knowledge
- Market Commitment
- Commitment decisions
- Current Activities

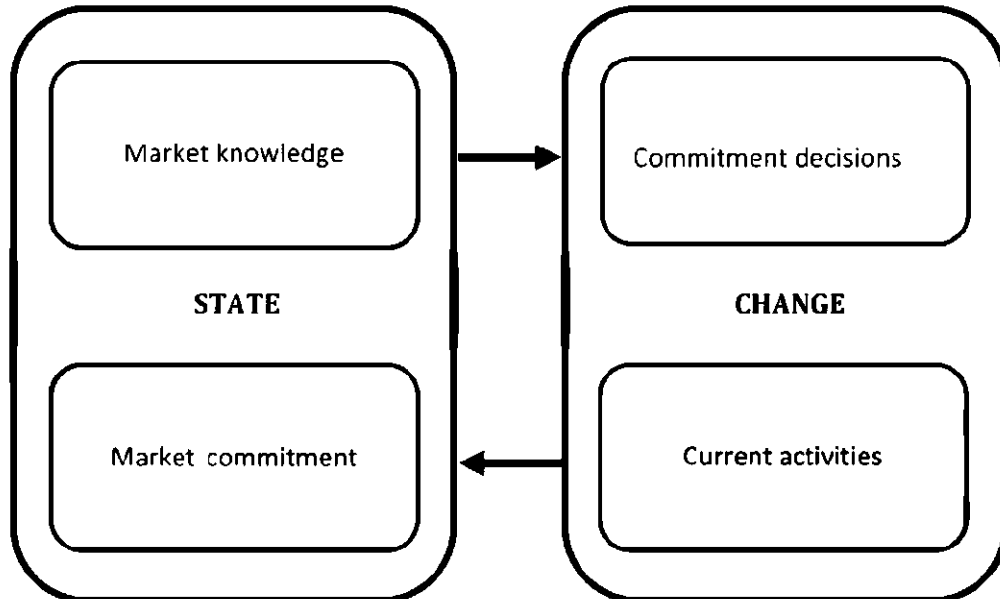


Figure 1 Uppsala model
Source: Researchgate (2016)

Johansson and Vahle, (1977) say that the Uppsala Internationalization Model, especially relationship oriented, which was firstly used and developed in 1970s, is one of the earliest theories that examine the core problem and the whole process of internationalization and companies are used to and forced to use this model.

The report of SME Internationalization and Measurement (Policy Brief) (2015) shows a process for entrepreneurs how to start a business on the foreign market and also steps how to be successful in comparison to the other competitors.

According to Jurek (2012) the Uppsala model takes into account dimension of internationalization process and divides the model into two main concepts. The first one is called Establishment chain and the second one is Psychic Distance. As per level of the distance we can distinguish irregular export, regular export activities, business representation and foreign production. The authors of the Uppsala model saw the root cause of low internationalization of firms the lack of market information.

Regarding the above-mentioned Psychic distance, the concept plays an important role on the whole decision process. Ojala and Kontinen (2010) published in the research paper examining the psychic distance, which refers to the culture differences and differences between countries. The first definition which was introduced by the Johanson (1975) is: "factors preventing or distributing the flow of information between the firm and market. Examples of such factors are differences in language, culture, political systems, level of industrial development and education".

Lately to that, as the Uppsala model was studied, the model has changed and modified with the development of the international trade and conditions connected to the entrance into the foreign market.

3.4 Born Globals

Development of the world after globalisation in last decades started to be so intensive and technologies are becoming more and more developed, there are not so many possibilities how to conquer the foreign market without any barriers, risks and factors that influence the whole process. In term of globalization started to be used the new term in the way how to enter the foreign market.

Roudini and Osman (2012) mentioned Born Globals, which were firstly introduced by McKinsey & Co. Born Globals are companies that started to internationalize their business activities from the beginning or shortly after their establishment. Persinger, Civ and Vostina (2007) find Born Globals as small companies with the sales per year of 100 million dollars and less than 500 employees. Those companies started to export or participate in the foreign market two years after establishment and should export at least 25% of their total production.

Those companies can be also classified into SME's, but they are very special in term of when they are entering the market. The critics very often criticize Born Globals as they deny the functioning of the existing models of internationalization. This term is nowadays a new concept that is becoming a phenomenon in the near future framework as stated in Roudini and Osman (2012)

The internationalization process brings also some kind of criticism on the whole process, approaches and models. Based on the most known Uppsala model are establishing critiques that the model cannot be used for the modern and fast running business environment. This kind of criticism is closely connected with term of Born Globals. Vissak (2015) pointed out that Uppsala model is criticized for its deterministic and long taking process, which limits companies skip above Uppsala model steps.

Lommelen (2004) mentions, that critiques of Uppsala model find the biggest problem in the model that does not reflect drivers and speed of internationalization. From the available researches, Lommelen (2004) created general statement points of critiques and their opinions.

- Basic Uppsala model does not give added value nowadays as in the past
- Also as Vissak (2015) mentioned, the Uppsala model is too deterministic and irreversible showed above stated indicators – Psychic distance and Establishment chain
- There is poor theoretical background and the parts of Uppsala model are connected to each other, but critics criticise their close relationship

Further to that, critics' mainly focus on the fact that the Uppsala model does not operate with the risks of entrance into the foreign market.

3.5 Motives of the internationalization process

Motivation is the key factor of the success for SME's. Without the motivation, companies cannot conquer the foreign market. Those who have not the motivation, stay at the domestic market. To more develop the topic, the thesis will provide a theoretical overview of given and known motives for not only companies, but also for the further researches related to this topic. The main question for the author was if there are any general rules for establishment those motives or just the different opinions that should be applied.

Companies which have decided to enter the foreign market had to think and find what encourages them to take the step. Stremțan, Ștefania Mihalache, Pioraș (2009) started to think about the main question of some determinants which influence the entrance into the foreign market and the whole process of internationalization.

According to them, we can distinguish four main determinants and these are as follow: commercial, industrial, environmental and opportunity determinants. Harrison (2008) divides and sees those motives from different point of view. He distinguishes those motives as general and specific ones. Into general belong primary motives, changing international environment and country specific factors. To the group of specific motives belong as per Harrison (2008) access to market, access to resources and cost reduction.

The topic is largely introduced and examined by many authors, as according to the opinion of Kubičková, Toulová, Tuzová (2015) they are focusing on proactive and reactive.

Proactive:

- Growth in profit by addressing of not existing customers in firm's portfolio
- Tax advantages
- Special technological advantage
- Useful information about the foreign market

Reactive:

- Competition pressure
- Small home business field and no opportunities for business
- Providing of seasonal products and services

All above mentioned authors are dividing those motives into main groups, but some of the approaches slightly differ.

Along the many drivers and opinions regarding the internationalization process is the entrance or the possibility to conquer a foreign market in order to achieve and gain profit and success. The entrance into the foreign market is mainly

influenced by the kind and field of business, form of entry and definitely the opportunities that the foreign market offers.

Also previously mentioned some general determinants, research paper on this internationalization process of Ďad'o, Wiktor, Zbikowska (2015) give specific drivers for market entry and those motives should be useful for concept or selection of internationalization strategy. Those specific drivers are shown in the table below.

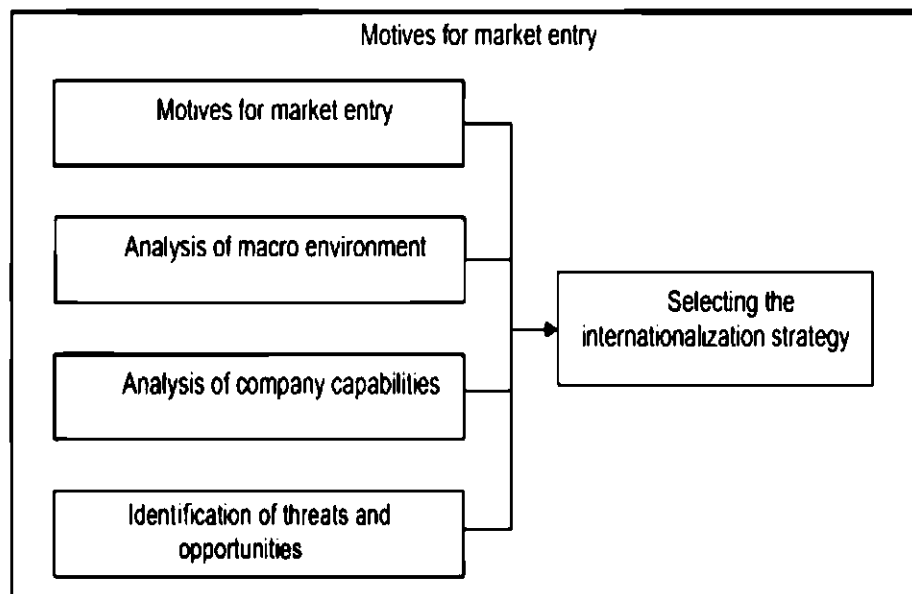


Figure 2 Motives for market entry
Source: Ďad'o, Wiktor, Zbikowska (2015)

OECD (2009) created a detailed overview of motives for the companies all around the world and the motives are not the same for each country. All is dependent on the current situation of the country, but especially on the situation of the company. All the drivers are explained in more general way, but the most important for the companies is to analyse their current situation and with the help of the researches and obtained information to take necessary steps for the successful entrance into the foreign market

3.6 Barriers of the internationalization process

Veber and Srpová (2015) published general principles for barrier as factors that people do not want to, cannot do or are not able to the business. According to above-mentioned authors and as per the European Commission Internationalisation of European SMEs report (2010) to the most mentioned and important internationalization barriers belong two groups, these are divided into:

- Internal
- External

Internal barriers according to Veber and Srpová (2015) are the barriers of lack of motivation, fear of risks connected with entrance into the foreign market as personal properties. Not only the personal side of internal barriers, but definitely has to be mentioned that also if the company wants to enter the foreign market, they do not have enough financial resources and faces potential problems.

European Commission (2010) states that introduction of own product or provided service is highly costly and prevents entrepreneurs to entry the foreign market.

External barriers include more cases than the internal have. To the external barriers mostly belong the lack of public interest of provided services or products, lack of capital and also the high cost connected to the transportation and paperwork.

Barriers are the most important problem, which influence businesses to conquer the foreign market. OECD (2009) published a report where according to researches they set up main barriers.

- Lack of working capital in order to finance exporting
- Limited knowledge and information about the foreign market
- Inability to get in touch with foreign business partners
- Lack of personal, managerial and knowledge skills (OECD, 2009)

Leonidou (2004) focuses on the main barriers of the internationalization process as well as Veber and Srpová (2015) and OECD (2009) on the external and internal barriers. His contribution to this topic is very huge as he divided external and internal barriers into subgroups.

External are:

- Procedural, governmental, task and environmental, which is further divided into economic, political and sociocultural

Internal groups of barriers are closely associated with the running of the company. Those internal are divided:

- Informational, functional and the marketing - product, place logistics. Narayanan (2015)

All the barriers mentioned by Leonidou (2004) are clearly organised in the figure below also with comparison to OECD.

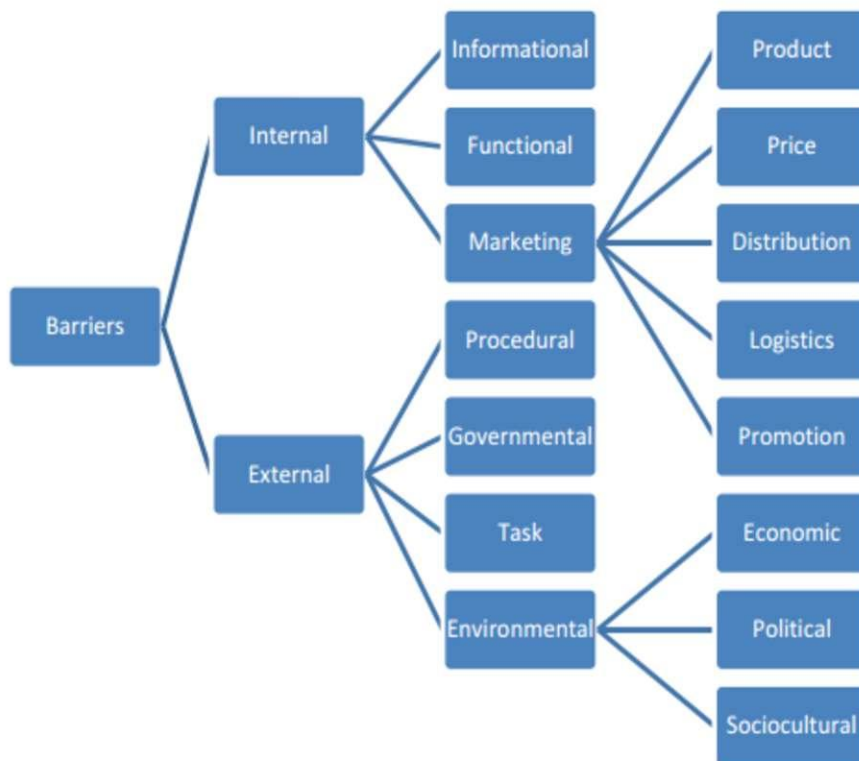


Figure 3 Classification of the export barriers
Source: OECD (2009)

OECD (2009) published the main and most important barriers connected with the whole process of internationalization based on the deep researches of the export activities of Small and Medium sized Enterprises main and most important barriers connected with the whole process of internationalization. Most companies perceive the biggest problem and barrier in shortage of working capital for financing export activities. This is undoubtedly clear that without the finance resources companies cannot conquer the foreign markets. The second most ranked barrier was the problem to identify the foreign business opportunities. This barrier is closely connected with motives because also the motives are connected with finding the opportunities on the foreign market. The complete barriers ranked from the biggest to the lowest are listed in the table below.

Table 1 Barriers ranked by SMEs using top ten ranking method

Rank – Weighted factor	Description of barrier
1	Shortage of working capital to finance exports
2	Identifying foreign business opportunities
3	Limited information to locate/analyse markets
4	Inability to contact potential overseas customers
5	Obtaining reliable foreign representation
6	Lack of managerial time to deal with internationalisation
7	Inadequate quantity of and/or untrained personnel for internationalisation
8	Difficulty in matching competitors' prices
9	Lack of home government assistance/incentives
10	Excessive transportation costs

Source: OECD (2009)

Based on the scientific research of Kubíčková, Toulová (2013) on risk factors in the internationalization process of SME's, it shows slightly different results than OECD (2009). The research is focused on companies, which are already operating in the foreign market. Different results may be due to fact that research work of Kubíčková and Toulová was compiled later.

Kubíčková and Toulová (2013) see the biggest barriers in quality and price level of products followed by the transportation costs connected with exported goods. These barriers and risks are definitely very important in decision process of companies. Those researched facts will be further compared with the results and experience of interviewed companies.

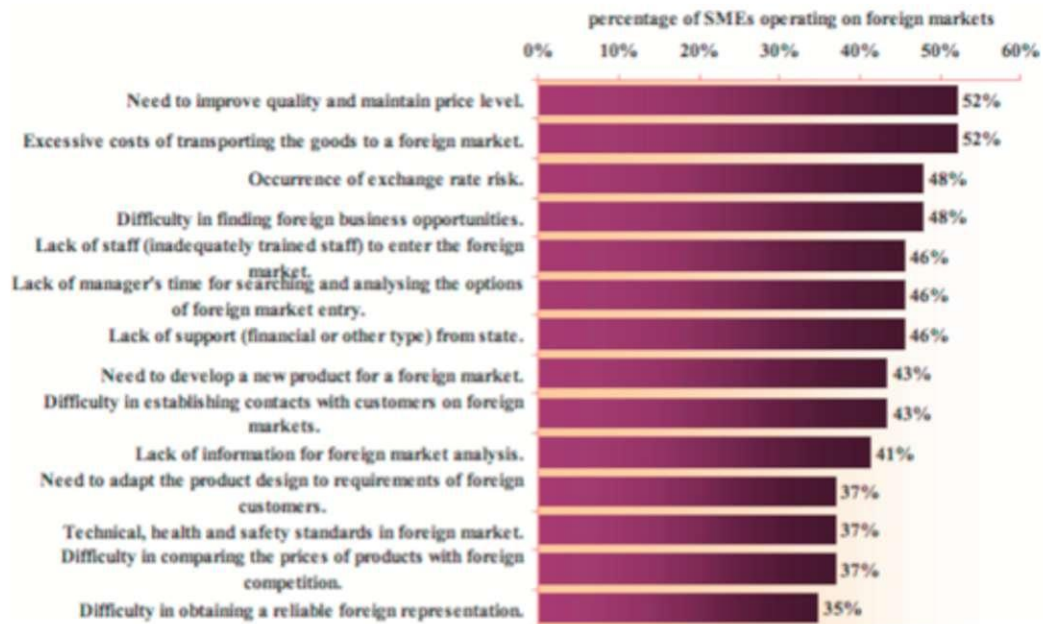


Figure 4 Key barriers for SME's operating on the foreign market
Source: Kubičková, Toulová (2013)

Based on the final export report of the AMSP (2016), Czech SME's took part in research and helped to identify why companies are successful on the foreign market and why are different in comparison to their competition. Those competitive advantages will be also used in the final part of the thesis, the recommendations will be stated and analysed.

- Originality and uniqueness
- Quality of products and services
- Flexibility
- Price
- Innovative products
- Know-how
- The speed of realization
- Technology
- Huge range of products
- Tradition (AMSP, 2016)

Those listed competitive advantages of companies play very important role in evaluation on why are Czech companies so successful on the foreign markets and how good they are in comparison to their competitors.

Final export report of AMSP (2016) also identifies main problems of the internationalization process. Most companies resent any regulatory arrangements. While previously companies bothered particularly on the costs and solved problems with searching business partners, nowadays there are more focused on administrative

and protective measures and also completely newly appearing shortage of qualified people which seems to be problem in the future too.

- Regulation and Byrocracy
- Increasing costs
- Legal environment
- Lack of qualified workers
- Finding a business partner
- Political situation
- Taxation systems
- Exchange rates
- Logistics and its costs
- Low government support

For the comparison to scientific paper by Toulová, Votoupalová (2012) showed negative consequences of internationalization process of Czech SME's which are operating on the foreign market.

Rank	Negative consequences of internationalization for Czech SMEs which operate abroad
1.	Huge increase of administrative activities (22 %)
2.	Decrease in profit (11 %)
3.	Increase in the impact of competition (9 %)
4.	Difficulties with the debt collection (7 %)
5.	Loss of good position in the domestic market (4 %)
6.	Other negative consequences

Figure 5 Negative consequences of internationalization
Source: pefka.mendelu.cz (2016)

Toulová and Votoupalová (2012) conducted questionnaire among SME's. It appeared that to the most negative consequence belong the huge increase of administrative activities connected with the internationalization process followed by decrease in profit, which is caused by the higher costs related to the entrance into the foreign market.

3.7 Risks of Internationalization process

Another the most important part of the thesis is to introduce risks related to the economic activities of companies conquering foreign market. The risks are seen from many views and could be assign into different fields of business and also other economic activities, but as per businessdictionary.com (2016), the general definition of risk is as follow: *'A probability or threat of damage, injury, liability, loss, or any other negative occurrence that is caused by external or internal vulnerabilities, and that may be avoided through pre-emptive action.'*

Entrepreneurship is closely connected with threats, which are appearing in more volume than on the domestic market. When the company is entering the foreign market, has to be sure about all possible risks and threats. These are one of the most important prerequisites once entering the foreign market. Many researches and publication are categorizing risks into many groups and subgroups. Kubíčková, Toullová, Tuzová (2015) searched for overview of main risks that influence the process of internationalization. Companies are dealing with problems and they are not able to identify the main and key risks influencing doing a business in the foreign market.

Kubíčková (2012) focuses in her scientific article on aspects of the risk management that is also supported by three authors Rodriquez, Barcos and Alvarez (2010) in their similar scientific publication. All the authors are summarize the main risks into below categories:

- risks connected with business strategy,
- risks related to logical infrastructure
- risks associated with legal environment of the foreign country
- culture, market and management risks
- risks of social, economical and political situation of the foreign country
- risks of infrastructure and project leading

Specialized literatures on risk management are focusing mainly on the risks of entry into the foreign markets, but as to extend the overview of possible risks, Stremtan et al (2009) identifies two categories of risk: the underestimation of the costs and the uncontrollable international environment. Kubíčková (2012) sees under the first category the missing knowledge and underestimation of costs once conquering the foreign market and non-realistic evaluation of possible competitors. Also as the risk management all around the world is developing, new approaches how to identify possible risks are enhancing.

3.8 Forms of entry into the foreign market

To one of the successes for entrance into the foreign market definitely belongs the fact that corporations and entrepreneurs have to decide on the form of entry into the foreign market. As discussed by Dicken (1992), important role is also played by transitional corporations which brings to the world markets the channel of direct foreign investments. Dicken (1992) also mentions that those corporations, but not only those lie mainly on three characteristics.

- Ability to take knowledge of geographical differences between markets, government policies and countries
- Control of economic activities in more than one country
- Geographical flexibility and its ability to shift its resource and operations between locations at a global level

Forms of entry:

- Direct investment
- Indirect investment
- Franchising
- Joint Ventures
- Wholly owned subsidiaries

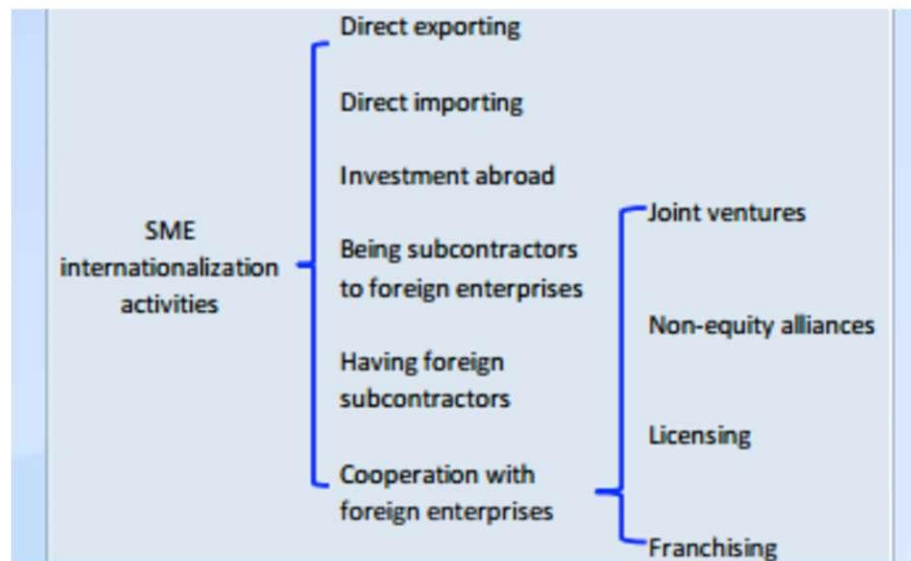


Figure 6 SME internationalization activities
Source: APEC (2015)

4 Internationalization of SME's

The internationalization process is a huge topic and it has been explained in general in the previous part.

To this essential process also belong some motives, risk and barriers, which need to be mentioned from the theoretical point of view. Many authors and professionals explain the whole process, so everybody has a different point of view and sees the drivers, risks and barriers differently. This part of the thesis will provide overview of those elements that are connected with the whole process and the points of view and opinions of the authors.

Deep focus on the whole internationalization process of SME's and liberalization of worldwide trade forced Daszkiewicz and Wach (2012) to focus on key factors how can SME's face and react the challenges of internationalization.

- Entrepreneurial factor – searching for growth
- Push factor – lack of opportunities on the domestic market
- Pull factor – potential opportunities of foreign market
- Chance factor – circumstances on foreign market

4.1 Small and Medium sized enterprises

The Czech Ministry of Industry and trade defines conception of Small and Medium sized Enterprises as follow, "Small and medium-sized enterprises play an important role in the creation of new jobs and in general have the function of a factor promoting social stability and economic development. The European Union regards this sector as the linchpin of the European economy and a driving force behind innovation, employment and social integration. The Czech Republic has already become a country in which future nature of development of small and medium-sized enterprises, due to their important role in the economy, has significant impact on the overall economic and thus also social development of the country and its individual regions". MPO (2013)

Many research papers articles and other economic publications explain in many ways what these SME's are, but as per regulation of The European commission, Small and Medium sized enterprises are divided into groups by its turnover, staff headcount and total balance sheet. Ec.europa.eu (2016)

Table 2 Classification of Small and Medium Sized Enterprises

Enterprise category	Headcount: annual work unit (AWU)	Annual turnover	or	Annual balance sheet total
Medium-sized	< 250	≤ EUR 50 million	or	≤ EUR 43 million
Small	< 50	≤ EUR 10 million	or	≤ EUR 10 million
Micro	< 10	≤ EUR 2 million	or	≤ EUR 2 million

Source: ec.europa.eu (2016)

The importance of Small and Medium Sized Enterprises significantly raised in last decades in both developing and advanced economies. Karadag (2015) explains that SME's are engines of economic growth all around the world. Over 95% of all enterprises fall into the group of micro, small and medium enterprises. Karadag (2015) further added few potential economic and social benefits of SME's.

- Contribution to the national economy and GDP
- Creation of new positions and jobs
- Opportunities for employees to get better in their skills and develop their further knowledge
- Supporting large sized corporations
- Acting flexible at negative market conditions
- Supporting developmental policies for decentralization and rural development

4.2 Analysis of the Czech Small and Medium sized Enterprises

Small and Medium Sized Enterprises play very important role in the economy of the Czech Republic. This chapter of the thesis will provide general overview how the Small and Medium sized Enterprises influence the national economy and how important role do they nowadays play. The data are taken in the year 2014 because the final numbers for the year 2015 were not complete and during the processing of the thesis under approval process of the Czech Government.

The figure below shows the development of SME's in the years 2009-2014. The thesis will focus especially on the grand total number of all companies, not taking the sub numbers as number of legal entities, number of physical entities and number of SME's. Those development of Small and Medium sized Enterprises significantly influence the employment not only in the Czech Republic, but also in the whole European Union. The development of employment among the SME's is shown further in the thesis. SME's contributes also in the EU economy by their high volume of entrepreneur output and export.



Figure 7 Number of SME's
Source: MPO (2015)

As the graph above indicates, years 2009 to 2012 show increasing trend in volume of SME's. This was caused by the positive development of the economy after the crises of 2009 that also influenced the growth of SME's.

Years 2013 to 2015 show little decrease in the volume of SME's, but this is not significant drawdown, which could dramatically impact the total number and the whole economy. According to AMSP annual report (2015), the number of SME's in 2009 was 1 079 668 enterprises and the year 2015 shows 1 126 153 SME's. As per statistics report of AMSP (2015) the share of SMEs in the total number of active enterprises in 2014 was 99.84% that is a huge share in the comparison to the

whole economy and also amount of big companies, which are not categorized among Small and Medium sized Enterprises. This percentage number shows exactly how these enterprises are important in the whole content.

4.2.1 Employment in the SME's sector

The whole volume of employment in the SME's sector in the year 2014 decreased by about 48 000 to the total of 1 784 000. This is the decrease about 2,6%. The total number of employed workers in the year 2014 was 59,39% which shows a decrease in comparison to the year 2013. This decreasing trend is not much significant in comparison with how companies make profit and showing their entrepreneur output.

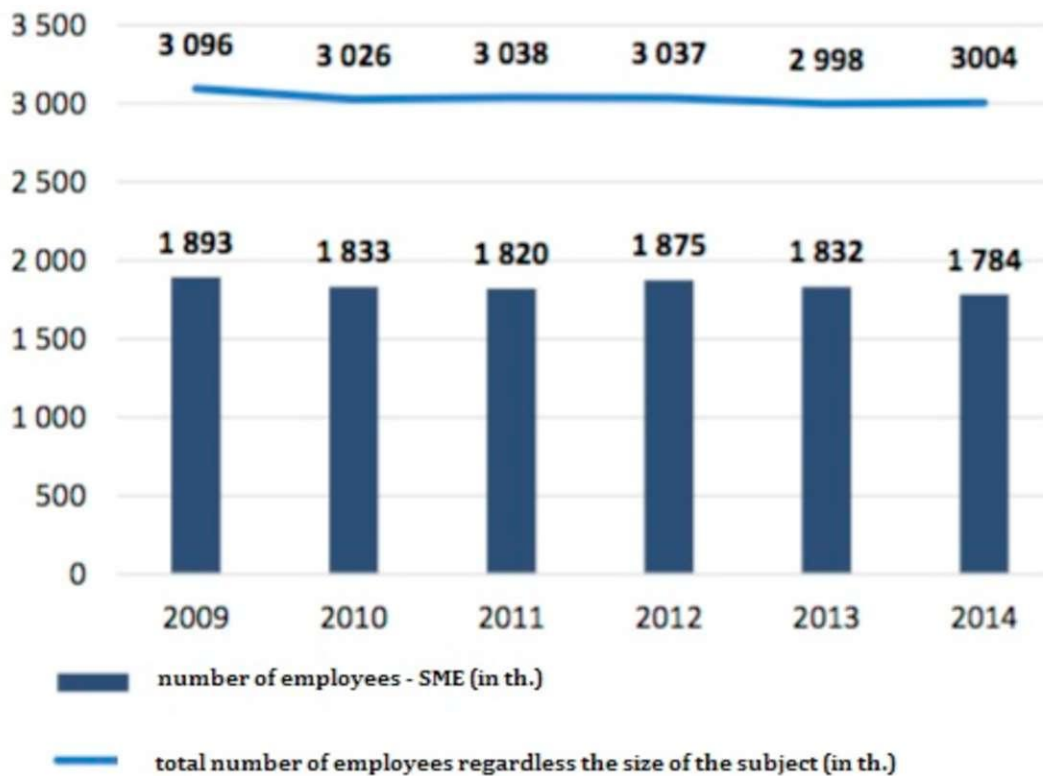


Figure 8 Employment
Source: MPO (2015)

4.2.2 Development of Enterprises Outputs in 2009-2014

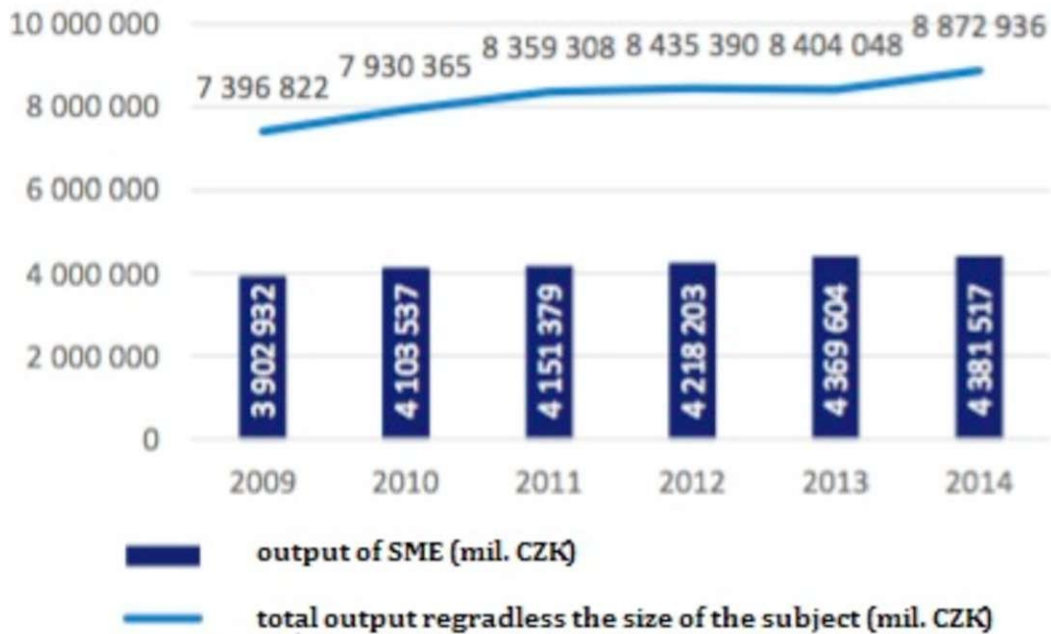


Figure 9 Development of Enterprises outputs
Source: MPO (2015)

The importance of Small and Medium Sized Enterprises is shown also on the development of enterprise output, which is also one of the most important indicators of companies. In the graph above, we can see increasing trend in the volume of enterprise development output from the year 2009 to 2014. By the development of enterprise output is obvious the fact how companies are able to produce and gain the best results and revenues from their enterprises activity.

The biggest increase was after the year 2009, which was the period of huge crises, so by that time, SME's are performing greater results and it is evident from above, that the trend is still rising. This is mainly caused by the position and location of the Czech Republic in Europe. Another reason that should be stated is the fact that the Czech republic has very good climate conditions that highly contributes to their output. Legislative administration connected with the business is also improving in the Czech Republic as the Czech government support entrepreneurs and try to make as good as possible condition for the business.

4.2.3 Development of Book Value Added of SME's in 2009-2014

Added value can be understood as appreciable effort that the entrepreneur added to the business within their business opportunities for externally purchased inputs from supplier. The graph below shows how SME's performed their business with the best result in the year 2014. In the year 2014, companies created value added in the volume of 1 434 205 MIL. CZK, which is an increase by 77 303 MIL. CZK in comparison with the year 2013.

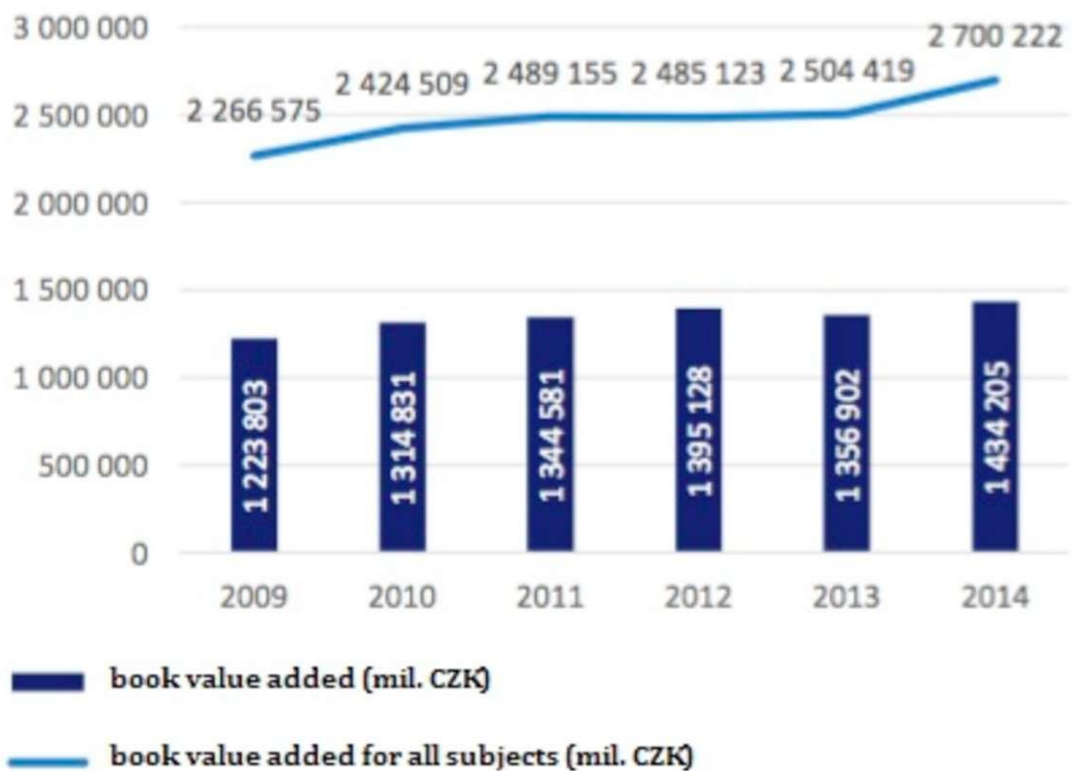


Figure 10 Development of Value added of SME's
Source: MPO (2015)

4.2.4 Volume of export in 2009-2014

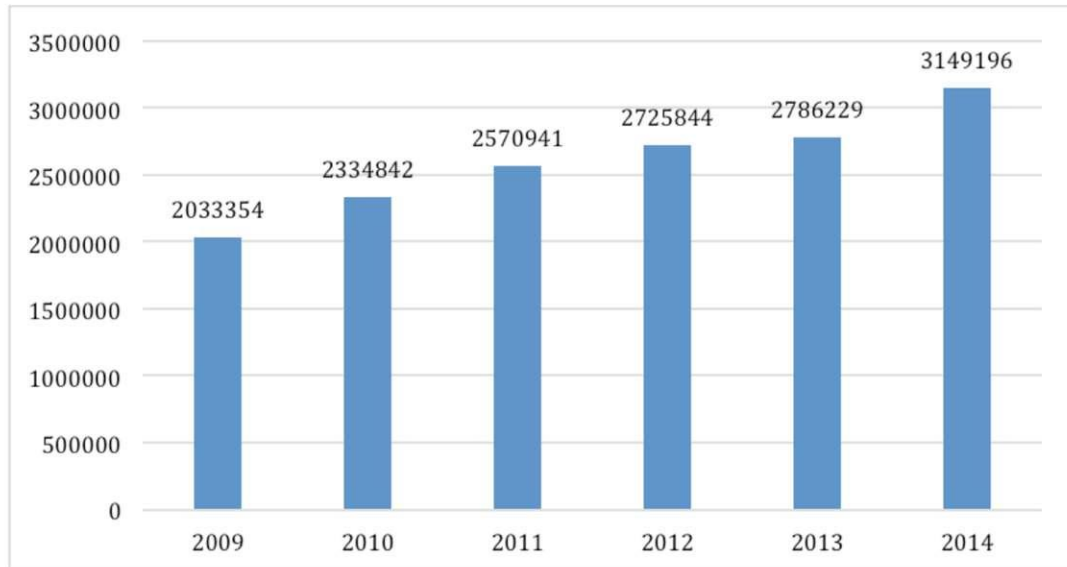


Figure 11 Volume of export
Source: kurzy.cz (2016)

Based on the statistics published in kurzy.cz (2016), there is significant growth of total volume of export in the Czech Republic. This growth is caused by new opportunities for companies in the Czech Republic to export all around the world and improving condition in the European Union and other business areas.

All the export activities are dependent on companies themselves – whatever they choose to orientate at, where to export and which foreign market to choose to conquer. As per questionnaire made by the Czech Association of Small and Medium sized Enterprises (2016), which focused on the export activities of the Czech firms and which showed that 99% of companies are exporting into the European Union. It confirms at the same time that there is an increasing trend in exporting into North American's territory.

It is evident that companies are motivated to conquer foreign markets. Below graph shows that companies are planning to export into also other territories apart from EU like Asian markets, African and Middle and South American's. It is evident that even Small and Medium Sized exporters now see in the world markets big opportunities. The fact that half of them are exporting to six and more countries is proof that small businesses take at least EU as a single economic territory to make a business there.

4.2.5 Areas of export of the Czech SME's

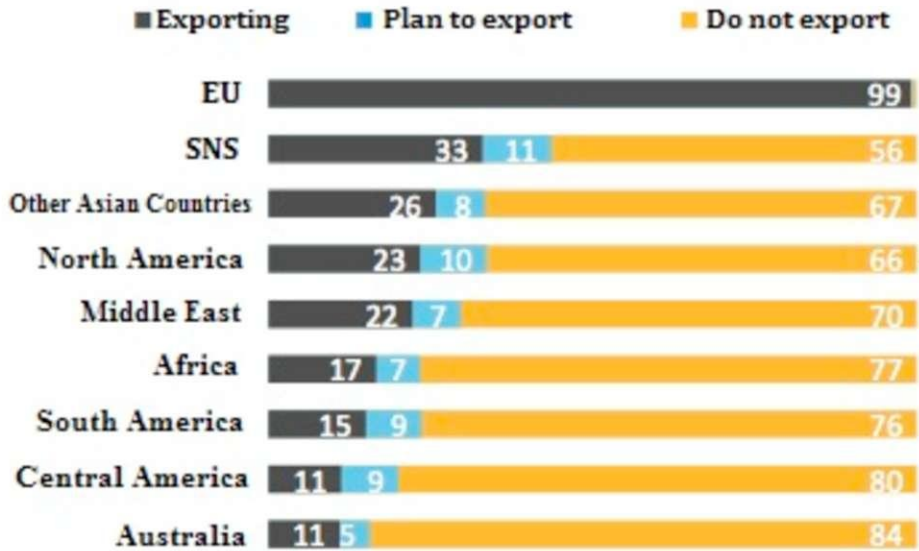


Figure 12 Areas of export
Source: AMSP (2016)

It is also evident that Czech companies are performing fascinating results as based on the research, 10% are exporting into 21 and more markets, 12 % to 11 to 20 markets and the most abundant percentage is that 28% are exporting into the 6 to 10 foreign markets. SMEs are exporting to countries where there is an increased commercial and political risk. According to Karel Havlíček, the Chairman of the Board of Directors of Association of Small and Medium sized Enterprises mentioned that: "SMEs operate more with operational exports and tend to underestimate the strategic risks. This approach may be a long-term basis, however, the failure of one of the key unsecured foreign buyer can financially weak company fundamentally compromise. AMSP (2016)

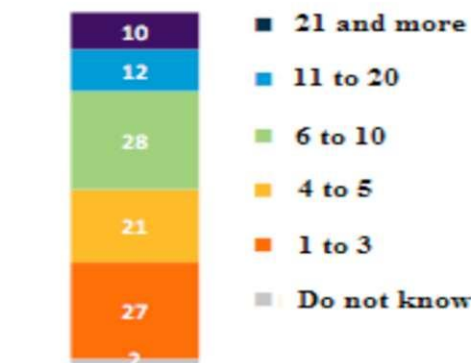


Figure 13 Number of countries do the Czech SME export
Source: AMSP (2016)

5 Interviewed companies

To get necessary information and analyse the business environment of SME's, the author gained the information from primary data - in-depth interviews in the companies, which are categorized to and meet the condition of Small and Medium sized Enterprises set by the European Commission and described above in previous chapter. To set the final recommendations, there was compiled semi-structural interview, where the questions were asked to the owners and relevant people - export managers, representatives. This part of the thesis will give an overview of companies that participated in the semi-structural interviews. As it was semi-structural interview, respondents talked especially about their position in the foreign market and then answered questions to the relevant topic of internationalization of Small and Medium sized Enterprises. The list of companies was set up by the planned timetable during the research of internationalization of the Czech Small and Medium sized Enterprises. All the data will be used to develop recommendations for SMEs.

Semi – structural interview included 4 main questions which author asked in formal way:

- Can you briefly characterize your company?
- Are you already operating on the foreign market?
- What motives, risks and barriers do you find the most important in the process of internationalization and entrance into the foreign market?
- What do you find most difficult in the process of internationalization? Any recommendations?

5.1 Interviewed Czech SME's

The following part of the thesis represents companies, which participated in the research regarding the internationalization process. The chapter of this thesis will provide general description of participating Czech Small and Medium sized Enterprises. Based on gained data, the author will provide selected motives, and barriers/risks that are influencing the internationalization process of those companies. Based on that, the author will state final recommendations for SME's how successfully and without major problems internationalize their activities from the beginning or deepen their experience with this process. The collection of primary data was established based on timeframe which author stated before the research. Author had a great chance to meet many interesting and successful people who are running the business on the Czech market, some of them already abroad. Sample sizes for obtaining data were 6 companies, which kindly provided all the necessary information and data for the purpose of this thesis. The interviews were focused

on several business fields, not only the specific one. The interviewed companies are operating in construction, scientific, transportation, selling and assembling of band and circular saw machines and mechanical engineering and metal production. The respondents' answers will help the author to state many risks and motives and to recommend other companies some kind of recommendation to successfully enter and internationalize future business activities.

5.1.1 Company A

Company A was established in 1992 as a small company operating in construction business field. The company is nowadays focusing on building of assembled industrial halls, interior system walls, mobile walls and many other products which are successfully being sold not only on the domestic market, but also exported in several countries by their own subsidiaries and business partners.

During the time, company made a strong position not only on the local market, but also on the other foreign markets. At the time of interview, company employed around 240 employees who are also participating in the successful performance with their rigorous work and approach to keep the high quality of products. This is also one of the key motives and successes in the process of internationalization.

The export business division operates in form of establishing new network partnerships. The company delivers its products to customers in more than 10 European countries. The major markets are Switzerland, Germany, Romania, Austria as well as ad hoc opportunities coming from Baltic States, Poland etc. The department operates with 4 employees that are dedicated to business development as well as after sales support (logistics, planning). Before the company decided to operate internationally in this particular form, there has been a certain development that identified biggest potential risk, barriers, threats and opportunities of going abroad.

The company's representative provided a huge volume of factors that are influencing the internationalization process. Those factors and experiences will be used when establishing the recommendation for companies to internationalize their export activities.

There are two types of market entrance how company A conquered the foreign market and its connected risks. Below part will provide main and detailed overview of the main motives, risks and related barriers, which are closely connected to risks.

1. ESTABLISHMENT OF OWN BRANCH

When the company started to operate on the market by their own branch, following risks appeared. These information below were also the reasons, why the company had to escape from one foreign market, especially Croatian one, as the risks evaluated before appeared during the internationalization process.

- **Lack of domestic staff** - companies who want to operate on the foreign market have to have local workers.
- **Cultural difference** - Czech mentality in the foreign market is not the same as the mentality of the domestic market (all is dependent on the foreign market)
- **Insufficient quality of employees** - bad quality of management which is leading the foreign market branch

2. BUSINESS PARTNER (Dealer)

- Lack of knowledge of its own competition and foreign market
- Lack of export mentality of the export manager who is communicating from the domestic country to the foreign country.

Company A is very specific with the content of the risks, because the whole company is exporting and internationalized their activities many years ago, so the author finds their contribution the most valuable followed by other companies. The main risks and motives the author will provide further in the thesis.

5.1.2 Company B

For the comparison of all the risks connected with the internationalization process was also necessary part to gain data from the company that has not internationalized into the foreign market yet. Company B was established in 1995 and nowadays employs around 15 highly educated employees, because it is very necessary prerequisite for their business field. The company is categorized to the group of Small enterprises.

The plan of the company that operates in the administrative and scientific field is to try to internationalize their company's activities. Author of the thesis had a great chance to communicate and make an in-depth interview, as in the previous company A, with the high level management - owner of the company, who was very involved in all processes.

Company B is specialized in the project realizations, applied researches and technology transfer. By its very existence, the company contributes significantly to the development of innovations; applied researches and technology transfer in the area of reducing energy intensity.

As the aim of the company is to internationalize their business activities among the European Union members as for the beginning of the process, there exist many support programs and also the administrative load is lower than in countries of the third economies.

As the company's plan is to conquer the foreign market, especially the European one, some kind of risks appeared and the author will provide with recommendation not only the company B, but also all the Small and Medium sized Enterprises.

5.1.3 Company C

Company C was established in late 90' and is operating and providing services in the Czech Republic. The company is providing transportation services for customer on the domestic market. Representatives started to think about entrance into the foreign market few years ago, but nowadays, they started to realize their plan. The first interesting fact the author found out is that company places a great emphasis on the selection of employees who are flexible and capable on independent decision making, even in the most extreme situations and are specially trained according to applicable regulations and standards. This makes the company unique in comparison to other companies in this business field.

Based on this emphasis, the company is very successful on the domestic market. As mentioned above the company employs 30 employees, but in the time of interview, author did not get any specific number. However, this information is not so important for the purpose of this thesis, the most important fact is that the company is categorized to Small and Medium sized Enterprises. Successful position in the domestic market allowed the company to acquire modern means of transport and with those start to operate on the foreign market. The company is not only specialized in transportation of all kind of goods, but also dangerous kind of goods. They provide any kind of freight throughout the country. According to individual agreement, the company is able to guarantee delivery of goods within 24 hours. Interesting for the author was the fact, that all transported goods are insured at the Czech insurance company for the amount of CZK 3 000 000.

Based on author's point of view, the company is poised for great success on the foreign market but the future will show if they are able to compete successfully on the foreign market.

5.1.4 Company D

Interviewed company D started to operate on the Czech market in 1990. Their business activities are connected with selling and assembling of band and circular saw machines. During the establishment, the company started to consider, how to improve their strategy and position on the market and how to be more successful than their competitors. Further development of sawing and circular machines brought this company into the peak in this field of business. Their export activities are mainly connected with the third world economies, European countries, but especially Russia. During the interview, the author was disadvantaged, because their representative baldly explained their business activities, nevertheless, the most important fact were obtained and will be stated in the below part of the thesis.

5.1.5 Company E

Another company, which was interviewed by the author, is a company operating in the mechanical engineering and metal production. The company was established in 1994 and nowadays employs around 100 employees, which are actively participat-

ing in the whole running of the business. Running a business in this kind of field is very difficult in terms of accuracy and quality. The company is exporting their products in the major countries of the European Union and the largest representation and share of export has Netherlands, followed by Germany and Baltic states. For successful realization all ordered products need to be in high quality. The most important prerequisite is the realization team (technics, workers, sales representatives etc.). High knowledge of all technical details is essential. The author was also informed, that running a business in mechanical engineering and metal production is very difficult and responsible work that needs a high level of technical skills. During the internationalization process, the company faced many risks, which were balanced by its motives.

Company E bet on the fact that the domestic market no longer allows further development of the company and therefore began to seek other options on foreign markets, where they also met with different legal aspects and requirements, the necessary certifications and various administrative matters associated with entry and supplying goods to foreign markets. Legal requirements are very important and it is very necessary to set the condition before the realization. Later problems that occurred at the beginning of the internationalization process also helped the company avoid difficulties in future projects. The author had a chance to summarize all gained information from the company and those experience will definitely be used once setting the recommendations and suggestions to other Small and Medium sized Enterprises.

5.1.6 Company F

Company F is specialized in the construction business field, especially they are focusing on the fittings used in the construction area, but also other by-products which are needed and used in the business field. The company was established in 1996 and operated firstly on the domestic, Czech market. Company F employed around 50 employees at the time of interview. Further to that, company started to operate on the foreign market few years ago.

The author also found by means of interview the information, that the entrance into the foreign market was really difficult and precise work that needed a maximal preparation.

The first reason was the fact that their products were on very high qualitative level, which could compete with the competition abroad. The company is exports their products and internationalized their business activities into the East part of Europe where there is a potential for their offered products. As the main reason why the company decided to conquer the foreign market is the research on the Czech market, where this company is performing well in this construction business field so, there was an ability to compete with competitors on the foreign market. But the company also has to faced many problems during the whole process and set the main risks, which influenced but is still influencing company F.

During the interview, author was interested in the problem of state and enterprises support for the Czech companies. Company F finds the biggest risk in in-

ternationalization process in that problem. This kind of risk is characterized by the lack of knowledge of all possibilities for companies and that was also the problem, why company F had troubles in the whole internationalization process.

5.2 Motives of the Czech SME's

As previously mentioned and secondary data show, Small and Medium sized Enterprises play very important role in the Czech economy. There is a huge potential of these companies in the future and that is the reason why they find motives for their entrance into the foreign market. Each of the interviewed companies have different motives. Those motives for each company will be presented in the below part of the Diploma Thesis.

To outline the most important motives based on author's interviews, to the most frequent motives belong growth in experience in already functioning internationalization process of company A. This motive is followed by the increase in potential of the company and sales, because the company B wants to start internationalize their activities abroad. The third appeared motive is similar to the second one, which is an increase of sales and international prestige. The company E follows this, where the representatives see the motive of more opportunities than the domestic market offers. This is without any doubt the most interesting motive which author found out. This is very true, that the domestic market does not offer as many opportunities as the foreign market, so company is motivated by this factor. Company F is motivated by the high quality of their products. As the company produces products in high quality, this was and still is the main motive to improve the position on the foreign market.

- **Main Motives of Company A**

Table 3 Main Motives of Company A

Rank	Motives
1.	Growth in experience
2.	Higher quality of products than competitors
3.	Contacts on the foreign market
4.	Unknown environment to conquer
5.	Diversification of risks
6.	Growing image of the company
7.	Increase in sales

Source: Author

Based on the interview, which took part in company A, showed the main motives, which influences the company and its internationalization process. As per other scientific researches on this topic, the motive of growth in experience is not much common. Growth in experience encourages not only the company as whole, but

also the participants of the internationalization process – mainly workers and management. The author finds this motive the most significant, followed by the conquering the unknown foreign market as this is very complicated process and those who have a chance to participate, gain a lot of experience and can evaluate other future entrances into the foreign market. For company A, the motive of increase sales is not so important. The company's stability is nowadays on a high level, so they are seeking how to improve their great position more on the local market and also on the foreign market.

- **Main Motives of Company B**

Table 4 Main Motives of Company B

Rank	Motives
1.	Increase in potential of the company and sales
2.	High quality of its employees and their knowledge
3.	Participate in international trade
4.	Growth in experience

Source: Author

As the company operates in the scientific business field, their biggest motivation to enter the foreign market is to increase the sales of the company and its potential. Nowadays, focus on science and innovations is increasing, the company has with it business huge opportunities. The author finds very interesting the second motive, which is high quality of its employees and their scientific knowledge. This is without any doubt a huge advantage, which is related to the third motive of participation in international trade.

The great knowledge of these employees increases also their experience on the foreign market with the knowledge and experience of other possible foreign partners in the international trade. As author thinks, this company is very specific in terms of motives and those motives are closely correlated with scientific business field although the motives slightly differ from those of other companies interviewed for the purpose of this thesis.

- **Main Motives of Company C**

Table 5 Main Motives of Company C

Rank	Motives
1.	Increase in sales
2.	Contacts on the foreign market
3.	Ability to compete with competition on the foreign market
4.	More opportunities than the domestic market offers

Source: Author

As the company started to think about the entrance into the foreign market, author concluded according to information gained from the representative of company C that the biggest motivation is increase in sales. The domestic market offers several opportunities but the company is motivated to extend their business abroad. The next motivation is the contact with foreign market by their competition, customers and others. Author found out the motive of the ability to compete with competition on the foreign market, because at the domestic market, they see the satisfaction of customers, therefore this motivates them to extend their business abroad. Based on market research, author was informed, that foreign market still offers many possibilities for companies in this kind of business so representative of the company is motivated by this factor too.

- **Main Motives of Company D**

Table 6 Main Motives of Company D

Rank	Motives
1.	Increase in potential of the company and sales
2.	Find foreign partner
3.	Participate in international trade
4.	Growth in experience

Source: Author

Company D is nowadays operating on the foreign market. They are still motivated by the increase of potential and sales of the company. As they are performing well in their business activities in comparison to other Czech companies, this motivation factor is as per author legitimate and fully agrees with this motive. Finding a foreign business partner is a rather complicated issue in this business field so the company still finds a challenge in this. This motive is closely connected with a motive of participation on the foreign market. Company is still motivated by this fact, so all above mentioned motives are without any doubt the motives of future development and increasing competitiveness and position on the market.

- **Main Motives of Company E**

Table 7 Main Motives of Company E

Rank	Motives
1.	More opportunities than the domestic market offers
2.	Prices
3.	Interesting projects
4.	Proper execution of contracts

Source: Author

The company E is operating in the mechanical engineering and metal production. As they already conquered the domestic market, they started to operate on the foreign markets. Nowadays their biggest motive is still to increase their potential on the foreign market so abroad markets offer again many new and challenging opportunities. Based on the market research, the author was informed that company has better prices in comparison with the competition. On the one hand this is a huge advantage, but on the other hand the company faces the fact, that their products are not as good quality as their competitors'. Fortunately, this always changes, once the customer meets the company and finds out that those products are made in a high quality the customer expects. The third motive is the motive of interesting projects. As the domestic market does not offer so much possibilities, author was advised, that this is the reason why they see the motive of interesting projects more intensive. From the author's point of view, this motive should be in case of this company on the first place, because during the interview and obtaining data, author had a great chance to meet the production environment and can conclude, that the products are very competitive not only on the domestic market, but also on the foreign market, so the motivation to realize some interesting project is very intensive. This kind of business is specific in terms of its technical area and environment. As mentioned above, the company is motivated by the quality of its products so the motivation to conclude agreements and contracts with customers makes the company strengthen internally.

- **Main Motives of Company F**

Table 8 Main Motives of Company F

Rank	Motives
1.	High quality of products
2.	Ability to compete with competition on the foreign market
3.	Participating in the international trade
4.	Increase in sales

Source: Author

Construction business field nowadays offers many new opportunities and possibilities for companies, especially Small and Medium sized Enterprises. In the period of high technological progress and increasing quality of all products, author found out, that company F is really motivated by the quality of the products they offer for domestic and foreign customers especially on the East part of Europe. The representative of the company E also mentioned that the above motive is closely connected with the second motive of ability to compete on the foreign market with local competition by quality of products. The company is still motivated and wants to participate on the foreign market and to become part of international trade. All above-mentioned motives are connected with each other and are based on author's point of view the motivation engine in increase in sales and motivation for company E to more improve their position on the markets abroad.

Table 9 Overview of Motives –part I

Rating/ Business	Company A	Company B	Company C
1	Growth in experience	Increase in potential of the company and sales	Increase in sales
2	Higher quality of products than competitors	High quality of its employees and their knowledge	Contacts on the foreign market
3	Contacts on the foreign market	Participate in international trade	Ability to compete with competition on the foreign market
4	Unknown environment to conquer	Growth in experience	More opportunities than the domestic market offers
5	Diversification of risks	X	X
6	Growing image of the company	X	X
7	Increase in sales	X	X

Source: Author

Table 10 Overview of Motives – part II

Rating/ Business	Company D	Company E	Company F
1	Increase in potential of the company and sales	More opportunities than the domestic market offers	High quality of products
2	Find foreign partner	Prices	Ability to compete with competition on the foreign market
3	Participate in international trade	Interesting projects	Participating in the international trade
4	Growth in experience	Proper execution of contracts	Increase in sales

Source: Author

5.3 Risks of the Czech SME's

The author concluded all obtained primary data results from interviews in below part of Diploma thesis. The main risks will be summarized at the end of this part and based on obtained data, there will be stated the evaluation of the risks of companies.

- **Main Risks of Company A**

Table 11 Risks of company A

Rank	Risks
1.	Foreign business partner
2.	Market research
3.	Unqualified export representative
4.	Legal environment

5.	Unsecured payments
6.	Logistics
7.	Competition

Source: Author

The main focus is for the risk in finding the foreign business partner especially on the German market. As the market is very different from many points of view then the Czech market. Also the company operates in the international trade, this risk is still open and influences the whole company. The next problem sees the company A in the bad market research. Both risks will be analysed in the next part of the thesis and author will provide detail recommendation for Small and Medium sized Enterprises how to avoid those risks.

The results based on the interviews were analysed in the above part of the thesis. Those gained data will be further used in the chapter results to state and recommend Small and Medium sized Enterprises final recommendation to avoid potential risks of conquering the foreign markets.

- **Main Risks of Company B**

Company B sees the risks by two points of view.

- Economic risks
- Non-economic risks

Based on the obtained information from the company B, the management representatives and the owner of the company see the most important the economic risks, not the non-economic ones. As the company starts to internationalize their business activities, the economic risks are very current topic.

Table 12 Economic risks of company B

Rank	Economic risks
1.	Exchange rate risk
2.	Lack of working capital
3.	Future economic crisis

Source: Author

Table 13 Non-economic risks of company B

Rank	Non-economic risks
1.	Finding foreign partners
2.	Project management problems
3.	Time frame
4.	Lack of domestic qualified workers

Source: Author

The biggest problem, which company B sees, is the risk of exchange rates. This is definitely without any doubts a huge risk, which can influence the internationalization process of this company especially from the group of Small Enterprises. Based on author's opinion, there exist many opportunities and tools how to avoid this kind of risk which will be generally recommended in the following chapter. The exchange rate risk is followed by the risk of lack of working capital. This is also significant risk as the company employs highly educated workers and specialist, so this could cause a problem once conquering the foreign market.

As the thesis offers also the non-economic risks of company B, there belongs the risk of finding a foreign partner. This is closely connected with the motive for internationalization, to find business partners on the foreign market. Also the final recommendation will be stated in the following chapter Recommendations for Small and Medium sized Enterprises.

- **Main Risks of Company C**

Table 14 Risks of company C

Rank	Risks
1.	Existing competition (Market research)
2.	Cultural and language difference
3.	Distance
4.	Transportation costs
5.	Legal environment

Source: Author

As per the data gained from the interviewed company C, they see the biggest risk in the process of internationalization and the entrance into the foreign market the risk of existing competition, which is operating on the foreign market and little bit the risk of market research. Nowadays it is the time of innovations and technical progress, so the company is afraid of this risk, but as the motive shows, they can compete with the competition with their kind approach to customers. The second risk is the risk of cultural and a language differences as this risk is also a significant determinant when choosing the market to conquer. The third risk the company C sees in the distance, as the business they are running is specific in term of provided services. The business environment is different in other countries, so the company is afraid that providing services far away from the domestic market could be very hard. The third risk is closely connected with the fourth risk of transportation costs. Providing transportation services is highly costly, because once having trucks and cars, those operating costs are influencing the business. Risk of legal environment company C specified as several norms and safety conditions in providing transportation services. This kind of risk can be eliminated if the com-

pany extend their activities in the European Union, because the EU supports business between each member states.

- **Main Risks of Company D**

Table 15 Risks of company D

Rank	Risks
1.	Unsecured payments
2.	Competition
3.	Foreign business partner
4.	Logistics
5.	Market Research
6.	Legal environment
7.	Unqualified export representative

Source: Author

According to the interviewed company D, the author analysed the risks and summarized the main risks of internationalization and conquering the foreign market in unsecured payments, so basically the payment system how to ensure, that the company get the money from realization of ordered products. This risk is further followed by the risk of competition as this is significant and authorized opinion, because based on the researches on the company, the company has very strong competition in this business field also here in the Czech Republic, that results in the fact that the risk of exporting and internationalization is still seen as a threat. Gradually emerging risks have some kind of consequences, as the third risk is the risk of finding foreign business partner. This is very difficult for the company to find a partner, as the possibility of their own subsidiary is highly costly in their case. But the finding a business partner still motives them. The rest of the risks are categorized as the logistics problems, market research and legal environment followed by the unqualified export representative. Those lastly mentioned risks are not much significant and do not much influence the whole running of the business, but the company D calculates with those risks.

- **Main Risks of Company E**

Table 16 Risks of company E

Rank	Risks
1.	Legal environment
2.	Technical skills
3.	Unqualified export representative
4.	Lack of working capital
5.	Logistics

6.	Failure in realization - Technically unmanaged requirements
7.	Unsecured financing

Source: Author

As per data obtained from the company E, they see the biggest risk in the legal environment. As this business field is very specific in terms of mutual agreements, the risk of legal environment is still active. The second risk is the risk of technical skills. The company is still afraid of technical conditions on both sides of a customer and the company itself. The problem appears, that in this business field, there is a necessity to have all the technical details as correct as possible. The problem on the side of company is in standards and norms, which differs country by country. There is necessary to communicate with the customer in details as much as possible.

The third risk is depicted by the company in unqualified export representatives. In this business field, high technical skills are required and as per company, there is a lack of qualified representative, who would meet the condition that the company set. Author will further recommend all companies, not only the company E, how to deal with this risk or how the avoid them. Company E also added a risk of lack of working capital, but this risk is not influencing this company, but the other companies in this business field. Logistics risk appears one of the most frequent in all interviewed companies. As the company is producing mechanical engineering and metal products, there is a risk or it can be said the barrier of logistics issues problems. The products are very often in specific size, so transportation companies often have a problem to realize the transportation for the company. There is a necessity to set the condition before the realization and the transportation company has to know the size details before. As per experience of company E, many customers had a problem with the ordered product, which represents a problem to company that did not want to realize the payment because of different view and details of the order that did not suit the expectation. All the risk should be evaluated before so the author will set some recommendation in the below part.

- **Main Risks of Company F**

Table 17 Risks of company F

Rank	Risks
1.	Lack of state and enterprises support
2.	Unsecured payments
3.	Market Research
4.	Finding a foreign partners
5.	Logistics
6.	Exchange rate risk
7.	Lack of working capital

Source: Author

In comparison to the above interviewed companies, company F sees the most intensive the risk of lack of state and enterprise support. During the interview, author was surprised by that fact. The representative explained that the support is available, but not much intensive and sees the risk, which can influence the enterprises in the future by negative approach from other authorities. The author will suggest in the below part how to fight with this kind of risk by many tools. As the second risk is the risk of unsecured payments, company had some experience so it is still afraid. Author will suggest some steps and tools how to lower this kind of risk or completely eliminate it. Author was informed that market research is very difficult in this area of business as some important information about this business field in abroad market is missing, but in the period of IT technologies all those data are becoming more and more available for the company itself. The one interesting fact is in the risk of exchange rate. The representative of company E was during the interview little bit afraid that in this time of unexpected fluctuation of exchange rates, this risk is still active, but it is not as important as the risk of state of support.

Just to have all primary data results together, author enclosed the table where all the risks are stated and categorized based on the intensity.

Table 18 Overview of risks – part I

Rating/ Business	Company A	Company B	Company C
1	Foreign business partner	Exchange rate risk	Existing competition (Market research)
2	Market research	Lack of working capital	Cultural and language difference
3	Unqualified export representative	Future economic crisis	Distance
4	Legal environment	Finding a foreign partners	Transportation costs
5	Unsecured payments	Project management problems	Legal environment
6	Logistics	Time frame	X

7	Competition	Lack of domestic qualified workers	X
---	-------------	------------------------------------	----------

Source: Author

Table 19 Overview of risks – part II

Rating/ Business	Company D	Company E	Company F
1	Unsecured payments	Legal environment	Lack of state support
2	Competition	Technical skills	Unsecured payments
3	Foreign business partner	Unqualified export representative	Market Research
4	Logistics	Lack of working capital	Finding a foreign partners
5	Market Research	Logistics	Logistics
6	Legal environment	Failure in realization	Exchange rate risk
7	Unqualified export representative	Unsecured financing	Lack of working capital

Source: Author

5.4 Mind maps of the Czech SME's

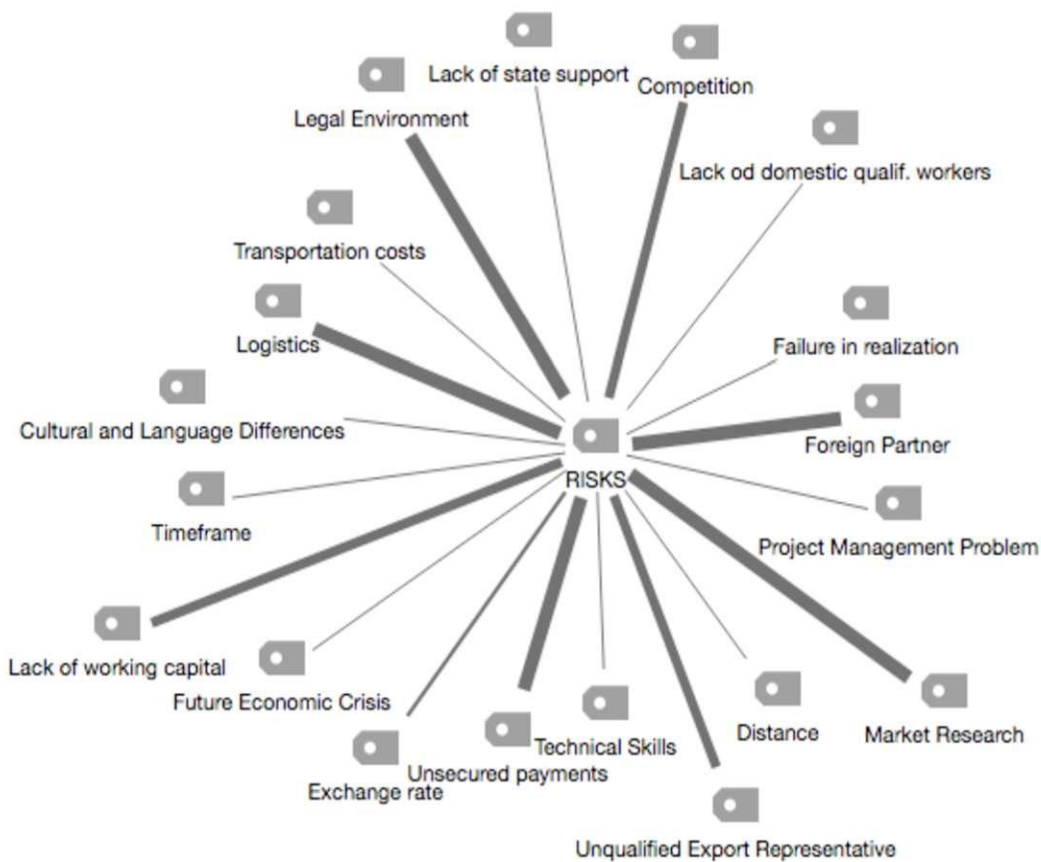


Figure 14 Mind map
Source: author

For the purpose of the thesis, author used a special tool preparing mind maps, so to generate the overview of all responses obtained by interviewed companies. As per the mind map above, author showed the relation between risks stated by companies. There are available all the risks of the companies, which have already internationalized their business activities, but also risks that appeared in companies that want to start their business abroad. The main element to analyse is the icon RISKS. From this point, there are lines and connections to each risk. The thinnest line shows the lowest intensity of responses but on the contrary the thickest line is the risk with the highest intensity. We can see in above figure, that most intensive risks are those of market research, unqualified export representative, unsecured payments, lack of working capital, logistics, legal environment, competition and finding a foreign business partner. This graph shows by its lines the relation and intensity. The main risks cannot be exactly concluded as the main risks for exact business field, because those are just responses from companies from differ-

ent kind of fields, so on the general level. The above showed mind map will be further extended by the relationship between companies and it will display to which company the each risk belongs.

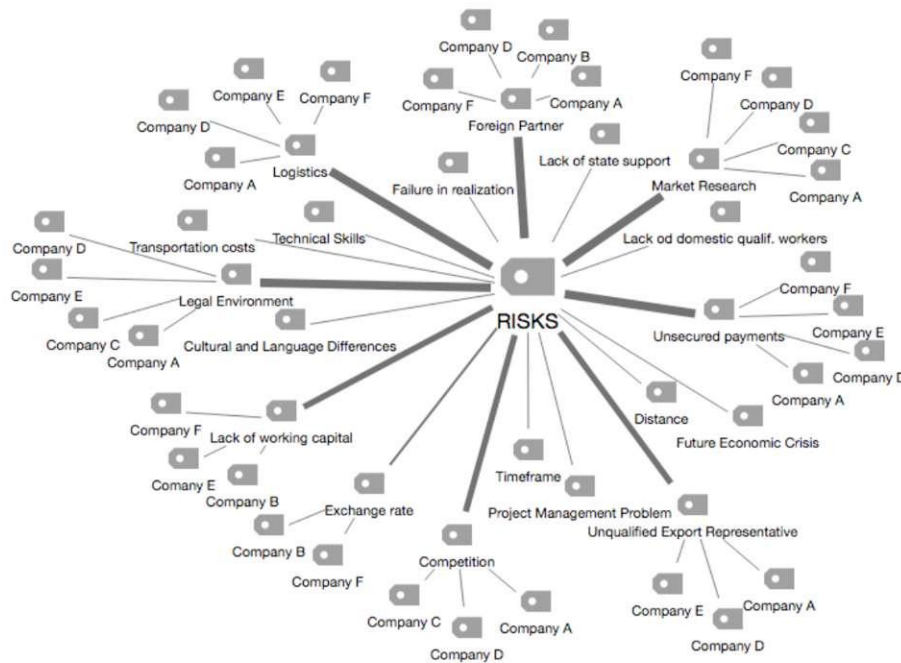


Figure 15 Mind map - extended
Source: author

In this case, the author concluded all above-mentioned results from interviews and the relationship to each company. The purpose of analysis of the connections and intensities of stated risks showed very interesting results. In the mind map there appear several risks and the companies that stated the risks at the time of interview. Companies are showed only in the most responded risks. So basically only the risks, which were stated once in the whole research, do not contain the company. If there is any interest to which company the risk belongs, there is an overview table in above part of the thesis. Used program nicely showed the results from interviewed companies and those risks will be evaluated by the author and will provide Small and Medium sized Enterprises some kind of recommendation, how to avoid the risks and how the fight against them to eliminate their intensity. The complete mind map will be available in the last part of the thesis in the appendix part.

5.5 Recommendation for companies

The following part of the Diploma Thesis will provide Small and Medium sized Enterprises based on author's contribution with some kind of recommendation how to internationalize their business activities without major problems and how to try to avoid main raised risks which interviewed companies stated. The author will provide the most important risks recommendations how to avoid the potential risks and barriers. This part of thesis can be also used as a potential manual for companies during their internationalization process. Paragraphs below will examine in details the risks and barriers arisen as the most frequent and most important for most companies.

- **Cultural and language differences**

The risk of cultural and language differences raised from interviews with companies which have already entered a foreign market or are preparing to internationalize their business activities. The perfect preliminary preparation is necessary for the company before entering to prevent possible threats. The company has to form a team whose members can speak foreign language of the country where they tend to internationalize and enter. Based on the business field - sales, technician, logistic assistant should be part of the team and would be all allowed to communicate well with the customers on the high level. To avoid the potential risk, representatives have to deeply study the environment and culture of the region, where they want to internationalize their activities; this could be achieved by participations on organized meetings for employees on selected topics regarding the right approach. Another source of knowledge would be wide variety of available literature, which should be learned on regular basics.

- **Legal environment**

The exported products and services require specific certification if they are used in particular places and regions. The Czech legislation and different country's laws aspects require different examinations (which are very cost intensive). Based on author's own research, there exist many consultancy agencies and companies, which are qualified to help Small and Medium sized Enterprises with legal and law requirements. It is very important step for companies to ensure their activities also by legal side, as further investigations of raised problems could be very difficult and highly costly.

To ensure the smooth realization between the supplier and customer, author suggests companies to conclude an arbitration clause. This kind of contract ensures that both sides of business are somehow protected in case any problem appears.

- **Existing competition, Market research and Finding a foreign partner**

The risk of existing competition is very closely connected with the risk of market research. Which means that a company entering a foreign market and internationalizing its business activities faces the risk of badly prepared market research. To avoid this difficulty; author gives the recommendation how to be prepared once conquering the foreign market. One of the most important steps how to be successful is to find a functional market which needs to be examined and investigated by the tools mentioned below. If the company wants to be successful, it is vital to find the right balance between the supply and demand – quality, price, logistics and realization conditions. Based on author's recommendation there are two types of market researches that should be taken into consideration once choosing the foreign market.

The first one is called by the author scientific market research. This research contains tools for companies how to research potential market. To the tools belong agencies, (example: Czech Trade), available statistics which help companies to determine the situation on the market, web information, information from the competitors on the local market, information from the Czech firms which are already exporting into the foreign market, business fairs, research among firms, activities of competitors – some kind of espionage (to find strengths and weaknesses of competitors), information about the local market and the possible clients. These mentioned tools are as per author the most important prerequisites to avoid the potential risk of market research and its existing competition.

To the second important part is represented by the active sales development – this is the most important step once conquering the foreign market – this is the most problematic part of the whole process and that is also the problem why companies see this kind of risk as one of the most intensive. To avoid the risk, author suggests some kind of strategy connected with the risk of existing competition and market research risk. The company needs to find a representative who will be given a task to chart the foreign market without a big strategy. Most of the companies make a mistake that they internationalize their activities by emotional decision, which is very often a bad step in the whole process. The sales representative should state several objectives that have to be achieved. Timeframe for the market research should last for 6 months, after this period the representative is supposed to be sure if the chosen market has a potential to develop further activities.

Not only the timeframe is important but also the budget, which needs to be stated before the mission starts. The budget should contain all personal expenses of the representative and has to be divided into two parts – 80% fix and 20% flexible part. The fix part should contain expenses related to accommodation, transportation and basic marketing tools at least in English. The flexible part should include rewards for advancement goals. As a part of market research, representative has to report to the owner of the company or responsible manager on weekly basis based on reports and meetings.

The representative has to set an exact number of business meetings – with architects, investors, realization firms and others potentially involved to find the information that is necessary for further evaluation.

After the period of 6 months of market research, representative has to make an agreement with the company management, if the foreign market is the proper one to conquer and set the strategy how to internationalize business activities.

Author provided detailed recommendation for Small and Medium sized Enterprises, how to avoid the potential risk by above-mentioned detailed steps. Future strategies of each company how to find the most important information about the potential market, could be used and applied once decided to enter the foreign market.

- **Lack of working capital**

When a company is operating on the foreign market, there is a necessity to have a working capital. As the interviewed companies emphasised, there exist a risk of lack of working capital. The way how the working capital is represented is as per companies in a form of debts to suppliers, inventories, payments in advance, work in progress, and receivables. Many companies have a problem to finance their business activities. As author suggests, there exist many financial intermediaries for Small and Medium sized Enterprises how to avoid financial problems including a problem with the lack of working capital.

Author gives a recommendation to use these intermediaries for their business activities. There exist many commercial banks and agencies, which are nowadays focusing on the Small and Medium sized area of companies. These tools also concentrate on completely micro companies so there is no fear that these tools will not have micro sectors. These tools offer credits, intermediation of letter of credit activities and many others. Author suggests in case the company has a problem, they should find and choose from many options the best one to finance their activities corresponding with their criteria. In the risky situations, companies should find the best possible option that the commercial companies and agencies offer. Author advises to always consult all possibilities with the experts which of those available tools to use in most effective ways.

- **Lack of state and enterprises support**

While collecting primary data from interviews, author also found out that companies are afraid and miss the state and enterprise support, which is one of the risks and barriers that is influencing their internationalization process and entrance into the foreign market. Relating to that, author suggests for Small and Medium sized Enterprises some supporting instruments and tools that could help with their business activities abroad. These instruments are from higher level – Czech Government and the agency Czech Trade. Both institutions offer enterprises several helping tools how to behave and act abroad on the foreign markets.

First of all, the author mentions and draws attention to the Ministry of Foreign Affairs of the Czech Republic. This institution offers entrepreneurs support from the Czech embassies abroad in form of special consultations and success stories of the Czech companies. This tool finds the author the most influential, because the government support is most reliable.

Author also suggests the second possibility of choosing the Czech Trade agency, which was established by the Ministry of Industry and Trade of the Czech Republic. This agency is an official contact partner for foreign companies looking for qualified Czech-based suppliers of products, providers of services or investors. Czech Trade operates worldwide via 47 foreign representatives. Author during the collection of data based on Regional business conference found out, that nowadays this institution focuses especially on the sector of small enterprises, so no one can be afraid that there is a lack of support. Author also recommends companies to check special publication, which displays all the important information about the country where to export and develop business activities. This publication contains all needed macroeconomic data, which are necessary to be need. This type of risk is also closely connected with the risk of market research where the companies are obliged to find the most relevant data and information about the foreign country and territory.

- **Unsecured payments**

The topic of payments is very sensitive for companies, because most of them admit; the motive to increase in sales appears. There exist credit Insurance Corporation EGAP, which insures credits connected with exports of goods and services from the Czech Republic against political and commercial risks uninsurable by commercial insurance. EGAP also supports micro enterprises, not only bigger corporations. This is a big advantage of this tool for Small and Medium sized Enterprises as this ensures their activities against possible risks.

- **Exchange rate risk**

In this period of time, when there occurs financial crisis and exchange rate movements occur, there exist special programs for Small and Medium sized Enterprises. Author suggests how companies, which want to internationalize their activities, can utilize many possibilities how to fix an exchange rate for future orders and cooperation with a foreign partner. ČSOB is one of the best solutions that can ensure the stable exchange rate. Their support for companies not only focuses on big corporations and huge volume of money transaction, but their specification is also the Small and Medium sized sector. Author recommends all the companies who are afraid of fluctuation of exchange rates to set a meeting with a representative of the ČSOB and discuss all the possibilities they offer. Not only ČSOB, but as author found out, there exist many other institutions which help companies to conquer the foreign market without major, especially finance problems.

- **Unqualified export representative**

The qualified export representative belongs to the necessary part of the exporting and internationalization process. The questioned companies also mentioned this kind of risk as potential and influencing the whole process. Author suggests, that companies should choose based on recruitment procedure to choose the qualified person who meets the requirements set before the recruitment procedure. According to author's suggestion, this export representative should have an export mentality, which is very necessary prerequisite for successful entrance into the foreign market. As per author, this kind of person should highly meet the professional knowledge in the chosen business field and should be able to communicate fluently at least by the language of the country where the company is exporting and as an advantage other one or two languages are nowadays required. Author recommends for companies the person who is highly hardworking, capable, inspirational, not arrogant, reliable, easy-going and very flexible, because an export representative's main work is to sell and offer all products and services.

- **Failure in realization - Technically unmanaged requirements, Realization**

This kind of risks are associated especially to company E that is operating in the mechanical engineering and metal production. From the author's point of view those kinds of companies operating in the technical environment should meet all-important criteria, norms and standards. The author suggests that once the company concludes the contract with a foreign partner, the negotiation step should lead to the communication between technical departments of each company. Very important message here is to set those norms and standards in the common usage, so by meaning that, using international abbreviations for certain type of goods, shapes, colour, materials. As per author's point of view, this is why many companies failed in the past with the realization. So it is important basically harmonize joint technical cooperation with the producer and customer to satisfy both sides of the business and to run the business on very high level.

- **Logistics**

Many companies nowadays have a problem once realizing especially ordered products. Everything depends on what companies are producing and at which size. If the company has a business partner abroad, the risk of logistics is very often eliminated. The author recommends companies to make a detail focus on what possibilities the transportation companies offer. This is a very important step to avoid the risk of logistics. All is dependent on the type of transportation. As per author, companies should also adapt to conditions of transportation companies. Transportation companies also have to follow special rules, norms and standards when transporting goods and products. So based on author's suggestion, once

there is a closed contract, between customers and companies, communication with transportation companies has the highest priority, especially when products are special and outsized.

- **Summary of above recommendation of risks**

Internationalization has become very difficult process especially in context of increasing volume of Small and Medium sized Enterprises and their competition among each other. The author stated based on the primary data from interviewed companies do main problems, risks/barriers and motives. This information is then used to evaluate and recommend. Entering foreign market requires a lot of responsibility. Evaluation and preparation of the internationalization process presents a lot of risks but on the contrary also motives that rush companies forward. Author advises to avoid all the listed risks by above following steps. Before the entrance into the foreign market, companies have to start thinking about the region, which is the best for developing their future activities. Companies mentioned the risk of market research, existing competition and finding the foreign partner, these risks could be easily avoided by good preparation of good market research. These steps are described in details in above part of the thesis. The necessary part of the whole process is to find a qualified representative or export manager who will be dealing on daily basis with the customers and partners abroad and the person in charge is also responsible for the market research. This market research has to be stated before the action starts. Necessary prerequisite is to set the budget and time frame for how to make a research and how long. Many companies failed in internationalization process for this preparation was missing in context of incorrectly specified budget. On the other hand, once those steps are fulfilled, finding the foreign partner tasks some kind of responsibility and the most important part – export mentality cannot be missing. Moreover, there are available state and enterprises support programs, which help companies in difficult situations and troubles related to conquering to the foreign market. Once all the previously listed risks are solved and turned into not to be the risks for the companies, new risks appear. Legal environment risk is very important one and cannot be overlooked. The contracts between suppliers and customers are different in every country and have to be harmonized to get and have the satisfaction on both sides. Other important fact is that finance play very important role in it. Sources of working capital are prerequisites to entre the foreign market. Once the company does not have enough capital, there exist many tools for companies how to gain the finance to start the process as stated in above part.

6 Discussion

The topic of internationalization attracts many attention nowadays very much. Globalization is in this period also very intensive and influences not only business environment but also the cultural one. The author focused in this Diploma thesis on the topic of internationalization of the Czech Small and Medium sized Enterprises. The author finds this topic very interesting not only as the number of all enterprises is still increasing but also the volume of Czech export is rising too.

All the primary data were obtained thanks to in-depth interviews of selected Czech Small and Medium sized Enterprises. Author gained the primary data used for the purpose of this thesis from the Czech companies from different business fields. These companies were chosen also based on the facts, if they have already internationalized their business activities or not. To fulfil the stated goal of the thesis, it was necessary to study all available materials, publications, research papers and other resources to know in details the whole process of internationalization and entrance into the foreign market.

The following step after the studying of available resources, the author also participated in the Regional Export Conference about the current situation of the enterprises environment. Gained data were also very helpful in deep evaluation of the Czech companies. The focus of this thesis is especially on the Czech Small and Medium sized Enterprises in all business fields, not only specific one. The author used primary and secondary data. The primary data were obtained from in-depth interviews with representatives of chosen companies, especially from the South Moravian region in the Czech Republic. The structure of in-depth interviews was formed by the semi-structural way. The advantage of these interviews according to the author is maximal accuracy because face-to-face interviews are always better with comparison to market research questionnaires. By this form of research, the author got more information and could discuss in more details immediately at the time of the interview.

Based on obtained data, the author concluded, firstly the biggest risks of interviewed companies are risks of failure in market research and existing competition. With all these risks can companies deal with by the suggestions which author stated in above part of the thesis. Once entering the foreign market, companies have to think about the area, which is the best for improving their future activities. These risks could be easily avoided by the good preparation of a market research. Further steps how to prepare the good market research are described in details in above part of the thesis. To the necessary part of the conquering the foreign market belong a qualified representative or export manager who will be dealing on daily basis with customers and partners abroad and this person is also responsible for the market research. Along the risks mentioned above, in-depth interviews also showed that problems are risks of legal environment, general financing issue, logistics, exchange rate risk, lack of working capital, unqualified export representative, lack of state support and other that are not much intensive as those mentioned. Each of the stated risks has different type of solution. Generally once it is

the risk connected with finance, there exist many possibilities for companies to use insurance corporation like EGAP or other commercial institutions like CSOB which offer several kinds of services and products especially for the Small and Medium sized sector of companies. If there are risks related to the technical issues, there are several options how to avoid them. The key success is in deep technical knowledge and understanding the foreign environment in terms of international norms and standards.

Author suggested some kind of recommendations and other companies, which want to internationalize their business activities and want to enter into the foreign market, can use these steps.

The purpose of this thesis and the main recommendations could be used as an advisory paper especially for companies, which are thinking about internationalizing their business activities. The author does not dare to conclude how much the recommendations and suggestions could help. To have more accurate closure, it would be necessary to ask and interview more respondents than this thesis offers. The author would also compare gained results with the research of Kubíčková, Tuzová, Toullová (2015), stated risks/barriers by OECD or final export report of Association of Small and Medium sized Enterprises. Author learned that the most frequent risks are finding the foreign business partner, exchange rate risk, existing competition, market research, unsecured payments, legal environment, lack of state support. The interesting fact is that those interviewed companies have listed the risks, but other research papers see them as barriers. The author is fully aware of this difference and is able to discern differences between the risks and barriers. But on the other hand, the author cannot specify those risks as barriers, because interviewed companies replied and classified them as risks. Those listed risks above quite concur with main problems of the internationalization process stated by the report of AMSP (2016) where also appear the risks of legal environment, risk of finding a business partner, risk of exchange rate and risk of low government support. Another research paper of Tuzová and Votoupalová (2012), they stated negative consequences of internationalization. They also pointed out different view on this topic and can be comparable with this Diploma Thesis and can be used by companies to check and avoid potential risks the companies faces. For the better orientation to this topic, the author created mind maps by the useful program MAXQDA where can be seen the intensities of responses to each stated risk.

Despite the 6 in-depth interviews, author suggested some kind of recommendation, but to focus deeply in this topic, there would be needed to analyse in more frequent and deep research. It is not fully possible to conclude and state exact final suggestions because of the smaller sample size of respondent companies, but it is very helpful in deciding how to internationalize business activities and how to be successful on the foreign market.

7 Conclusion

The main aim of this Diploma Thesis was the internationalization process of the Czech Small and Medium sized Enterprises with a deep focus on main risks, which are connected with this process. The Thesis is divided into three parts, including the literature review, the analysis of the SME environment on the Czech market using secondary data and these two parts are followed by the concrete focus on selected Czech Small and Medium sized Enterprises.

Literature review was established using all available sources and theoretical information that are cited according to norms. The main aim of the literature review was to bring some theoretical background to the researched topic and explain this problematic in general way.

The methodology was focused on usage of the standard scientific methods and preparation of quantitative method of in-depth interviews with the Czech companies.

All obtained data were further used to create mind maps of main risks, which are taken into the consideration by companies. One of the main obstacles, which the author sees, is the fact that companies do not deeply focus on difference between the barriers and risks; they just basically see them as risks associated with the internationalization process. The author is aware of this fact, because some research papers and publications also divide some responses from companies into risks and barriers. Based on interviews, author worked with these information as were given, so in fact, this Diploma Thesis could be used for comparison to other researches in terms of risks and barriers and overall contribution to this topic.

To conclude this researched topic, in-depth interviews showed how differently see each company the risks. According to interviews, each company has a fear and states the risks on different rankings as others. But still according to primary data, most of the companies see the problem in risk of market research, risk of competition on the foreign market, risk of finding a foreign partner, risks of legal environment, general financing issue, logistics, exchange rate risk, risk of lack of working capital, risk of unqualified export representative, risk of lack of state support and other. If any company enters the foreign market, representatives have to think about the area, where to perform the best results. To the successful entrance into the foreign market, companies should prepare detailed market research and cooperate with the qualified representative or export manager who will be dealing with customers and partners.

Generally there exist many tools for companies to use Insurance Corporation like EGAP or other commercial institutions like CSOB, which offer several services and products for its clients. The key success in case of technical business field is deep technical knowledge of the foreign environment in terms of international norms and standards.

The above risks have different solutions. General recommendations are given in above part of the thesis by the author. As previously mentioned, companies do not make a difference between risks and barriers. As the author found out, there

are no differences and companies see those listed terms as risks. It can be comparable with other scientific researches as this thesis brings also some new terms into this topic, but 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.

8 Bibliography/ References

ANALÝZA EXPORTU 2015-2016. AMSP [online]. 2016 [cit. 2016-12-29]. Available at:
http://www.amspace.cz/uploads/dokumenty_2016/TZ/Analyza_exportu_2015_16.pdf

Business risk. Business Dictionary [online]. [cit. 2016-12-29]. Available at:
<http://www.businessdictionary.com/definition/business-risk.html>

CIHELKOVÁ, Eva, 2012, *Aktuální otázky světové ekonomiky: proměny a governance*. Praha : Professional Publishing. ISBN 978-80-7431-104-8.

ĎAĎO, Jaroslav, Jan W. WIKTOR a Agnieszka ŻBIKOWSKA. *FOREIGN MARKETS ENTRY MOTIVES AND STRATEGIES OF POLISH EXPORTERS* [online]. 2015 [cit. 2016-11-18]. DOI: [dx.doi.org/10.15240/tul/001/2015-2-010](https://doi.org/10.15240/tul/001/2015-2-010). Available at:
<http://www.ekonomie-management.cz/en/archiv/search/detail/1283-foreign-markets-entry-motives-and-strategies-of-polish-exporters/>

DALY, Herman E. Globalization Versus Internationalization: [online]. In: . [cit. 2016-09-29]. Available at:
<https://www.globalpolicy.org/component/content/article/162/27995.html>

DASZKIEWICZ, N., WACH, K. *Internationalization of SMEs: context, models and implementation*. 1. edition. Gdańsk University of Technology Publishers [online]. 2012. ISBN 978-837-3484-115. [cit. 2016-09-30] Available at: .
http://www.wach.uek.krakow.pl/images_books/2012_daszkieicz_wach_handbook_full_text.pdf

Export malých a středních firem 2013 : *Závěrečná zpráva hlavního exportního průzkumu 2016 v segment MSP*. AMSP [online]. 2016 [cit. 2016-12-12]. Available at:
http://www.amspace.cz/uploads/dokumenty_2016/pruzkum/Pruzkum_EXPORT_komplet_vysledky.pdf

FÁREK, Jiří, Jiří KRAFT a Aleksandr Viktorovič ZAJCEV. *High tech podniky v globalizované znalostní ekonomice*. Liberec: Technická univerzita v Liberci, 2013. ISBN 978-80-7494-016-3.

GESTELAND, RICHARD R.. *Cross-cultural Business Behavior: Negotiating, Selling, Sourcing and Managing Across Cultures*. 4th ed. [Copenhagen, Denmark]: Copenhagen Business School Press, 2005

GHAURI, Pervez N. a V. H. KIRPALANI. *Handbook of research on international entrepreneurship strategy: improving SME performance globally*. Northampton, MA: Edward Elgar Publishing, 2015. ISBN 17-834-7157-3.

HAAHTI, Antti Juhani., Graham. HALL a Rik. DONCKELS. *The internationalization of SMEs: the Interstratos project* [online]. New York: Routledge, 1998 [cit. 2016-12-29]. ISBN 04-151-3333-5

HUBER, Peter, Danuše NERUDOVIČ a Petr ROZMAHEL, ed. *Competitiveness, social inclusion and sustainability in a diverse European Union: perspectives from old and new member states*. Cham: Springer, 2016. ISBN 978-3-319-17298-9.

Internationalization of European SMEs - Final Report, ec.europa.cz [online]. 2010 [cit. 2016-12-23]. Available at: <http://ec.europa.eu/DocsRoom/documents/10008/attachments/1/translations>

JENÍČEK, Vladimír and KREPL, Vladimír, 2006, *Economics of development*. Prague : Czech University of Agriculture. ISBN 80-213-1500-8.

JOHANSON, J. and WIEDERSHIEM.Paul, F. 1975. The internationalization of the finn- Four Swedish cases. *Journal of Management Studies*, 12(3):305-322.

JOHANSON, J. and J.E. VAHLNE. *The Internationalization Process of the Firm – A Model of Knowledge Development and Increasing Foreign Market Commitments*. In *Journal of International BusinessStudies*. Avenel: Palgrave Macmillan LTD., 1977, vol.8, no. 1, s. 23-32. ISSN 0047-2506.

JUREK, Martin. *Internacionalizační teorie a modely na příkladu rakouských firem na českém trhu*. In: *Acta oeconomica Pragensia: Vědecký sborník Vysoké školy ekonomické v Praze*. [online]. 2012 s. 70-88. ISSN 0572-3043 [cit. 2016-10-30] Available at: . <http://www.vse.cz/polek/download.php?jnl=aop&pdf=388.pdf>.

KARADAČ, Hande, 2015, *Strategic financial management for small and medium sized companies*. Bingley : Emerald. ISBN 978-1-78560-775-2.

KUBÍČKOVÁ, Lea and Martina TOULOVÁ. *Risk factors in the internationalization process of SMEs*. *Acta Mendelu* [online]. 2013, LXI, s. 2385-2387 [cit. 2016-10-09]. Available from: <http://acta.mendelu.cz/pdf/actaun201361072385.pdf>

KUBÍČKOVÁ, Lea, Marcela VOTOUPALOVÁ and Martina TOULOVÁ. *Key Motives for Internationalization Process of Small and Medium-Sized Enterprises*. *Procedia Economics and Finance* [online]. 2016, vol. 12, p. 319-328 [cit. 2016-11-03]. DOI: 10.1016/S2212-5671(14)00351-7

KUBÍČKOVÁ, Lea, Martina TOULOVÁ and Marcela TUZOVÁ. *Internacionalizační proces českých malých a středních podniků: Folia Universitatis Agriculturae Et Silviculturae Mendelianae Brunensis*. 2015. Brno: Mendelova Univerzita v Brně. ISBN 978-80-7509-332-5.

KUBÍČKOVÁ, Lea. Theoretical aspects of the risk management process of internationalization of Small and Medium-sized Enterprises [online]. 2014 [cit. 2016-11-29]. Available at: https://dspace.vutbr.cz/bitstream/handle/11012/24431/14_05.pdf?sequence=

KUNEŠOVÁ, Hana and Eva CIHELKOVÁ. *Světová ekonomika: nové jevy a perspektivy*. 2., dopl. a přeprac. vyd. V Praze: C.H. Beck, 2006, xviii, 319 s. ISBN 80-7179-455-4

LEONIDOU, L. C. *An Analysis of the Barriers Hindering Small Business Export Development*. In: *Journal of Small Business Management*. 2004, vol. 42, no. 3, p. 279–302. ISSN 0047-2778.

LOMMELEN, Tinne. A learning perspective on internationalization: progression in the internationalization of logistic services providers [online]. Universiteit Hasselt, 2004 [cit. 2016-12-29]. Available at: <https://oatd.org/oatd/record?record=handle%5C%3A1942%5C%2F8873>

MACHKOVÁ, Hana and Eva ČERNOHLÁVKOVÁ and Alexej SATO. *Mezinárodní obchodní operace*. 5. vyd. Praha: Grada, 2010, 240 s. ISBN 978-80-247-3237-4.

MPO, 2012: *Návrh koncepce podpory malých a středních podnikatelů na období let 2014- 2020: Vyhodnocení veřejné konzultace*. [online]. 2012 [cit. 2016-10-10]. Available at: download.mpo.cz/get/47605/54370/599917/priloha001.pdf

MPO, 2013 : *Koncepce podpory malých a středních podnikatelů na období let 2014–2020*. Ministerstvo průmyslu a obchodu [online]. 2013 [cit. 2016-11-23]. Available at: <http://www.mpo.cz/dokument119071.html>

MPO, 2015 : *Zpráva o vývoji malého a středního podnikání a jeho podpoře v roce 2014*. Ministerstvo průmyslu a obchodu [online]. 2015 [cit. 2016-11-04]. Available at: http://www.mpo.cz/assets/cz/podpora-podnikani/msp/2015/11/Zpr_va_2014_5.11.pdf

Multinational enterprises and the global economy. 2. vyd. Northampton, MA: Edward Elgar, 2008. 920 s. ISBN 978-1-84376-525-7.

NARAYANAN, Vijay. Export Barriers for Small and Medium-sized Enterprises: A Literature Review based on Leonidou's Model. *Entrepreneurial Business and Economics Review* [online]. 2015, 3(2), 105-123 [cit. 2016-12-29]. DOI: 10.15678/EBER.2015.030208. ISSN 2353883x. Available at: <http://www.eber.uek.krakow.pl/index.php/eber/article/view/84>

NUMMELA, N. International growth of small and medium enterprises. New York: Routledge, 2011. 310 s. ISBN 978-0-415-87270-6.

OECD (2009), "*Top Barriers and Drivers to SME Internationalization*", Report by the OECD Working Party on SMEs and Entrepreneurship, OECD. [cit. 2016-11-10]. Available at: < <http://www.oecd.org/cfe/smes/43357832.pdf>>

OECD (2016), *Financing SMEs and Entrepreneurs 2016: An OECD Scoreboard*, OECD Publishing, Paris, DOI:10.1787/fin_sme_ent-2016-en

OECD, Centre for Entrepreneurship, SME and Local Development, 2009: *Top Barriers and Drivers to SME Internationalisation*. Report by the OECD Working Party on SMEs and Entrepreneurship, 35 p. Available at: <http://www.oecd.org/dataoecd/16/26/43357832.pdf>.

OJALA, Arto a Tanja KONTINEN. Distance Factors in the Foreign Market Entry of Software SMEs: A Literature Review based on Leonidou's Model. *Entrepreneurial Business and Economics Review* [online]. 2015, 3(2), 49 [cit. 2016-12-29]. DOI: 10.1007/978-3-642-13633-7_5. ISSN 2353883x. Available at: http://link.springer.com/10.1007/978-3-642-13633-7_5

Opportunities for the internationalisation of European SMEs. EUBookShop [online]. 2011 [cit. 2016-11-29]. Available at: <http://bookshop.europa.eu/en/opportunities-for-the-internationalisation-of-european-smes-pbNB0414189/>

PERSINGER, Elif S., Emin CIVI a Suzanne Walsh VOSTINA. The Born Global Entrepreneur In Emerging Economies [online]. [cit. 2016-12-29]. DOI: <http://dx.doi.org/10.19030/iber.v6i3.3355>. Available at: <http://cluteinstitute.com/ojs/index.php/IBER/article/view/3355/3402>

PICHANIČ, M. *Mezinárodní management a globalizace*. 1. vyd. Praha: C.H. Beck, 2004. 176 s. il. ISBN 80-7179-886-X.

PIGGOTT, J. COOK, M. *International business economics : a European perspective*. Basingstoke, Hampshire: Palgrave Macmillan, 2006. 391 s. ISBN 1-4039-4219-6.

RODRIGUEZ, V., BARCOS, L., ÁLVAREZ, M. J. (2010). *Managing risk and knowledge in the internationalisation process*. *Intangible Capital*, 6(2), s. 202–235. [online] [cit. 2016-10-14]. Available at: <http://www.intangiblecapital.org/index.php/ic/article/viewFile/162/122>

ROUDINI and M. OSMAN, "The Role of International Entrepreneurship Capability on International Performance in Born Global Firms," *iBusiness*, Vol. 4 No. 2, 2012, pp. 126-135. doi: 10.4236/ib.2012.42015.

RUPERT, Mark. a M. Scott SOLOMON. Globalization and international political economy: the politics of alternative futures. Lanham: Rowman, c2006. Globalization (Lanham, Md.). ISBN 07-425-2943-6

SME Internationalization and Measurement (Policy Brief). APEC [online]. 2015 [cit. 2016-12-03]. Available at: http://mddb.apec.org/Documents/2015/SOM/SOM2/15_som2_014.pdf

SMEJKAL, V. and RAIS, K. Řízení rizik : ve firmách a jiných organizacích. 3. vyd. Praha: Grada, 2010. 354 s. ISBN 978-80-247-3051-6.

STARZYCNÁ, H. Vybrané aspekty internacionalizace vnitřního obchodu v teoretických přístupech a v empirickém zkoumání v České republice v období transformace. *Ekonomie a management: Marketing a Obchod* [online]. 2010, č.1, p. 115-130. [cit 2016-12-12] Available at: http://www.ekonomie-management.cz/download/1331826766_b1b1/09_starzyczna.pdf

STREMTAN, F., MIHALANCHE, S-S., POIRAS V. (2009). *On the internationalization of the firms - from theory to practice*. *Amalea Univerzitatatis Apulensis Series Oeconomica*, 11(2), [online] [cit. 2016-10-20]. Available at: <http://oconomica.uab.ro/upload/lucrari/1120092/48.pdf>

The new modified Uppsala model [online]. Kristianstad University College, Department of Business Administration, 2004 [cit. 2016-12-29]. Available at: <http://hkr.diva.portal.org/smash/record.jsf?pid=diva2%3A229460&dswid=4004>

TOULOVÁ, Martina and Marcela VOTOUPALOVÁ. *The specifics of internationalization process of Czech SMEs with focus on financial aspects* [online]., 2012 [cit. 2016-11-29]. Available at: <http://www.pefka.mendelu.cz/predmety/simul/PEFnet13/prispevky/ToulovaVotoupalova.pdf>

Uppsala Model: Basic Mechanism of Internationalization. Research Gate [online]. [cit. 2016-10-20]. Available at : https://www.researchgate.net/figure/259332386_fig1_FIGURE-1-Uppsala-Model-Basic-Mechanism-of-Internationalization-State-and-Change

User guide to the SME Definition. ec.europa.eu [online]. [cit. 2017-01-02]. Available at : <http://ec.europa.eu/DocsRoom/documents/15582/attachments/1/translations/en/renditions/native>

VEBER, Jaromír and SRPOVÁ, Jitka, 2005, *Podnikání malé a střední firmy*. Praha : Grada. Expert. ISBN 80-247-1069-2.

VISSAK, Tiiia. THE IMPORTANCE AND LIMITATIONS OF THE NETWORK APPROACH TO INTERNATIONALIZATION [online]. [cit. 2016-12-29]. Available at: http://www.academia.edu/722820/THE_IMPORTANCE_AND_LIMITATIONS_OF_THE_NETWORK_APPROACH_TO_INTERNATIONALIZATION

VOJÍK, V. Specifika podnikání malých a středních podniků v tuzemsku a zahraničí. 1. vyd. Praha: Wolters Kluwer Česká republika, 2010. 275 s. ISBN 978-80-7357-534-2.

Zahraniční obchod - ČR 2016. Kurzy.cz [online]. [cit. 2017-01-02]. Available at: <http://www.kurzy.cz/makroekonomika/zahranicni-obchod/>

Appendix

A Complete Mind Map

