

# **EUs' impact on the internationalization process of Czech agricultural SMEs**

**Diploma thesis**

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## **Abstrakt**

Hánová, M. *Vliv EU na proces internacionalizace zemědělských MSP v České republice*. Diplomová práce. Brno: Mendelova univerzita v Brně, 2015.

Malé a střední podniky jsou velmi přínosné pro rozvoj ekonomiky České republiky i Evropské Unie, proto je vhodné sledovat jejich činnost včetně jejich zapojení do procesu internacionalizace. Diplomová práce je zaměřena na specifika procesu internacionalizace MSP podnikajících v odvětví zemědělství v České republice. Cílem práce je identifikovat faktory, které podniky motivují ke vstupu na zahraniční trh a také faktory, které jim v tom naopak brání, přičemž je kladen důraz na spojitost těchto faktorů se členstvím v Evropské Unii.

## **Klíčová slova**

Internacionalizace, malé a střední podniky, Evropská Unie, odvětví zemědělství.

## **Abstract**

Hánová, M. *EUs' impact on the internationalization process of Czech agricultural SMEs*. Diploma thesis. Brno: Mendel University in Brno, 2015.

Small and medium-sized enterprises are very contributive to the economic developments of Czech Republic and European Union therefore it is convenient to study their activity including their involving in the internationalization process. The diploma thesis is focused on the internationalization process specifics of SMEs operating in agriculture in the Czech Republic. The main objective of the work is identification of the factors that motivate the enterprises to enter the foreign market and on the other factors that inhibit them from it. The emphasis is on the connection of these factors to the membership of EU.

## **Key words**

Internationalization, small and medium-sized enterprises, European Union, agricultural sector.

# Contents

<b>1</b>	<b>Introduction</b>	<b>9</b>
<b>2</b>	<b>Objective of the thesis</b>	<b>10</b>
<b>3</b>	<b>Methodology</b>	<b>11</b>
<b>4</b>	<b>Literature overview</b>	<b>13</b>
4.1	Internationalization .....	13
4.1.1	Globalization .....	13
4.2	Theories of internationalization.....	14
4.2.1	Stage approaches.....	14
4.2.1.1	U-Model	14
4.2.1.2	Born Globals	15
4.2.1.3	I-Models	16
4.2.2	Network approach .....	16
4.2.3	Economic approach.....	17
4.2.3.1	Eclectic paradigm (OLI)	17
4.3	Motives for internationalization.....	17
4.4	Foreign market entrance.....	20
4.4.1	International environment.....	21
4.4.2	Risks in international trade.....	23
4.4.3	Barriers of international trade.....	24
4.4.4	Foreign market entry strategy .....	28
4.5	Small and medium sized enterprises.....	30
4.5.1	Importance of SMEs .....	30
4.5.2	Definition.....	31
4.5.3	Advantages and disadvantages of SMEs.....	31
4.5.4	Czech entrance to the EU and SMEs.....	33
4.5.5	Support of the SMEs and export in Czech Republic.....	33
4.5.6	Support of the SMEs and export within EU.....	37
4.5.7	Small Business Act.....	39

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4.6	Agriculture .....	40
4.6.1	Common agriculture policy .....	40
4.6.2	Support of Agriculture in Czech Republic.....	41
<b>5</b>	<b>Results</b>	<b>44</b>
5.1	SMEs in the Czech Republic.....	44
5.2	Agriculture in the Czech Republic.....	46
5.2.1	Business structure of enterprises in agriculture .....	46
5.2.2	Agrarian foreign trade.....	47
5.2.2.1	Territory structure of foreign agrarian trade	49
5.2.2.2	Commodity structure of foreign agrarian trade	50
5.3	Questionnaire survey.....	51
5.4	Evaluation of primary data.....	52
5.4.1	Basic characteristics of the groups.....	54
5.4.1.1	Firms that operate in foreign markets	54
5.4.1.2	Firms that ended the business operations in the foreign markets	55
5.4.1.3	Firms that don't operate in foreign markets	56
5.4.2	Motives to internationalization .....	56
5.4.3	Barriers of foreign trade.....	59
5.4.4	Risks of foreign trade.....	62
5.4.5	Drawing of the support.....	64
5.4.6	Membership in EU.....	65
5.5	Testing of statistical hypotheses .....	67
<b>6</b>	<b>Discussion</b>	<b>70</b>
<b>7</b>	<b>Conclusion</b>	<b>73</b>
<b>8</b>	<b>List of references</b>	<b>76</b>
<b>A</b>	<b>NACE Classification</b>	<b>82</b>
<b>B</b>	<b>Common Customs Tariff</b>	<b>84</b>
<b>C</b>	<b>Questionnaire survey</b>	<b>85</b>
<b>D</b>	<b>Outcomes from the program Statistica</b>	<b>97</b>

## List of figures

Figure 1	The internalization process of the enterprise	15
Figure 2	The development of number of SMEs in Czech Republic in years 2000 – 2012	45
Figure 3	The development of number of SMEs' employees in Czech Republic in years 2000 – 2012	45
Figure 4	The development of the SMEs' share on the total Czech export in years 2002 – 2013)	46
Figure 5	The development of Czech agrarian foreign trade in years 1993 – 2012	48
Figure 6	Structure of the firms according to their participation in the international trade	53
Figure 7	Size structure of firms that took part in the survey	53
Figure 8	Foreign market entry strategy	54
Figure 9	Reasons why firms aren't interested in internationalization	56
Figure 10	Degree of motivations to enter foreign markets in connection with membership in EU	59
Figure 11	Risks of foreign trade	63
Figure 12	Receiving the support for farmers	65
Figure 13	Advantages of membership of EU	66
Figure 14	Disadvantages of membership in EU	67

## List of tables

Tab. 1	Groups of enterprises by their size	31
Tab. 2	Business structure of natural and legal persons in agriculture at the end of 2012	47
Tab. 3	The share of the agrarian foreign trade in the total Czech foreign trade in 2012	49
Tab. 4	The countries' share on the Czech agrarian export	50
Tab. 5	Motives to internationalization	58
Tab. 6	Barriers of foreign trade	61
Tab. 7	Comparison of barriers	62
Tab. 8	Hypothesis 1: The dependency between the volume of sales from abroad and annual turnover	97
Tab. 9	Hypothesis 2: The dependency between the number of perceived barriers and number of employees	97
Tab. 10	Hypothesis 3: The dependency between the number of perceived advantages of Czech membership in EU and motivation by Czech entrance to EU to foreign market entrance	97
Tab. 11	Hypothesis 3: Pivot table - frequency of the values	98
Tab. 12	Hypothesis 4: The dependency between the number of the drawn supports and the fact whether the firms perceive the opportunity of drawing supports from EU budget as the advantage	98
Tab. 13	Hypothesis 4: Pivot table - frequency of the values	98
Tab. 14	Hypothesis 4: The dependency between the years the firm is involved in the foreign trade and the volume of the foreign sales	98



# 1 Introduction

Small and medium sized enterprises (SMEs) are very important and inseparable part of the national economy. They represent more 99 % of all enterprises and provide jobs to more two thirds of employees in Czech Republic. So their significance lies especially in their ability to provide working positions but they also fill in the market niches or mitigation of the impacts of the fluctuations in the business cycles. But they also have some weaknesses like limited capital sources. Therefore they require the certain level of public support which they can receive from the national sources but also from the sources of European Union.

There are many influences on SMEs in the modern globalized world where national borders are losing its importance within international trade and the market is becoming much more wide. Very often the competition is increased by the products coming from abroad and domestic SMEs are forced to face it. One possible strategy for an entrepreneur how to succeed in the globalized market is the expansion to foreign markets same as his competitors. This expansion become possible after 1989 and since then the impediments to internationalization are lower every year. Another great turning point was the entrance of the Czech Republic to EU on the 1st May 2004 which brought many new possibilities for the enterprises within the domestic market but especially opportunities within the foreign markets. Even though the foreign markets are quite easily accessible for the companies originating from the Czech Republic as the EU member country, the internationalization brings many issues that the SMEs have to deal with. These issues are the main subjects of interest in this thesis.

Of course the internationalization process has its specifics in each industry field. This thesis is focused on SMEs operating in agriculture. Agriculture is one of the most important sectors in the national economy. Its products satisfy the basic human needs and is has the big importance in preservation of the landscape. Therefore the agriculture is very protected and supported by subsidies and various funds within EU and its Common Agriculture Policy.

## **2 Objective of the thesis**

The main goal of the thesis is the identification of the factors that are influencing the internationalization process positively and negatively. The emphasis is on the factors connected to the Czech membership of EU. The positive factors are especially motives of the entrepreneurs to internationalize their businesses. The extent of motivation by the Czech membership of EU to enter foreign market will be investigated. The negative factors are especially barriers and risks that occur in international trade. It will be examined how the EU lowers the barriers of international trade and whether the membership of EU brings any new barriers and limitations like increased competition in the domestic market.

The main goal is supplemented by the partial goals. These are assessing the situation of SMEs in the Czech Republic for the complex contextualization. Then the Czech agriculture will be examined with focus on agrarian foreign. It will be assessed how it was influenced by the factors like developments in the global economy, impact of the financial crises and entrance to EU.

Some attention will be also devoted to the application of the Common Agricultural Policy of EU with a great contribution for the farmers in the form of receiving the financial support from EU budget.

### 3 Methodology

The thesis is divided into two main parts. The theoretical part consists of literature overview of monographs, scientific articles, internet and other sources dedicated to the theory about the international trade, internationalization and small and medium-sized enterprises problematics. In the practical part called Results the primary and secondary data are collected and assessed.

The scientific methods used within elaboration of this thesis are description, analysis, synthesis, induction and deduction. Description explains the basic terms related to the theme. It's used especially in the theoretical part of the thesis. Analysis is decomposition of a complex to the less complicated parts so the relations between them can be understood. It is useful especially for the processing of the secondary data. Synthesis puts together the particular parts into one factual entirety. Induction results into general conclusions based on the empirically gathered data. Deduction is concluding the new prepositions respecting the rules of logics.

The practical part of the thesis works with primary and secondary data. Secondary data serve to the description of the development and current situation of small and medium-sized enterprises in the Czech Republic, Czech agriculture and agrarian foreign trade. The secondary data were gained especially from the Report about SMEs and their support published by the Ministry of Industry and Trade and from the annual Reports about the state of agriculture in Czech Republic that are published by the Ministry of agriculture.

Primary data are collected through the questionnaire survey. The questions are formulated in accordance with the theoretical knowledge from the literature written out in the literature overview. The questionnaire is designed so that the exact information can be gained from the respondents and in a way that the respondents would understand the questions. Three modifications of the questionnaire were created: questionnaire for the firms currently operating in the foreign market, firms that operated in the foreign market in the past and the firms that don't operate in the foreign market. Questionnaires were put into the virtual lab Umbrella and sent via e-mails to respondents.

After the data collection had been complete the data were processes into the tables and charts in the Microsoft Excel so that they could be examined consequently. The data were sorted and divided according to the frequency. There's a difference between the relative and absolute frequency:

- The absolute frequency is given by the absolute values and specifies the number of elements in selection.
- The relative frequency is calculated by dividing the absolute frequency and total number of elements in the selection (Stávková and Dufek, 2004).

The questionnaire survey was preceded by the determination of the statistical hypotheses that would verify the assumptions about the basic set. The verity of the null hypothesis  $H_0$ , that claims the independency between the features, is tested. In

case it is rejected the alternative hypothesis  $H_1$  has to be accepted. The final result of independency or dependency was obtained from the Pearson Chi-square test that is based on the comparison of the expected and real values of frequency. The part of the outcome from each test is also the p-value that is the lowest level on which the hypothesis is rejected. The tests were conducted in the statistical software Statistica.

In order to decide about the rejection or acceptance of the hypothesis the significance level  $\alpha$  has to be stated. For the purposes of this thesis the chosen  $\alpha$  is 5 %. For each hypothesis the p-value is computed and compared to  $\alpha$ :

- If the p-value is lower than the significance level  $\alpha$ ,  $H_0$  is rejected and  $H_1$  is accepted. There is a dependency between the features.
- If the p-value is higher than the significance level  $\alpha$ ,  $H_0$  is accepted. There is no dependency between the features (Stávková and Dufek, 2004).

## 4 Literature overview

### 4.1 Internationalization

The internationalization is very important tendency influencing and forming the world economy. The essence of internationalization is in establishing and building economic relationships between entrepreneurs and other economic subjects originating from different nations and also between the nation states. This is based on removing the barriers of trade. As a consequence the features that used to be solely national are becoming international. As the international economic relations are developing, countries become more interconnected and interdependent on each other. Scientific and technological progress accelerates the internationalization process (Kunešová, 2006).

#### 4.1.1 Globalization

The internationalization process is very closely linked to economic globalization that is claimed to be the higher grade of internationalization. Internationalization, as a preceding stage of globalization, consists of domestic production of goods that are then sold abroad, so the activity of a domestic firm is spread abroad. Economic globalization caused that both production and sales of the goods are done internationally, especially by multinational corporations. There is a functional integration of the activities that are spread geographically. The production process is fragmented into these individual activities that are vertically integrated (Cihelková 2007).

Kislingerová (2005) provides several definitions of the economic globalization:

- Globalization moves organizations and integrations of production systems, exchange and consumption from the national to the global level. More specifically it adds the global level to the original levels of integration (national, regional, local) and interconnects them vertically.
- According to OECD: Globalization is a process which increases interdependency of markets and national economies. The process is invoked by high dynamics of trade with goods, capital and services, and by transfer of technologies and know-how.
- Globalization creates the world economic space without borders which can be standardized in the macroeconomic and microeconomic fields. With regard to products and business practices.

Globalization is a set of economic processes and activities with the impacts on the whole society. There can be found much more dimensions of the globalization next to the economic globalization; political and cultural are the most significant of them. But the economic globalization is seen as the main driver.

Deteritorialization is a very significant feature of all dimensions of the globalization. It basically means that it doesn't matter anymore in which nation state is done a human activity. The national borders and geographical distances lose their importance (Cihelková, 2007).

Some sources and causes of globalization should be mentioned here. Nesadurai (in Cihelková 2007) distinguishes between two views on globalization: material and structural.

Causes from the material point of view:

- Scientific and technical progress.
- Profit maximization as a goal of the market subjects.

Causes from the structural point of view:

- Innovations in the transport, communication, production technologies and organization of the production process.
- Strategies of multinational corporations.
- Liberalization and deregulation of the external relations, concerning especially movement of goods, services and capital.
- Liberalization of economic policies.

## **4.2 Theories of internationalization**

Laghzaoui (2011) divides the approaches to internationalization theories as follows: Stage approaches, network approaches and economic approach.

### **4.2.1 Stage approaches**

There are two main stage models of internationalization that can be found in the literature: Uppsala model (U-Model) and Innovation-Related Internationalization model (I-Model). Both models perceive the internationalization as a linear, sequential and gradual process that can be divided into various stages according to the export development.

#### **4.2.1.1 U-Model**

U-Model was developed by Johanson and Vahle (1977). The stages of internationalization within this model are defined by the learning and experiences gained by the managers and organizations during the gradual expansion to the foreign markets. So this theory emphasizes on the learning process and knowledge. The process of internationalization is an acquisition, integration and utilization of knowledge in international operations and an incremental participation in international markets. This knowledge serves as a base for entrepreneur's decisions, so from this point of view the internationalization can be seen as a series of incremental decisions.

Level of commitment and amount of resources committed to international markets are another important feature in the model. Internalization is described as a result of the interaction between the knowledge development and the resources commitment. Following figure depicts how these two features interact together.

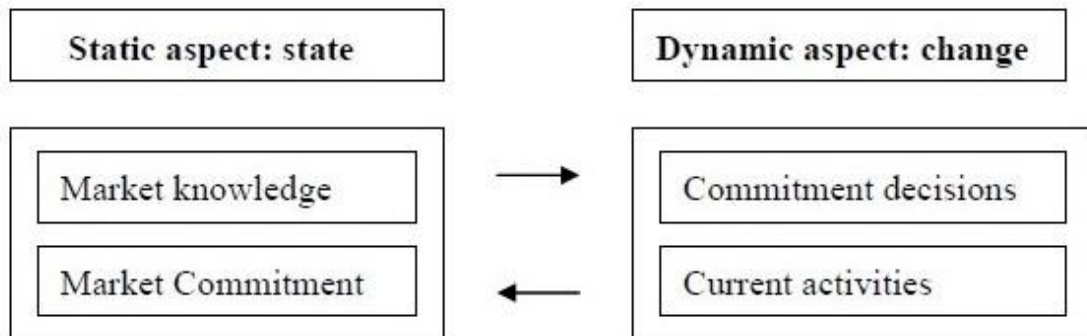


Figure 1 The internalization process of the enterprise (Johanson and Vahle, 1977)

Static aspect of internationalization includes the resources of the enterprise committed to the foreign market and the related knowledge. Dynamic aspect contains the impact of resources on the decision making about further commitments and current activities. The simple conclusion from this figure is that with the increasing market knowledge increases the market commitment.

Internationalization is realized by the small steps as the level of commitment increases. U-model identifies four steps:

1. Irregular export activities;
2. Export through independent agents;
3. Establishment of an overseas sales subsidiary;
4. Overseas production or manufacturing units.

Another contribution of the Uppsala school is the concept of psychic distance. This distance is the result of cultural, political and linguistic differences that have to be overcome when entering the foreign market. The psychic distance is diminished by increasing the knowledge (Lin, 2010).

#### 4.2.1.2 Born Globals

Some theories criticizing the stages approach argue that this approach isn't applicable to internationalization of all enterprises. There are some of them that go through none of the above described stages. They adopt a global focus from their conception. These firms are called 'Born Globals'. Typically born globals trade with products or services that are global in nature or have insufficient domestic demand. These enterprises often weren't Born Globals from their inception but they began exporting within the first five years of its existence and then are dependent on export markets (Piggot and Cook 2006).

Other terms were used to call these enterprise in the literature: 'global start-ups', 'instant internationals' or 'international new ventures'. Also the definition of time that takes them to internationalize their business very often differs among the authors. Cavusgil (2009) says: Few of those companies are Born Globals but in reality they internationalized within one or two years of their founding.

#### **4.2.1.3 I-Models**

Innovation-related models are based on the fact that every decision concerning internalization is considered as an innovation for the firm.

We can find many I-models in the literature that differ especially in the way how the stages of internalization are defined. All models are based on the assumption that there is a process of gradual learning as the innovations are being adapted. Adaptation of the innovation describes the choice of the innovation as the best possible alternative in the moment (Zapletalová, 2011).

So the learning is the feature which have the U-model and I-models in common.

#### **4.2.2 Network approach**

This approach builds on the bases of the model developed by the Uppsala school, learning is also very important here. Johanson and Vahle (1990) extended their original model (1977) by taking the importance of the firm's position in the network into account. The establishment, development and maintenance of financial, technological and commercial relations with other actors of the network enables extension of the connections for the firm and gradual widening of its activities on the foreign markets in order to meet the firm's objectives.

Network approach is very suitable for the internationalization of the small firms as they have limited access to the resources. Their membership in a network can improve and accelerate the internationalization process (Laghzaoui, 2011).

The important role of the networks and learning in the internationalization process expresses also Nummela (2011). She points out the importance of technological knowledge next to the market knowledge. Technological learning is defined as the ways firms build and supplement their knowledge bases about technologies, products and processes, and develop and improve the use of the broad skills of their workforces. Recently, technological knowledge has been more emphasized as the market knowledge, concentrating on the level of resource committed to the international expansion, seems to provide only a partial explanation of the learning. There may be a greater need for continuous refreshment of technological knowledge through social interactions, so the technological learning is rather dynamic process.

The network of a small firm is a complex combination of the several embedded networks to which it belongs. Both business and social relationships may be influential in the internalization process.



Nummela (2011) also focuses on the changes in the network during the internalization process. A firm deals with different actors of the networks during the different stages of the internalization.

### 4.2.3 Economic approach

Economic approach explains the internalization with the use of theories developed by the economic scientists. In his article Laghzaoui (2011) mentions among others the theory of Penrose (1959) who claimed that the reason of a firm's expansion to the foreign market is the indivisibility of the productive resources and their under use.

Another theory classified as the economic approach is the Eclectic paradigm (OLI) developed by Dunning (1988, 2000). Further, this theory is described briefly.

#### 4.2.3.1 Eclectic paradigm (OLI)

The internalization process is supported by three types of advantages:

- **Ownership advantages** are found in the features specific for the company, like patents, trademarks, size of the company and its position in the market, space for innovations, qualification of the employees, sources of capital, etc.
- **Localization advantages** are gained if the company has chosen the appropriate market for its business activities where the internalization can be done quickly and effectively. In the most suitable market there is the access to good infrastructure, sufficient amount of the qualified working force, there is stable environment for business activities, no trade or political barriers, etc.
- **Internalization advantages** are resulting from the firm's internal factors, especially the ability to manage its international activities. Examples of these advantages are the experiences with the international business, effective organizational structure, coordination between parent company and its abroad subsidiaries, good control systems, low transaction cost, etc.

The Eclectic paradigm can be used when choosing the right form of the foreign market entrance (Machková, 2006).

## 4.3 Motives for internationalization

Firms are motivated by the interests of their employees, managers and shareholders rather than by the interests of the wider community they are part of. Each of them needs to be recompensed for their contributions by at least the amount of opportunity costs of resources and capabilities they provide. All incomes above the opportunity costs are considered as a profit. In general all subjects seek profit maximization Dunning (2008).

Dunning (2008) describes following types of foreign production based on different motivations for internalization with focus on foreign direct investment as a form of foreign market entrance of multinational enterprises.

### **1. The natural resource seekers**

These companies enter the foreign markets as they see a possibility of gaining access to the higher quality resources at lower cost there. Then the company is more profitable and competitive. The types of searched resources may be physical resources (fossil fuels, agricultural products), cheap and well-motivated unskilled or semi-skilled labor and technological capabilities, management and marketing expertise or organizational skills.

### **2. The market seekers**

The market seekers invest to the foreign country with the intention to supply goods or services there. These companies have decided that their direct presence is crucial to sustain or protect existing markets or gain the access and exploit the new foreign market. They usually chose the markets where they used to export in the past. There are four reasons why firms undertake market seeking investments.

First they need to follow their main supplier or customer who decided to extend his business abroad.

Second reason is the need for cultural adaptation and therefore better and easier adjustment of products to the taste of local customers.

Another reason may be that production and transaction costs are lower than transportation cost. Therefore this strategy is suitable for types of goods of which production in the country of target market is cheaper than supplying it from abroad.

Fourth and very important reason is that the company finds it necessary to be physically present in the market in order to better stand against its competitors.

### **3. The efficiency seekers**

The efficiency seekers are usually large, experienced and diversified companies. They intend to rationalize the structure of their original investments in order to benefit from economies of scale and risk diversification. The company considers the differences in factor endowments, cultures, institutional arrangements, demands and economic policies and then decides how it will concentrate its production in order to take advantages from these differences.

### **4. The strategic assets seekers**

The company is purchasing assets of foreign corporations which should sustain or increase its global competitiveness by ownership specific advantages. The purpose of these purchases is rather acquiring portfolio of human competences and physical assets than exploiting marketing possibilities or lowering costs.

### **5. Other motives**

There are other motives that don't fit into any of the four categories.

The reason of foreign activities may be unfavorable conditions in the field of legislation or macro-organizational policies in the domestic country. The examples of these conditions are too high level of taxation or lack of dynamism in the

domestic economy. The example of another reason may be the support of the already existing activities of the rest of the enterprise.

In some cases firms can use combinations of above mentioned strategies or they can change their strategy from one to another over time.

Starzyczna (2010) differs between business and non-business motives. **Business motives** stem from the possible exploitation of opportunities in the stable and economically attractive foreign market. **Non-business motives** are connected to the social, ethical or human progress in the foreign country. Non-business motive is also entrepreneurs' trust in the political situation in the particular country.

Czinkota and Ronkainen (1998) divide the motives for internalization into proactive and reactive. Following sentence perfectly describes the difference between them: *"Proactive firms go international because they want to, while reactive ones go international because they have to."* Firms with proactive motives see the internalization as a chance to strategic change while reactive motives are the result of a firm's need for the adjustment to the changes in their environment. Particular motives are listed below.

**Proactive motives:**

- **Profit advantage**

International sales represent source of higher sales but if the firm is starting up an international activity there's a possibility that the starting-up costs will be higher than expected.

- **Unique products**

A firm producing unique products that are not widely available from international competitors may succeed with them in the international markets.

- **Technological advantage**

The example of technological advantage is less costly productive technology. It provides competitive advantage in the same way as the unique product but both of them are being diminished by the possible lack of intellectual property rights protection.

- **Exclusive information**

Information about foreign market situation, foreign customers, etc. that are not widely shared by other firms. Exclusive information comes from a firms' international research, special contracts or recognizing a special opportunity.

- **Managerial urge**

Top managers and their desire, drive and enthusiasm motivate the firm to internationalization as they see some kind of prestige in working in the firm that operates internationally.

- **Tax benefit**

Many countries offer tax concessions to encourage the export activities. If the tax benefits exceed the costs that have to be incurred due to the expansion to the new market a firm can lower the costs in the foreign market or accumulate higher profits.

- **Economies of scale**

If a firm goes international it can increase its output which lowers the production costs. Then the firm becomes more competitive also within the domestic market.

**Reactive motives:**

- **Competitive pressures**

Competition is very strong nowadays thanks to the globalization. A firm may lose its domestic market share to the firm that have internationalized and can benefit from the economies of scale. So the firm is forced to go international too.

- **Overproduction**

Redundant products that can't be sold on the domestic market can be exported.

- **Declining domestic sales**

Declining domestic sales caused e.g. by the decreasing domestic demand can be compensated by the sales abroad.

- **Excess capacity**

If a firm possesses production equipment that is not fully utilized the expansion is the ideal strategy for the broader distribution of fixed cost.

- **Saturated domestic markets**

If the domestic market is saturated new possibilities of sales can be found abroad.

- **Proximity to customers and ports**

Physical closeness to the foreign market can make international activities much easier. Also psychological distance caused by the cultural and other similar differences plays an important role here.

#### **4.4 Foreign market entrance**

Entering the foreign market is a one of the major decisions made by an entrepreneur. It can increase his incomes and welfare but there is also a possibility that this expansion is unsuccessful and can lead to the bankruptcy. There are many areas that an entrepreneur has to explore before he decides to go international. It

is essential that he understands the international environment of the market that he is going to enter and the risks that may occur there. After this research is done there is another step of the preparation for foreign market entrance: he has to choose the form or method in which he is going to enter the foreign market and develop the strategy. All these issues about the preparation are pursued in this chapter.

#### **4.4.1 International environment**

One of the approaches for studying the international environment is performing the traditional PEST analyses, which is described by Machková (2010). It is based on exploring each type of environment and looking for the features that could have any impact on the business. PEST analyses consist of examining the following environments:

- **Political, legal and regulatory environment**

This environment is represented mainly by a nation state and its institutions determining general conditions for international trade. Other players in this field are international organizations like WTO or EU. Institutions of EU – European Commission and Council limit the nation states by issuing and accepting agreements and treaties. This fact brings not only the limitations but also advantages from harmonization of conditions for business activities and more transparency. It also increases the political stability, therefore lowers political risks.

Another important feature influencing future profitability contained in the political environment is taxes. Direct and indirect tax rates are mostly in the hands of nation states, harmonization of taxes in EU haven't been very extensive yet. The levels of corruption and lobbying have to be also considered within exploring of the political environment. But an entrepreneur can also find some opportunities in this field, for example possibilities to earn subsidies or public contracts.

Legal and regulatory environment determines the possibilities of market entry and difficulties of administrative actions related to starting up a new business, conditions of ownership of properties by foreign companies and monetary restrictions. Possible monetary restrictions result from the fact that the country may not have enough foreign currency that can be provided to pay for contracts to foreign business partner.

- **Economic environment**

The basic way how to assess the economic situation in the foreign country is by comparing the macroeconomic indicators like GDP, inflation rate, consumption or FDI. Level of a country's competitiveness that is connected to the prosperity of the citizens should also be considered.

Very important feature of the economic environment is the exchange rate that has impact on the competitiveness of imported and exported products. Exchange rates have to be included in the calculations of the price for foreign market.

Foreign trade policies create limitations of requirements on international trade by imposing the tariffs. An entrepreneur should concentrate on his knowledge of import tariffs that are designed to protect domestic producers or resources. Recently the tariffs have decreased and are losing their importance thanks to WTO agreements and trade liberalization and have been replaced by other tools like technical requirements. But most of those are unified in the EU to simplify the trade within single market. Quotas are another similar instrument of foreign trade restriction.

- **Social and cultural environment**

Despite the globalization and gradual convergence of political, economic and technical environment in developed countries the social and cultural environment still remains rather different.

- **Technological environment**

Technological development of the country can be evaluated by indicators like number of employees in research and development, number of patents or total investments into the research. This provides an entrepreneur the information about extent of usage of modern technologies in the country and is very useful for possible investors into research and development. Other important features in the technological environment are availability of transport infrastructure necessary for developing the distribution strategy and Internet access possibilities of consumers for developing the communication strategy.

Another approach describes Svatoš (2009). He divides the fields of the foreign market research according to their contents and intentions:

- Territorial research
- Trade-political research
- Commodity research
- Consumer research
- Competition research
- Prices research
- Research of business methods
- Technical research
- Research of means of transport
- Research of currency, payment conditions and instruments
- Legal research
- Tax research
- Research of social and cultural habits

Most of these types of research could be assigned to one of the environments within the PEST analyses. The author adds that there is no need to elaborate an extensive study, an entrepreneur just has to answer simple questions arising from these researches. He even doesn't have to elaborate all of the listed researches but only those that are relevant to him and the industry he does the business in.

#### **4.4.2 Risks in international trade**

Risks are the consequence of the fact that the real outcome of the business operation or any other action is different than the expected outcome. These differences can have negative but also positive impacts.

There can be found many types of risks sorted by many criterions in the literature. Machková (2007) presents following types of risk in international trade:

- **Market risks**

Those are derived from the changes in the particular market caused by changes in the economic situation, changes in relations between supply and demand for the product, changed relations with suppliers or customers, etc. These changes can result in price changes, increased costs, there can even be problems with sales of the products. Of course market developments differ in each country, so there is a possibility of the risk diversification by doing business in several national markets.

Market risks are significant especially in the long term contracts. Exporters lower the risks by agreeing on the variable prices under the special conditions in a clause that is a part of the contract. Another way how to lower the market risks is by the use of financial instruments like futures or hedging.

- **Commercial risks**

Commercial risks are the risks of the business partner failure, which specifically means that he doesn't fulfill the contract conditions, for example he isn't able to pay for the delivery, steps down from the contract, etc. Of course this is also common in the trade within one state but international environment amplifies those risks due to different economic, legal, social or business conditions.

Commercial risk can be prevented by properly prepared contract. It is also very convenient to collect as much information about the business partner as possible.

- **Transport risks**

Transport risks consist of damaged or lost goods and are carried either by seller or buyer. Therefore it is important to set the conditions about who carries the risks in which moment in the contract. Transport risk can be also managed by the proper insurance contract.

- **Territorial risks**

Territorial risks are the consequence of the development of macroeconomic or political situation in the country. Political risks are the most serious, they can

even lead to the end of business activities in the country. The example of economic risks is a possibility of export/import restrictions or withdrawal of the export/import license. Territorial risks are also connected to the natural disasters.

The way how to lower or avoid these risks is to be well informed about the market, also diversification can be used. The risks are also lowered by the state itself when it supports business and investment activities.

- **Exchange rate risks**

Exchange rate risks mean that there is a possibility that a subject will have to pay more or receive less cash flow than he expected due to unfavorable development of exchange rates. The development of exchange rates can also bring new opportunities for importers when their domestic currency appreciates. There's a big space for speculations.

- **Liability risks**

These risks stem from the necessity of compliance with the law about consumer protection. The producer is responsible for the damages of health or property that were caused by his products. Consumer protection policy in EU is very developed. Liability risks can be lowered by the insurance.

#### **4.4.3 Barriers of international trade**

OECD defines the following groups of barriers to SME access to international markets:

##### **Internal Barriers**

###### **1. Informational Barriers**

Lack of information or its inefficiency may hinder the internationalization. SMEs may not be well aware about the available information sources which could reduce the uncertainty about a foreign market. Foreign data may be unreliable, incomparable, difficult or costly to access. Geographical distance causes the difficulties in researching about customers therefore they are not so easily contacted and reached. Not enough information makes it more difficult to identify the opportunities and develop the strategy.

###### **2. Human Resource Barriers**

If the human resource management isn't efficient enough it may create impediments to the expansion to the foreign markets. Managers of SMEs aren't able to find time, resources and energy to consider internalization and develop an appropriate strategy. Another possible barrier is the personnel of an enterprise that is not trained to handle the tasks connected to the foreign market operations. An enterprise needs managers to employ and manage the foreign employees. This fact can also cause some difficulties.

###### **3. Financial Barriers**

An enterprise needs sufficient amount of financial funds for its international business activities. The funds are necessary to finance especially working capital



to research new markets and adapt marketing strategies, investments to start or expand international activity and insurance of products or assets.

#### **4. Product and Price Barriers**

The company's products and pricing strategy have to be adapted for international markets, sometimes even a new product has to be developed. Mostly at least the products have to be adjusted in their design and style in order to comply with different conditions of use, consumer tastes or socio-cultural settings. There may be also need to adjust the products to comply with quality requirements, standards or specifications given by the local legislative or preferences. All of this is difficult for a firm and it may not be willing to do it. A company also needs sufficient production capacity to handle the excessive production.

Additional costs have to be incurred in modifying product together with transportation expenses, extra taxes, tariffs, and fees imposed, etc. Increased cost may cause difficulties in offering satisfactory prices to customers. Prices also have to be competitive despite the unfavorable exchange rate, adoption of dumping practices of competitors, etc.

Geographical distance, lack of customers' experience with a company or its origin in unstable economy are factors that affect the relations between company and its customers. A company is afraid that debts may not be recovered by the customers. Also problems due to a lack of funds to sustain providing credit facilities to customers may arise.

#### **5. Distribution, Logistics and Promotion Barriers**

Some problems may arise due to necessity to adjust distribution methods or gaining access to distribution channels. Company also needs reliable foreign representation that meets its requirements including financial strength, warehouse facilities, good market reputation, etc.

Managing the supplies of the products abroad can be more difficult due to transportation delays or demand fluctuations. These supplies also mean increased transportation and insurance cost.

Offering technical after-sales service to foreign customers is difficult and problematic.

Country variations in buying motives, consumption patterns, and government regulations lead to necessity to adjust promotional activities with regard to the target segment, restrictions and means of advertising.

### **External Barriers**

#### **1. Procedural Barriers**

It may be difficult to manage the paperwork and documentation concerning export procedures.

Insufficient communication with customers due to large distance or non-existence of communications infrastructure is the type of procedural barrier.

Lack of contact with foreign market, use of intermediaries, etc. are factors leading to slow collection of payments from abroad.

Companies should have concluded good quality contracts with their partners, clear expectations about the particular deal and good knowledge of the foreign law in order to avoid difficult enforcing of contracts and resolving disputes abroad.

## **2. Governmental Barriers**

Governmental barriers are given by the attitude of home and foreign government to its indigenous companies and exporters. The barrier is created if there is not enough support of SMEs' internalization activities, or ever restrictions of export, foreign ownership or the movement of people and business persons (visas, limited duration of stay).

Unfair treatment to foreign companies compared to domestic firms regarding taxation (foreign companies are charged by higher direct and indirect tax rates), discrimination in earning the participation in the public procurement and competition regulation.

Different laws and regulations in a foreign country may create barriers if they are not transparent and if it is hard to obtain licenses or permits.

## **3. Customer and Foreign Competitor Barriers**

Problems may arise when adjusting the company's strategy to different consumer habits and attitudes.

More complicated and intensive competitive situations on the foreign market create the barrier.

## **4. Business Environment Barriers**

These barriers occur due to unfavorable development in the economic, political-legal, and socio-cultural environment of a foreign market.

Poor economic conditions like large foreign debt, high inflation and unemployment lead to decreased purchasing power and unfavorable consumer behavior. Unstable exchange rates influence the export prices which is very risky.

Socio-cultural differences may discourage an enterprise from internalization. These differences are especially in religion, values, customs, education, etc. A certain differences can be also found in verbal and non-verbal communication within each country. Marketing programs have to be adjusted to these differences.

Limited access to Internet and other computer networks creates the barrier as it is essential for distribution, sale, purchase, marketing, and servicing of products.

Politically unstable countries aren't very attractive for exporters. This instability is caused by economic factors, societal factors (religious fundamentalism, ethnic tension, high degree of corruption), or political factors (authoritarian regime, conflict with neighbors, military control).

## **5. Tariff and Non-tariff Barriers**

Typical tariff and non-tariff barriers are regulations and restrictions on export and internalization imposed by the governments to protect the domestic producers from foreign competition. They can impose too high taxes on imported

goods, there can be a legal framework imposing inadequate property rights protection causing difficulties. Sometimes an internationalizing firm can even meet with unreasonable prohibition of trade with a certain country or unreasonable restrictions on the quantity of specific imported goods.

Some restrictive health, safety and technical standards may be difficult to meet if they are too high, non-transparent, inconsistent or discriminatory towards imports.

A problem occurs if Customs administrations apply classifications of goods that are not in accordance with internationally accepted rules and principles of tariff classifications. The differences in Customs administrations often mean increased costs.

Regional trade agreement ensuring preferential tariff to local producers create disadvantageous competition for importers (OECD, 2014).

According to the study made by European commission in 2010 the European SMEs face the internal barriers related to the firms' capabilities and external barriers related to the firms' environment. The distinction is also made between the firms already involved in foreign market operations and firms that are considering the internalization activities. Each firm perceives the barriers differently, some barriers may be underestimated others may be overestimated. Often businesses that are not involved in the internationalization process perceive the barriers as more significant than they actually are. This may discourage them from entering the foreign market. Therefore it is beneficial to organize various informative campaigns.

The European SMEs perceive as the most important **internal barriers**:

1. Price of the products or services of the enterprise
2. High cost of internalization
3. Quality of firm's products
4. Qualified personnel
5. Specifications of firm's products
6. Language

The most significant barriers **external barriers** related to the business environment in EU markets are:

1. Lack of capital
2. Lack of adequate public support
3. Lack of adequate information
4. Cost of difficult paper work for transport
5. Other laws and regulation in foreign countries
6. Tariffs or other trade barriers in foreign market
7. Cultural difference (including business culture)
8. Tariffs or other trade barriers in home country

#### 4.4.4 Foreign market entry strategy

After considering risks, barriers and impacts of international environment and deciding to go international a company has to choose the method how to enter the foreign market. Machková (2010) divides these methods into three groups: importing and exporting, non-equity based cooperation and foreign capital investments. Each group contains some specific modes.

##### 1. Exporting and importing

Use of exporting is very common for small companies that want to enter a foreign market without an intensive investment. Various modes can be used for export:

- **Intermediary** buys the products of a company and resells them using his name, at his own risk. This mode is convenient for SMEs who are exporting some insignificant part of their production. Instead of setting up a special export department a company sells its products to the intermediary company who can be a trading company, broker, wholesales, retailer, export house, etc.
- An **exclusive distributorship** agreement between the supplier and the foreign party grants the sole trading rights within a particular territory to the foreign partner as an exclusive seller of the suppliers' goods. This agreement is often reciprocal in the sense that the foreign partner buys exclusively only from this particular supplier. Each delivery is then realized by an individual contract based on the conditions from the exclusive distributorship agreement.

The advantages are similar with the previous case: low cost, fast entry, low risk. The disadvantages in case of using intermediary or exclusive distributorship are distance from the final customers and limited control over the marketing strategy.

This mode can serve as some kind of the test of the market potential. If there is enough customers' interest in the goods, a firm will develop broader business activities like subsidiary or branch office on the foreign market after the contract expires.

- **Agency** is an entry mode where the producer and agent conclude the contract. An agent conducts marketing and prospecting in the contracting territory, he proposes the products to the customers and concludes the contract with them in the name of the producer.
- In case of **commission agency** contract the agent concludes the contracts with customers in his name, for the account of the producer. The agent sells the goods for prices established by the producer therefore he can control the prices unlike in the case of exclusive distributorship.
- **Piggybacking** is a way of cooperation between two exporting firms operating in the same industry: export-inexperienced small firm (rider) and bigger company that already operates in the foreign markets (carrier). A small firm can use image and experience of the carrier. Carrier also provides the rider with marketing and logistic services. In return he receives the commission

fees and a possibility to provide a wider range of products to his customers. This cooperation is efficient and successful in case that the combined products are complementary, not competitive with each other and that they are intended for the same customers.

- **Export alliances** are founded by the SMEs that don't have enough resources or experience to enter the foreign market. So the SMEs join and together they perform activities like international market research, collecting orders, logistics, looking for a suitable local agent, promotion. This is very cost-efficient, it lowers the export risks, improves the negotiation position and image. But some problems may arise in case of unstable relationships among members of the alliance.
- **Direct export** is suitable for experienced firms that are capable of an extensive commitment of funds in the foreign market. This method is common in industrial marketing, when exporting machines or other complex manufacturing equipment. The producer realizes the whole contract by himself therefore he manages to set the higher prices for his products.

## 2. Non-equity based cooperation

These market entry strategies are used by the companies that don't want to make investments yet they want to improve their position in the foreign markets without using some export operation. Most frequently used types of non-equity based cooperation are following:

- **Licensing** means gaining permission to exploit the intellectual property of the owner of an absolute right to the intellectual property item. There are several types of intellectual property for which can be gained a license: patent, trademark, know-how, utility models or industrial designs.
- **Franchising** is a contract in which a franchisor authorizes the franchisee to use his trade mark, logo, method of operation, know-how, marketing program, system of management, etc. Franchisor also provides a franchisee with sales support, technical assistance, material supplies. This method is more common in commercial services activities like tourism than in production industries but we can also find it there. The overall business with one trademark is managed from franchisor's headquarters and then the franchisees use their skills to manage their individual units. Franchising is advantageous both for franchisor and for franchisee. Big company can enter the new market fast and easy without high capital investment and small companies enjoy very low business risk, low probability of bankruptcy and fast return on investment.
- **Management contracts** are based on the transfer of an already proven management system abroad where the domestic firm provides workers, management, services and know-how. It is very often used in developing countries.
- **Inward and outward processing traffic** are based on supplying the raw materials or semi-finished products from one country into another country where the products has to be transformed into the higher production level or finished product. Reasons for using this method can be lower production costs

abroad, availability of processing technologies, softer regulations, less strict law or ecological standards.

- **Contract manufacturing** represents an arrangement where an abroad company has their products or their parts manufactured by a local company without any capital involvement. Final products can be completed by one or more participants of the production process where each company can participate in the different level of the process.

### 3. Foreign capital investment

Capital investments are done by the financially strong and big companies who are able to commit the huge amount of capital, know-how and managerial effort in the foreign market. There are two ways of foreign investment: portfolio investment in equity and debt securities and foreign direct investment that can be done by acquisitions, mergers, green field investments, etc (Machková, 2010).

## 4.5 Small and medium sized enterprises

### 4.5.1 Importance of SMEs

Entrepreneurship is very important source of economic growth due to following reasons:

- Spillover effects from knowledge.
- Entrepreneurship increases level of competition which has positive impact on economic output.
- Entrepreneurship generates a greater diversity of firms and output (Piggot and Cook 2006).

Another way how SMEs help to the development of the domestic economy is through their financial contributions to the public budgets in the form of taxes, social and health insurance. It has also great indirect impact on the social development. Therefore the governments and their organizations should create the environment with conditions that are favorable for the development of business activities on the local, national and European level. There are some recommendations for the European business environment improvement: lowering the tax burden and reducing the public sector, abolishing the measures that limit the competition and development of new markets (Malach, 2005).

Vojík (2009) enumerates the importance of SMEs from several aspects:

- SMEs react very sensitively and quickly to the market needs and changes in economic conditions unlike the big corporations.
- SMEs take a big part in the GDP creation.
- They provide the great space for innovations. 60 % of all significant inventions in 20st century came from small firms.

- SMEs are able to prevent the crises to a certain extent and stabilize the economic cycles.
- SMEs contribute to the increasing competition which acts against occurrence of monopoly.
- Compared to the big firms SMEs use the sources of raw materials and energies more effectively leading to the increased productivity and lower prices.
- One of the greatest contributions is in the field of employment. SMEs provide a big number of job positions thus they are able to absorb the employees dismissed from the big bankrupting companies. Therefore the unemployment is decreased and the unemployment supports don't have to be paid from the government budget. This also eliminates the social tension.

Malach (2005) adds other social and economic contributions of SMEs:

- SMEs act as the subcontractors of big companies.
- SMEs fill in the market niches that are not interesting for the big companies.
- Decentralization of business activities helps to the faster development of regions and smaller towns.

#### 4.5.2 Definition

The definitions of small and medium-sized enterprises may be different in each national legislative. There may be used various indicators and their numbers assigning the enterprises to the group according their size. The definition of SMEs used in the Czech Republic is provided by the Commission Regulation 364/2004. The regulation defines micro, small and medium-sized enterprises using following criterions to sort them: number of employees, annual turnover, annual balance sheet total and level of independency. The defined groups are summarized in the table below:

Tab. 1 Groups of enterprises by their size

Type of an enterprise	Number of employees	Annual balance sheet total	Annual turnover
Medium-sized	< 250	< 43 mil. EUR	< 50 mil. EUR
Small	< 50	< 10 mil. EUR	< 10 mil EUR
Micro	< 10	< 2 mi. EUR	< 2 mil. EUR

(Source: European Commission, 2004)

#### 4.5.3 Advantages and disadvantages of SMEs

Doing business as a small or medium-sized enterprise brings many advantages but also disadvantages against the big companies. Each entrepreneur should realize them and try to apply them on his business and the industry he is operating in.

**Advantages:**

- Flexible reactions to the market changes (e.g. in customer preferences) are possible due to the fact that SMEs don't possess too many investment assets therefore their production possibilities aren't as rigid as production possibilities of the big firms.
- Smaller companies have typically less complex organizational structure with smaller number of organizational units. Therefore any manager or employee of a firm can quite easily promote any innovation there. Innovative creativity is essential for a firm to survive in the market.
- SMEs create new job opportunities as was already mentioned. It can be explained by the facts that creating a new position is less costly than in a big company, big companies leave the less profitable activities for the small ones and often the employees dismissed from big corporations start up their own businesses.
- SMEs are more immune against the recession thanks to their flexibility. Also new opportunities for SMEs may arise in times of recession when the big companies give up the non-profitable activities that can be more suitable for small companies.
- SMEs are usually owned by one or few persons who participate in the executive management. Therefore the decisions can be done quite quickly.

**Disadvantages:**

- More difficult acquisition and employing of management experts because they have to meet more complicated requirements as if they were employed in a big company.
- Small financial strength and limited access to the credit create barriers to establishment of new businesses and development of existing businesses that can't reach their objectives and realize the innovations.
- It is very common that the owner of a small enterprise is also a manager who demands from his staff same working standards as he is showing. Employees must work more intensively in less favorable working conditions than in a big company.
- Limited benefits from economies of scale due to small possibilities of production concentration. Small business also cannot make big orders of supplies to gain a quantity discount.
- SMEs cannot influence potential customers very much due to limited funds for promotion and advertising. Hence the possibilities of expanding the production are limited and they depend on the sales on the local market Malach (2005).



#### **4.5.4 Czech entrance to the EU and SMEs**

Before the entrance to the EU, Czech Republic had to oblige to make many changes and adjustments in all fields of economic and social aspects. Legislative system was gradually harmonized with EU standards granting the same business conditions for all enterprises originating from EU member countries. Whole business environment and its subjects in the Czech Republic had to adapt in order to fulfill the conditions for entering EU.

When the Czech Republic entered the EU in 2004 it had to adopt new laws concerning trade and business and complying with the concept of the common market which is based on the free movement of goods, persons and capital, and non-existence of barriers in the form of customs, discrimination due to country of origin, etc. Improved legislative framework led to more stable business environment with stronger protection of creditors, shareholders and consumers, and better supervision over the competition and state aid.

The implementation of new directives sometimes led to increased production costs (directives about safety, health protection). The firms had to be ready to make investments related with strict ecology standards.

When the Czech Republic entered the EU it meant the significant change of environment for SMEs. One of the biggest impacts was the increased competition. First there was an advantage in lower prices but then the prices converged with European average prices. After this advantage had disappeared, enterprises had to improve the productivity, quality of products, faster innovations, customer services in order to stay competitive. A positive feature of a wider competition is better quality goods and services for Czech consumers.

It was necessary to adapt to the changing conditions in the markets, labor markets and earn new knowledge like foreign languages or ability to work with information technologies. Another possible threat for Czech firms is outflow of qualified experts abroad where they can find better working conditions and salaries. This is ongoing especially in the regions near the borders.

But the membership in EU brought also many new possibilities. The firms who were well informed about all of them were much more ready to deal with all changes. The contributions of the membership in EU are especially in inflow of investments, new technologies and know-how, wider sales possibilities for businesses on the common market, and overall expansion of the Czech national economy (Vojík, 2009).

#### **4.5.5 Support of the SMEs and export in Czech Republic**

As was described above, SMEs have many contributions to the national economy but face many disadvantages against big corporations. Therefore each developed country should have wide system of support that helps the SMEs in many aspects – from financial supports to provision of information. The support for SMEs in the Czech Republic is managed by the Ministry of Industry and Trade accepting the

Legislative Act number 43/2002, about the support of small and medium-sized enterprises (Vojík, 2009).

The way of supporting can be direct or indirect:

- Direct support is based on providing financial help in the form of grants, subsidies or loans with low interest.
- Indirect support consists of improving the business environment by building the infrastructure, lowering the administrative burden, supervising over the competition or providing the information (Malach, 2005).

The difference is also made between the territorial unit for which is the support granted:

- Regional level (then it's in the responsibility of Ministry for Regional Development),
- National level (Ministry of Industry and Trade),
- European Union level (Malach, 2005).

Another way how to sort the types of support in Czech Republic into groups is used by Veber and Srpová (2012). It is according to the nature of the subject who provides the support:

#### **I. Government institutions providing the support from the public budgets in the financial or informational form**

Even if the support from EU is gradually increasing the supporting national organizations still remains very important as they create the conceptions of the support together with EU and also implement various EU programs. Of course they create their own policy of supports for SMEs.

##### **a) Czech-Moravian Guarantee and development Bank - Českomoravská záruční a rozvojová banka (CMZRB)**

CZRB is a joint stock company with only one shareholder – Czech Republic in representation of Ministry of Industry and Trade and other two ministries. The main mission of CMZRB is the facilitation of the access to financial sources for small and medium-sized enterprises by the provision of special banking products under favorable conditions. These products are guarantees and loans. In 2013 CMZRB received 1 903 applications for loans and guarantees. 1 563 of them were granted (CMZRB, 2013).

##### **b) Czech Invest**

When this agency was founded under Ministry of Industry and Trade in 1992 its main purpose was gaining foreign direct investments. Later other objectives were added. Nowadays the main activities consist of providing information about the possibilities of support for SMEs, implementation of subsidy programs financed by EU and national budget, providing the counseling and help with realization of the investment projects.

The main program of Ministry of Industry and Trade facilitating the access to financial sources from structural funds of EU for SMEs is Operational Program Entrepreneurship and Investments (OPPI). It should increase the competitiveness of Czech economy by improving the fields of industry, innovations, faster implementation of outcomes from research and development to the production, etc. (CzechInvest, 2013).

**c) Ministry of Labor and Social Affairs**

Besides MPO there are other ministries that initiate the operational programs that are relevant for SMEs. Ministry of Labor and Social Affairs supports the education for employees, etc. (Veber and Srpová, 2012).

**d) Ministry for Regional Development**

This ministry supports especially projects in the field of tourism (Veber and Srpová, 2012).

**e) Ministry of Agriculture**

Ministry of Agriculture manages programs for development of countryside. Support of agriculture is described in one of the following chapters.

**f) Regional Authorities**

E.g. capital Prague administrates two operational programs.

**g) Czech Export Bank - Česká exportní banka (CEB)**

CEB is a state owned institution for export support and increasing the knowledge about Czech Republic abroad which improves the Czech competitiveness. Its main activities are providing the credit for export financing under the favorable conditions and providing services related to export. The most common loan recipients are exporters, but they can also be the exporters' abroad customers or producers of products intended for export (CEB, 2012).

**h) Export Guarantee and Insurance Company - Exportní garanční a pojišťovací společnost (EGAP)**

EGAP is specialized in the insurance against political and commercial risks in international trade. The clients are big companies exporting technological equipment and other big investments into the countries with risky environment (especially Russia). SMEs figure here as subcontractors of these big companies very often.

SMEs are also important clients of EGAP. It provides them bank loans for pre-export financing of the production and bank guarantees for the obligations that the SMEs wouldn't be able to get from the commercial banks and insurance companies (EGAP, 2013).

**i) Czech Trade**

This agency provides services that help SMEs to decide about the export territory, to accelerate the entrance to the foreign market and support the activities leading to the further development on the foreign markets. Those

services are especially provision of information, counseling, searching for export opportunities and educating about export (Czech Trade, 2014).

#### **j) Ministry of Industry and Trade**

MPO together with the representatives of entrepreneurs developed the Export Strategy of Czech Republic for the Period of 2012 – 2020. One of its main objectives is the increase of exporting SMEs by 50 % until year 2020. In order to reach this goal new services are provided to the SMEs like wider information about the 12 priority countries (e.g. Brazil, China, Russia) and 26 interest countries on the BusinessInfo.cz portal. Program about official Czech attending the trade fairs and exhibition is also focused on these countries. In order to increase the quality and efficiency of the Czech exporters the network of abroad representations of MPO was created. Currently (2014) this network consist of 47 offices that are searching for and ensuring the business opportunities for Czech SMEs. Also the services of CEB and EGAP were improved and their facilitation was simplified within the Export Strategy.

The visits of the government and MPO representatives in foreign countries are used to promote the Czech SMEs abroad by the business missions that accompany these representatives. The business sessions are also organized within the missions incoming from abroad (Ministry of Industry and Trade, 2014).

### **II. Entrepreneur incubators and science-technological parks in private ownership supported by the public budget**

Entrepreneur incubators provide the background for the begging businesses with innovation potential so that they can grow there and if they are successful they leave the incubator and become independent. This help is most often in the form of the provision of offices or counseling.

Science-technological parks cooperate with universities, scientific institutions and research institutes. They provide the system support in the field of innovation entrepreneurship, technology transfer and support of SMEs with innovation character (Veber and Srpová, 2012).

### **III. Non-governmental institutions**

There is a diverse range of non-governmental organizations that provide various useful services to entrepreneurs.

#### **a) International Chamber of Commerce (ICC)**

ICC is international trade organization with 122 national branches, one of them is in the Czech Republic and provides services that help with internationalization and development of international trade (ICC, 2013).

#### **b) Czech Chamber of Commerce**

Czech Chamber of Commerce represents entrepreneurs from all business branches apart from agriculture, forestry and food industry which are the objectives of Agrarian Chamber.

It is one of the founders of CEBRE.

### **c) Czech Business Representation to the EU in Brussels (CEBRE)**

CEBRE was founded with the objective of presentation and promotion of Czech business interests to European institutions and European business federations in Brussels. It is supported by the MPO through Czech Trade agency.

From this organization SMEs can gain information about new EUs' decisions and regulations that are relevant for their business, training of managers, list of the available supporting programs and funds from EU (CEBRE, 2014).

### **d) Agrarian Chamber of the Czech Republic (AC)**

Agrarian chamber associates most of the businesses from the fields of agriculture, food industry and forestry, defends their interests and provides them information and counseling about law and legislation, employment, international relations, customs and certifications and ICT (AC, 2011).

## **IV. Commercial subjects offering the supports for SMEs**

These subjects offer the services like bookkeeping, tax consultancy, ensuring the requirements of safety and health protection during the work or law consultancy (Veber and Srpová, 2012).

### **4.5.6 Support of the SMEs and export within EU**

Due to the importance of SMEs which was described above, EU gives a big weight to the support of entrepreneurship sector and removing the impediments to its development. One of the first steps in realization of the support was improving the collection of the statistics about the size and distributions of the SMEs that should serve to the Commission. The Commissions' department responsible for the product legislation to ensure a well-functioning internal market and representing the SMEs in European policy making is the Enterprise and Industry Directorate General.

There are many policy areas that have direct or indirect impact on SMEs. Examples of the policies with indirect impact are employment and social policies that emphasize, among others, on the equal opportunities for men and women. There is strict environmental policy but also social corporate responsibility is becoming important for SMEs.

EU applies many policy measures that directly support the development of SMEs. It organizes various support programs to educate EU citizens and develop their entrepreneurship skills. Training and educating systems are provided also for the SME workforce to improve their skills and competitiveness (Piggot and Cook 2006).

Czech Chamber of Commerce together with CEBRE elaborated the overview (2012) which contains the summary of the types of support that the SMEs can get

from the EU, its institutions and member states. The system of assistance to the SMEs in EU can be divided into four areas:

### **I. EU Programs**

Each program is oriented to the special area like environment, education, transport, etc. with big emphases on the research and innovations.

#### **a) Program for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME)**

From all these programs let's name one of them. COSME is a program for improving the competitiveness and employment of European SMEs which was approved in December 2013 as a replacement of the Competitiveness and Innovation Framework Program (CIP) from previous period. It's financed and implemented by the EC in the EU member countries. European budget provided 2.3 billion EUR for seven years (2014 – 2020). The money can be used to support the access to the financial sources, easing the internationalization and improving the conditions for establishment and development of SMEs (Ministry of Industry and Trade, 2014).

### **II. European Structural and Investment Funds**

EU funds are main tool of the Cohesion Policy. The funds are distributed among the member states and their regions in order to diminish the economic and social differences. The National Organ for Coordination in the Czech Republic is the Ministry for Regional Development (strukturnalni-fondy, 2014).

There are following types of structural and investment funds:

#### **a) European Fund for Regional Development**

This fund is meant for modernization and strengthening the economy by supporting investment projects like building and reconstructing the roads, supporting business innovations, etc.

#### **b) European Social Fund**

Social fund supports non-investment projects in the areas of employment and human sources.

#### **c) Cohesion Fund**

Cohesion Fund is the source for development of infrastructure in less developed countries

#### **d) European Agricultural Fund for Rural Development**

This fund is a part of the Common Agriculture Policy. Its purpose is the support of the development of the countryside, improving the competitiveness of agriculture and forestry, improving the quality of environment, etc.

#### **e) European Maritime and Fisheries Fund**

SMEs can earn the support from the funds through the operational programs that are organized according to their themes and regions. For the current program period (2014 – 2020) has been assigned 24 billion EUR from the EU budget.

### **III. EU Financial Tools**

#### **a) European Investment Bank (EIB)**

The main institution providing finance to the SMEs through the credit with low interest rate is the European Investment Bank. The loans and also guarantees and technical help are provided to invest the projects that aim to increase the quality of infrastructure or environment in the EU and also in the neighborhood and developing countries (EIB, 2014).

### **IV. Support of the internationalization of SMEs**

EU organizes business missions (similar to missions of MPO) that should open new possibilities on the markets of third countries. There are many programs focused on particular territories like China, Japan or Eastern Europe. There are also several external business centers located in those territories.

European Commission provides big amount of information about available supports and programs on its web sites. The support of SMEs internationalization is managed within several Directorate Generals. The initiatives that seem most relevant are listed below.

#### **a) European Bank for Reconstruction and Development (EBRD)**

EBRD provides financing programs in the form of loans and leases to SMEs originating also from accession and candidate countries. This is done through the local banks and leasing companies.

#### **b) Enterprise Europe Network**

This network of nearly 600 offices around the 47 countries in and also outside Europe supports business and innovations. It provides information about the EU law, programs and financing, facilitate the searching for foreign business partners and transferring the technology and provides other similar services for support of SMEs. It also gives the feed-back to the Commission so it can adjust the future legislative to the needs of SMEs (Enterprise Europe Network, 2014).

#### **4.5.7 Small Business Act**

The most significant initiative of EU Commission towards SMEs is Small Business Act (SBA).

In June 2008 the European Commission adopted the document which aim is the support of small and medium-sized enterprises in European Union, so called Small Business Act. SBA provides a framework of measures that should strengthen the SMEs so that they can grow and create new working positions. This is practically done by accepting the ten basic principles. Between 2008 and 2010 there have been taken measures to alleviate from administrative burdens, ease the facilitating the access to the financial sources and support the entering the new markets. But there is still need for more improvements. Further some of the achieved improvements are mentioned more specifically.

SBA emphasizes on the 'Think Small First principle'. All new legislative and administrative proposals at European and national level should comply with this principle in the future.

The administrative burdens are lowered for example by the EU Directive on VAT invoices that makes electronic invoices equal to paper ones.

To improve the financial conditions for SMEs the European Investment Bank Group increased the range of financial credit products for them. Also problems with late payments should be diminished. The Directive on combating late payment in commercial transactions grants them payments from public organizations in up to 30 days.

SBA helps SMEs to get most out of the EU Single Market by granting the company law provisions that ensure the same conditions in starting up and operating the company throughout Europe.

A new code of best practice for public procurement enables submitting the offers online, also access to information is improved, excessive financial requirements are reduced and paperwork is cut down.

State aid to SMEs is going to be made on higher level, with more simple rules (European Commission, 2014).

In its annual report from 2013 MPO summarizes the implementation of SBA in Czech Republic. The biggest achievements in 2013 were especially lowering the administrative burden by 23.36 % (compared to the burden in 2005), new possibility of founding the trading company by its direct registration to the Business Register. MPO started the preparation of the digitalization of the forms that are necessary for entrepreneurs, etc (Ministry of Industry and Trade, 2014).

## **4.6 Agriculture**

Agriculture is an integral part of the economy. Agricultural production satisfies our basic needs, but also has a great importance in the care of the landscape and the environment. Therefore it is necessary to create conditions for socio-cultural development of rural areas.

### **4.6.1 Common agriculture policy**

Common agriculture policy (CAP) is the oldest policy in EU. It was defined in the Treaty of Rome in 1957 and confirmed in the Lisbon Treaty in 2007. The basic goals were set there: increasing the agriculture productivity through technical development and optimal use of production factors, ensuring good incomes and living standards to farmers, market stabilization, regular supplies of agriculture products and ensuring reasonable prices for consumers.

Three basic principles are derived from the goals: common market, preference of the Community and financial solidarity. As a consequence the products can move freely across the national borders, the members of Community represent themselves together within third countries, producers are protected



against competition from abroad and expenditures are paid from the common sources.

Originally, CAP was based on the intervention buying of the agriculture product in case of decreased prices under the certain level. The imports were taxed and exports were supported by the subsidies. All these measures led to the overproduction in 1980's and a reform was necessary. In 1992 MacSharry reform was adopted. Its main contribution was decoupling – subsidies became independent on the volume of production. The granted prices were decreased which was compensated by the direct payments derived from the extent of the cultivated land, number of animals, etc. Another reform followed in 2003. Fisher reform introduced single payments. In consequence the farmers can apply only for one payment instead of several payments. The extent of the payment is derived from the cultivated area. In order to receive the payments the farmers have to obey the legislative norms, so called cross-compliance. Fisher reform also emphasizes more on the rural development.

After 2013 another reform is being applied. The changes in the area of direct payments are especially greater emphasizes on the friendly approach to the environment through landscaping scheme, generational change in the country through aid for young farmers or support of sectors or regions facing particular difficulties or are extremely important from an economic, social or environmental viewpoint (eagri.cz, 2014).

The CAP expenditures have reached up to 70 % of European budget throughout history. Recently (years 2007 – 2013) CAP consumes 43 % of European budget which is 55 billion EUR and represents 0.5 % of EU GDP (euroskop.cz, 2014).

#### **4.6.2 Support of Agriculture in Czech Republic**

The Czech entrance to EU brought some advantages for Czech farmers: higher income and better standard of living, higher buyout prices or better opportunities for export. But Czech Republic also had to adapt to the system of the market regulation in EU which led to the certain changes in the commodity structure, especially in sugar industry.

When the Czech Republic has entered the EU it had to face the competition from 26 member states. The conditions for business and for drawing the support from EU budget are different for each country. In 2004 the conditions about support drawing for new member countries were less favorable. They received only 25 % of direct payment compared to the original members. New member countries could increase the payments from their own sources, through so called top-up payments. The EU subsidies were continuously increased until 2013 when they were equalized (euroskop.cz, 2014).

So there are two groups of sources of support for farmers and agriculture SMEs in Czech Republic: European subsidy programs that are mostly co-financed by the state budget to the certain extent and national subsidy programs fully

financed by the national budget. The administration of both types of payments is done by the State Agriculture Intervention Fund.

#### **a) Direct payments**

Direct payments are the most significant type of agriculture support. They are distributed through Single Area Payment Scheme (SAPS) supplemented by the national Top-up payments, separate sugar payments and separate payments for tomatoes.

The purpose of the SAPS is ensuring the stable income to the farmers. They can decide what they want to produce after considering the demand. They will receive the certain amount of support no matter what they produce.

As a result of the reformed organization of markets in the sugar industry the minimal price of sugar beet decreased in 2006. In order to compensate farmers for loss caused by the decreased price the compensation measures were taken. Separate payments for sugar were introduced.

#### **b) Program for rural development 2014 – 2020**

This program is financed from European Agricultural Fund for Rural Development. Rural development should contribute to reaching the goals like better competitiveness of the agriculture, sustainable management of natural sources and reasonable measures concerning the climate. Six priorities have been stated to better define the goals: (1) transfer of knowledge and information in agriculture, forestry and rural regions, (2) increasing viability and competitiveness of all types of agriculture activities in all regions and promoting innovative agricultural technologies, (3) support of food chain organization, (4) restoring, preserving and enhancing ecosystems related to agriculture and forestry, (5) supporting resource efficiency, (6) promoting social inclusion, poverty reduction and economic development in rural areas.

#### **c) Operational Program Fishery 2014 – 2020**

The goal of the program is sustainable and competitive aquaculture, the development of fish farming and ensuring the stable supply of freshwater fish (especially carp) to the domestic market.

#### **d) Subsidies within Common Organization of Agriculture Markets**

Common Organization of Agriculture Markets is primarily divided into plant production and animal production. Its objective is the regulation of the supply so that there are no fluctuations in it.

#### **e) National Subsidies**

There are programs financed solely from the Czech national sources. The emphasis is on the agro-environmental features (e.g. biological and physical protection replacing the chemical protection of the plants), programs against the spread of dangerous diseases among livestock, support of beekeeping and improving of certain animals' genetic potential.

### **f) Support and Guarantee Forestry Fund**

This fund provides supports to finance the investments that can't be financed from the European Agricultural Fund for Rural Development. These investments are especially to increase the efficiency, modernization, lowering the production costs, improving the quality, etc.

Since 1st January 2009 the applicants for subsidies and other supports have to comply with the conditions stated by the **Cross Compliance**. The conditions concern standards maintaining the land in good agricultural and environmental condition, compliance with mandatory requirements in the field of environment, public health, animal and plant health, etc. In case that an applicant doesn't comply with the conditions, his support can be lowered or even canceled completely (eagri.cz, 2014).

## 5 Results

The part of the thesis Results is based on the assessing of the secondary and primary data. Secondary data are focused on the SMEs in the Czech Republic, development of their numbers, etc. The greater emphasizes is on the agricultural SMEs and foreign agricultural trade. Primary data come from the questionnaire survey that explores the interest of the Czech agricultural SMEs in the foreign trade and the impact of European Union on it. Primary data also serve to the verification of the statistical hypotheses that were stated in order to comply with the objectives of the thesis.

### 5.1 SMEs in the Czech Republic

Small and medium sized enterprises play irreplaceable role in the national economy. They provide jobs for huge number of employees, and contribute to the GDP very significantly therefore they are supported by the national states and also by the EU.

At the end of 2013 there were 1 103 409 enterprises employing 0 – 249 persons from which 849 200 were natural persons and 254 209 were legal persons. SMEs represent 99.84 % of all enterprises in the Czech Republic (Ministry of Industry and Trade, 2014).

The development of the SMEs' number is depicted in the figure 2. The number has grown by 48 % since 2000.

SMEs are the employer of more than two thirds of all employees in Czech Republic, in 2013 they employed 60.9 % of them which is 1 766 thousand persons. The development of number of SMEs' employees is shown in the figure 3. There can be seen a decreasing trend since 2007 when huge economic crises occurred so the enterprises were forced to dismissals.

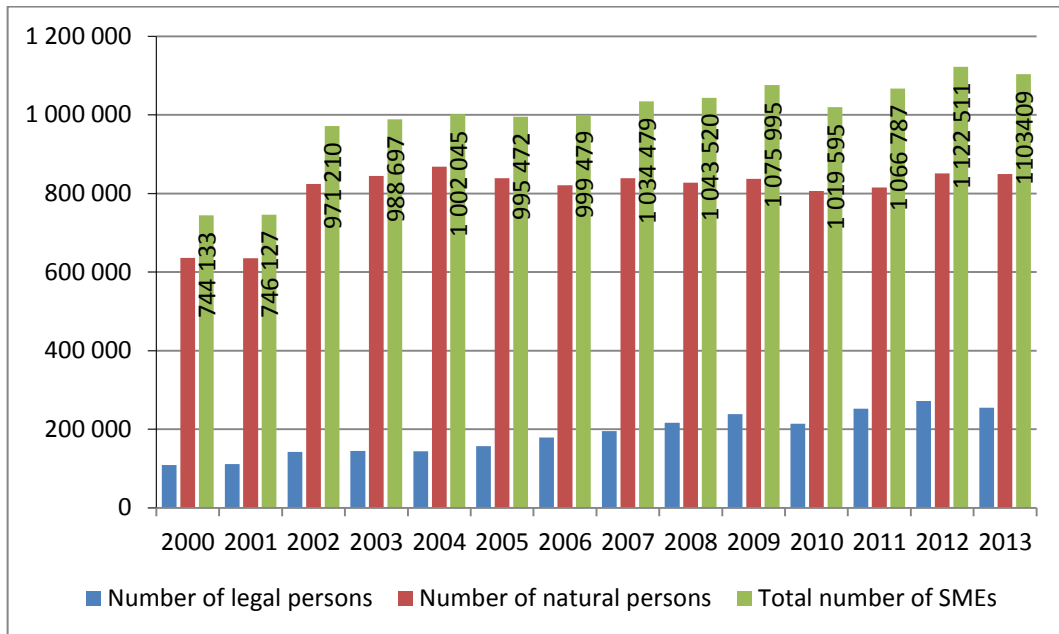


Figure 2 The development of number of SMEs in Czech Republic in years 2000 – 2012 (Source: Ministry of Industry and Trade, 2014)

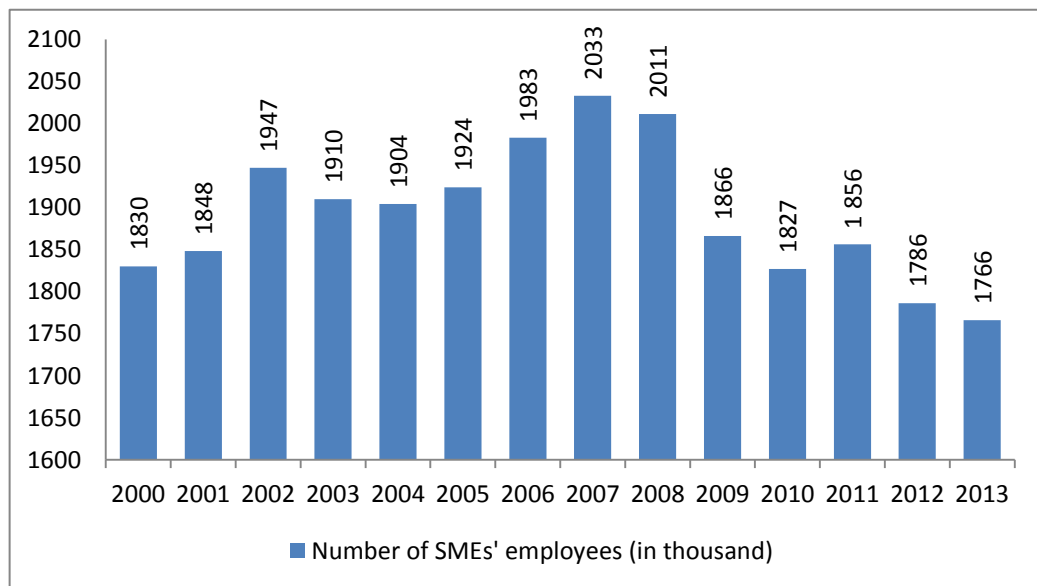


Figure 3 The development of number of SMEs' employees in Czech Republic in years 2000 – 2012 (Source: Ministry of Industry and Trade, 2014)

For the purpose of this thesis it is appropriate to depict the SMEs' share on the total export from the Czech Republic. In 2013 this share was 53.6 %. If we observe the development of the SMEs' share on the export in the figure 4 we can see that

the share started to grow significantly in 2004 when the Czech Republic entered EU and the exporting and other foreign trade became much more easy. The share on export increased nearly by 20 % since then.

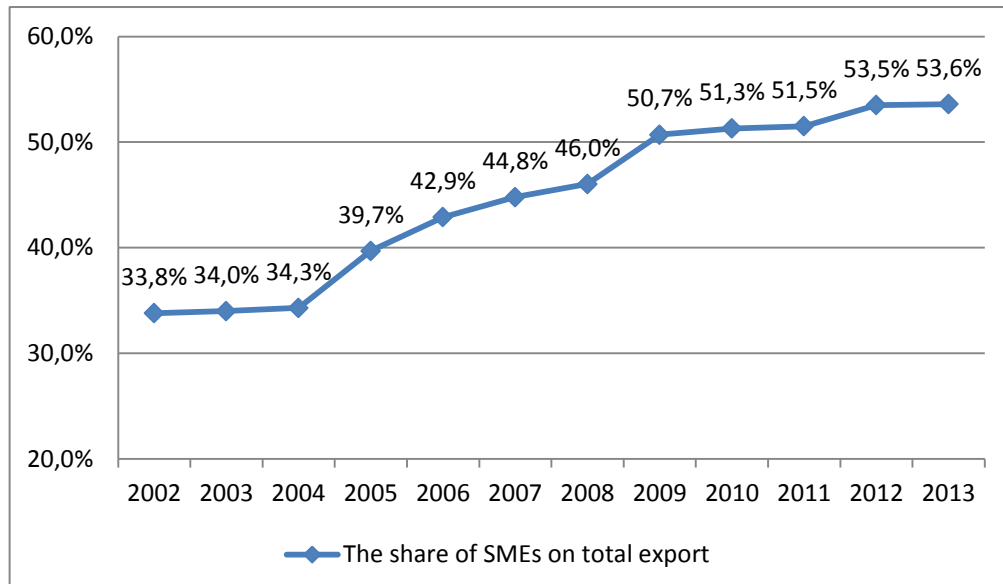


Figure 4 The development of the SMEs' share on the total Czech export in years 2002 – 2013  
(Source: Ministry of Industry and Trade, 2014)

## 5.2 Agriculture in the Czech Republic

Czech agricultural production is characterized by its geographical location and climatic conditions. The main plant commodities grown there are cereals (wheat, barley, rye, oats and corn), sugar beets for sugar production, potatoes, oilseeds (canola), flax, hops, fruit, vegetables and vines. Typical animal commodities are cattle (milk and meat), pigs, poultry and carp.

Statistical classification of economic activities used in European Union is NACE (Nomenclature générale des Activités économiques dans les Communautés Européennes). Within this nomenclature the agriculture is classified into section A together with forestry and fishing. Detailed content of the section A is listed in the attachment A (European Commission, 2010).

### 5.2.1 Business structure of enterprises in agriculture

The agriculture land in the Czech Republic occupied the area of more than 3.5 million hectares at the end of 2012. This land is cultivated by the 47 903 enterprises from which most of them are natural persons who owns 30.2 % of the agriculture land. Detailed structure of the legal forms of business in Czech agriculture is described in the table 2 (Ministry of agriculture, 2013).

Tab. 2 Business structure of natural and legal persons in agriculture at the end of 2012

Legal form of business	Number of enterprises	Cultivated agriculture land	
		ha	%
Natural persons – total	44 032	1 065 865	30.2
Thereof agriculture entrepreneurs <sup>1</sup>	26 360	988 578	28.8
Legal persons – total	3 871	2 460 462	69.8
- Limited company	2 339	823 099	23.3
- Joint-stock company	711	879 814	24.9
- Cooperative	531	714 705	20.3
- Others	250	29 356	0.8
Total	47 903	3 526 328	100.0

Source: Ministry of agriculture, 2013

### 5.2.2 Agrarian foreign trade

The agrarian goods that are considered as the commodities traded within the agrarian foreign trade are defined in the chapters 1 – 24 of the Common Customs Tariff that is the part of Commission Implementing Regulation (EU) No 1101/2014. The chapters are divided into four sections: animal products, vegetable products, animal or vegetable fats and oils, prepared foodstuffs. The description of the chapters is contained in the annex B ([eur-lex.europa.eu](http://eur-lex.europa.eu), 2014).

Figure 5 shows the development of the total agrarian foreign trade between years 1993 and 2012. The import outweighed the export all the time therefore the balance of the agrarian foreign trade is in negative numbers and there is a deficit. Both import and export show the increasing trend. We can see clearly in the graph that the values started to grow much more significantly in 2004 when the Czech Republic entered EU.

In the 1990's, in the years of economic transformation in the Czech Republic the export was alternately increasing and decreasing but the increase prevailed slightly. In 1997 the annual growth of export was 17.7 % but next year it was only 6.6 % due to unfavorable development in the international market that was influenced by the conjuncture situation - monetary and financial crisis in Southeast Asia and later in Russia, and decreased prices due to overproduction (MZE, 1998).

This situation continued in the next year when the export increased only by 0.8 % (MZE, 1999).

In 2000 the prices of the crucial commodities hadn't increased yet. Despite these unfavorable conditions the agrarian foreign trade was quite successful, the export increased by 19.8 % (MZE, 2000).

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<sup>1</sup> defined by the law number 252/1997 Sb., about agriculture

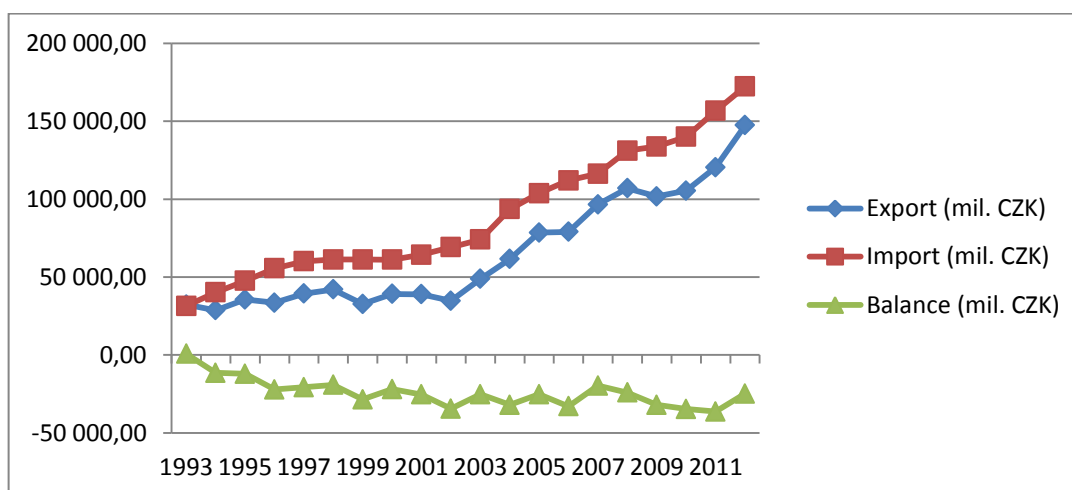


Figure 5 The development of Czech agrarian foreign trade in years 1993 – 2012 (Source: Ministry of Agriculture, 2013)

In 2001 the conjuncture continued. The economic growth slowed down rapidly especially in the EU countries that were main trading partners of Czech Republic so this fact influenced the Czech foreign trade very significantly. The export decreased by 0.5 % although the turnover of Czech agrarian foreign trade is increasing in the long term. It was by 15.2 % higher than the average of years 1996 – 2000 (MZE, 2001).

Slow-down in the economic growth in the important EU countries resulting in the decreased demand and huge flood that hit the Czech Republic in 2002 influenced the Czech agrarian foreign trade very negatively. The export decreased by 8.6 % (MZE, 2002).

In 2003 the export increased by 6.7 %. The turnover of agrarian foreign trade continued in the growing trend yet the increase was below average compared to the European countries: The Austrian turnover of the foreign agrarian trade was 2.5 times higher than Czech, in Ireland it was 3.3 times higher, in Denmark 4.3 times higher and in Belgium it was 10 times higher (MZE, 2003).

The Czech entrance to EU in 2004 had many impacts on the foreign agrarian trade. One of the most important was the change of customs duties which led to the better conditions of trade with EU25 but the customs duties for third countries were mostly higher. Common trade policy against the non-member countries brought wider opportunities in foreign trade for the Czech Republic as the EU has concluded the treaties about free trade with many states beyond the WTO treaties. In the same time the trade treaties that had concluded Czech Republic before the entrance to EU ceased to exist. Due to removal of the customs barriers the agrarian export increased by 24.9 %. Other influential factors were the fluctuations in the prices and exchange rates of CZK to EUR and USD (MZE, 2004).

In years 2005 - 2008 the values of agrarian foreign trade indicated that the entrance to EU had very positive impact on it. The export increased by 26.6 % in 2005 (MZE, 2008).



In 2009, for the first time since the entrance to EU, the export decreased (by 1.5 %). This unfavorable development was the result of the financial crises that had spread through the world. But this decrease wasn't as crucial as in any other sectors. Also the prices of some commodities important for export decreased. The balance deficit increased due to higher imports of pork from Germany and Poland (MZE, 2009).

World trade went through the shock and the whole world economy declined in 2009. The global crisis had impact on all segments of the merchandise trade, whereby the trade in agricultural and food products was affected the least. The agricultural sector is able to withstand the crises better than other sectors like industrial production. It is given by the generally low elasticity of demand for agricultural and food products which is a result of their non-substitutability in the consumption where the food is indispensable product. It may be stated that the crisis didn't affect the development in the area of the value of agricultural trade of the Czech Republic in any significant manner. The volume of trade in relation to third countries or EU countries wasn't affected distinctly (Smutka and Burianová, 2013).

Next years the export started to grow again: in 2010 by 0.8 %, in 2011 by 14.8 % and in 2012 by 22.4 % (MZE, 2012).

The share of the agrarian foreign trade in the total foreign trade is decreasing in the long run. This is corresponding with development of the foreign trade commodity structure in the developed countries in the world where the agrarian and food products lose its importance compared to other commodities. Of course there were some growths during the observed period but these increases are considered as a temporary phenomenon. Such an increase occurred in 2004 and was explained by the accelerated dynamics of the total trade of Czech Republic after the entrance to the EU (MZE, 2004).

The current values about the participation of the agrarian foreign trade in the total foreign trade of The Czech republic are depicted in the table 3.

Tab. 3 The share of the agrarian foreign trade in the total Czech foreign trade in 2012

	2011	2012	Year on year index
Turnover of the agrarian foreign trade	4.98 %	5.49 %	110.2 %
Agrarian export	4.18 %	4.81 %	115.1 %
Agrarian import	5.83 %	6.25 %	107.2 %

(Source: MZE, 2013)

### 5.2.2.1 Territory structure of foreign agrarian trade

In the end of 1990's and at the beginning of 2000's Czech Republic traded especially with EU and CEFTA countries. In 1997 the EU countries were the main partners of the Czech Republic in the total agrarian foreign trade (34.5 % of export), CEFTA countries were on the second place (33.3 % of export from which 24.5 % represented export to Slovakia). In that year another important partner

were the SNS countries (19 % of export) but next year the Russia was hit by the financial crises so the export to this country decreased continuously. It was only 4 % in 2002 (MZE, 1997).

In 2003, one year before the entrance to EU, the main trading partners of Czech Republic were EU countries but as concerns exports the main partner were CEFTA, 43.4 % of export went there, from which more than a half went to Slovakia. There was also a certain importance of trade with developing countries but they are rather importers, export to these countries represented only 6.7 %. Exporters became interested in SNS countries again (MZE, 2003).

After the entrance to EU, in 2005, 89.3 % of export went to EU countries wherein the export to new member countries increased by 0.6 % while the export to EU 15 decreased by 0.6 %. This indicates that the main partners remained former CEFTA countries, especially Slovakia. But in the next years the dynamics of export's growth to new and original member countries were quite equal. After the entrance to EU the trade with developing countries decreased (MZE, 2005).

The agrarian export to EU 27 countries represented 91.3 % in 2012 from which 47.3 % went to EU13 and 44.2 % went to EU15. There was huge increase of export to France (by 46 %), Bulgaria (by 45 %) and Great Britain (by 36 %). Also exports to Russia and Ukraine increased (MZE, 2013).

The countries with the greatest share on the Czech agrarian countries are shown in the following table. These countries participate on the Czech export in the long term as the numbers are very similar since the Czech Republic entered EU.

Tab. 4 The countries' share on the Czech agrarian export

Country	Share on the agrarian export
Slovakia	27.2 %
Germany	19.9 %
Poland	11.3%
Italy	6.7 %
Austria	5.5 %
Hungary	4.6 %

(Source: MZE, 2013)

### 5.2.2.2 Commodity structure of foreign agrarian trade

In 2012 the exported commodities were especially cigarettes, rapeseed oil, wheat, dairy products, sugar, preparations of cereal, cocoa and cocoa preparations, prepared animal fodder, beer, rapeseeds and live cattle.

Exported vegetable production slightly prevailed over the animal production. 22.4 % of export were the animal production where are the most common commodity dairy products (11.4 %) and 24.7 % of export were vegetable products, especially cereals (9.62 %). The rest of export belongs to the two remaining groups of the Common Customs Tariff – animal and vegetable oils or prepared foodstuff (MZE, 2013).

### 5.3 Questionnaire survey

Primary data necessary for elaboration of this thesis was collected with use of questionnaire. The primary purpose of this questionnaire survey was the definition of factors that influence the SMEs and their attitude to internationalization with focus on the motives to internationalize, barriers and risks of foreign trade and their connection with EU.

The outcome of the survey, i.e. collected primary data will serve to the description of the factors that influence internationalization and to the verification of statistical hypotheses.

In order to gain meaningful data the various groups of SMEs had to be asked to participate in the survey because the responses were needed from the firms that operate in the foreign markets but also from the firms that don't operate there. That's the reason why the questionnaire survey consists of three questionnaires. Each questionnaire was devoted to different group of SMEs according their involvement in the foreign market business operations. Some questions were the same for each group, some questions were asked only in one of the questionnaires. Also the number of questions was slightly different in each questionnaire.

First questionnaire was intended for the SMEs that currently operate in the foreign markets and consisted of 20 questions, in the second one the firms that used to operate in the foreign markets but currently don't operate there anymore answered 21 questions and third questionnaire was designed for the firms that operate only in the domestic market and contained 15 questions. The firms that filled the third questionnaire were further divided according to the fact whether they have some plans to enter the foreign market or not.

The questions and their order in the questionnaires were designed in compliance with theoretical principles described in the literature. There were some open questions but most of the questions were closed so that they can be more easily processed afterwards. The close questions were with one or more possible answers, some questions also contained the possibility to add the answer in case it wasn't offered in the list of possible answers. The questionnaire for the firms that don't operate in the foreign markets also contained the filtering questions as some questions were intended only for the firms that plan to enter the foreign markets and some questions were intended only for the firms that don't have such plans. The questionnaires are placed in the attachment C.

The questionnaires were designed and published in the Umbela system that serves to the students and employees of Mendel University for elaboration of their surveys. The contacts to the firms operating in agriculture in the Czech Republic were obtained from the Amadeus database.

Several statistical hypotheses were designed as a part of the questionnaire survey. The questions in questionnaire were designed so that it will be possible to verify these hypotheses consequently. When the data collection was completed the hypotheses were tested with use of statistical-mathematical methods. Following hypotheses were verified within the survey:

**Hypotheses 1**

*Null hypotheses ( $H_0$ ):* The volume of sales from abroad isn't dependent on annual turnover.

*Alternative hypotheses ( $H_1$ ):* The volume of sales from abroad is dependent on annual turnover.

**Hypotheses 2**

*Null hypotheses ( $H_0$ ):* The number of perceived barriers isn't dependent on number of employees.

*Alternative hypotheses ( $H_1$ ):* The number of perceived barriers is dependent on number of employees.

**Hypotheses 3**

*Null hypotheses ( $H_0$ ):* The number of perceived advantages of Czech membership in EU isn't dependent on motivation by Czech entrance to EU to foreign market entrance.

*Alternative hypotheses ( $H_1$ ):* The number of perceived advantages of Czech membership in EU is dependent on motivation by Czech entrance to EU to foreign market entrance.

**Hypotheses 4**

*Null hypotheses ( $H_0$ ):* Drawing the agriculture support isn't dependent on the size of the firm defined by the annual turnover.

*Alternative hypotheses ( $H_1$ ):* Drawing the agriculture support is dependent on the size of the firm defined by the annual turnover.

**Hypothesis 5**

*Null hypothesis ( $H_0$ ):* The number of years that a firm is involved in international trade isn't dependent on the volume of sales from abroad.

*Alternative hypothesis ( $H_1$ ):* The number of years that a firm is involved in international trade is dependent on the volume of sales from abroad.

**5.4 Evaluation of primary data**

The questionnaire was sent to 4338 e-mail addresses. The number of returned questionnaires was 201. So the return rate was 4.63 %. Three questionnaires had to be discarded because the firms that filled them had too high number of employees and annual turnover so they can't be considered as a SME. The final numbers of the firms that participated in the survey are following: There were 32 firms that operate in the foreign markets, 5 firms that operated in the foreign markets in the past and 160 firms that operate only in the domestic market. 13 firms from the last group are considering the entering the foreign market, the rest of them (147) don't have any plans to internationalize.

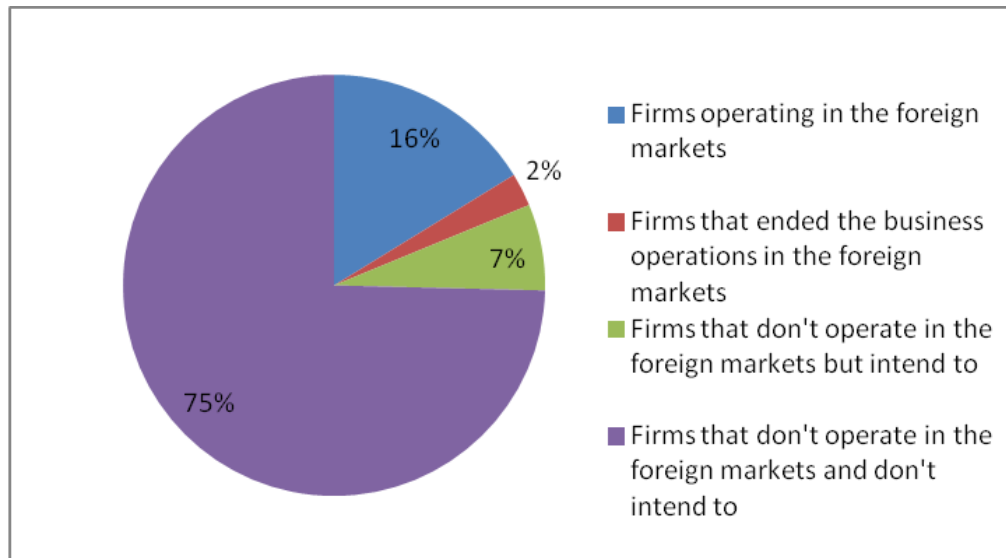


Figure 6 Structure of the firms according to their participation in the international trade (Source: own research)

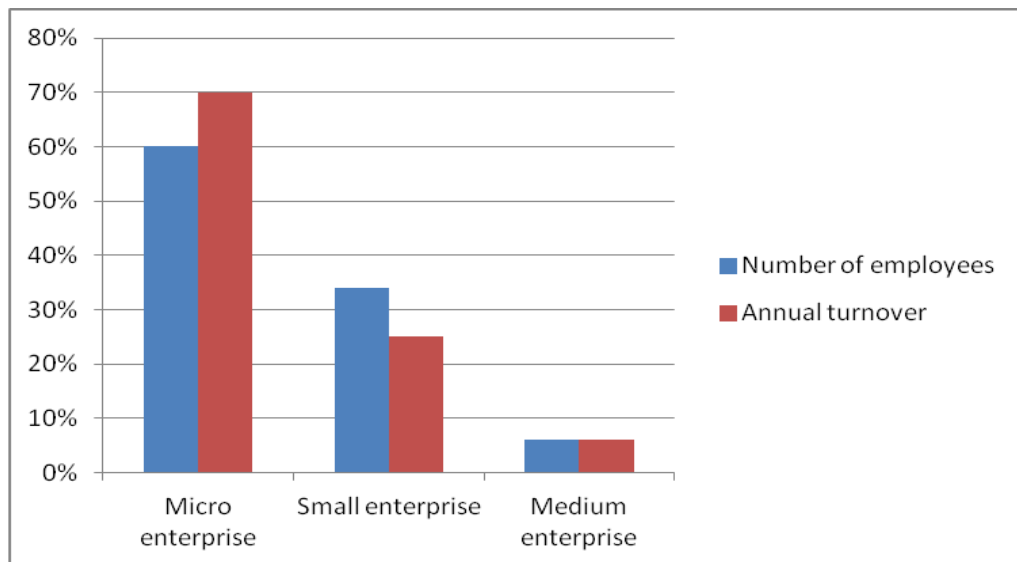


Figure 7 Size structure of firms that took part in the survey (Source: own research)

European Commission defines microenterprises, small enterprises and medium enterprises using the following criteria: the firms' number of employees and annual turnover. Size structure of all firms that participated in the survey is depicted in the figure 7 where one can see that sometimes it is difficult to classify the enterprise according to the two criteria simultaneously. The highest number of representatives are micro enterprises. This is connected to the fact that the biggest part of firms that filled the questionnaire are self-employed as concerns their legal form of business.

## 5.4.1 Basic characteristics of the groups

### 5.4.1.1 Firms that operate in foreign markets

16 % of firms that took part in the questionnaire survey operate in the foreign markets. Half of them chosen to be self-employed as the legal form of the business, six of them are joint-stock company (19 %), two of them operate as cooperative (6%) and seven firms have other legal form than was offered in the questionnaire.

Most of the firms exist in the domestic market for a long time. Half of them are there for more than 20 years, 13 of them were founded more than 10 years ago. So it can be expected that those firms are capable to compare the situation before and after the entrance to EU and also advantages and disadvantages of the membership.

There are quite a lot of firms that started with foreign trade up to one year after they were founded. 34 % of the firms can be considered as born globals. Rest of the firms started with the foreign trade in average 15 years from their establishment.

The most common foreign market entry strategy among the firms is the direct export. 23 firms chose this strategy. Five firms use agency, two firms use exclusive distributorship. One firm uses commission agency, one firm uses piggy backing.

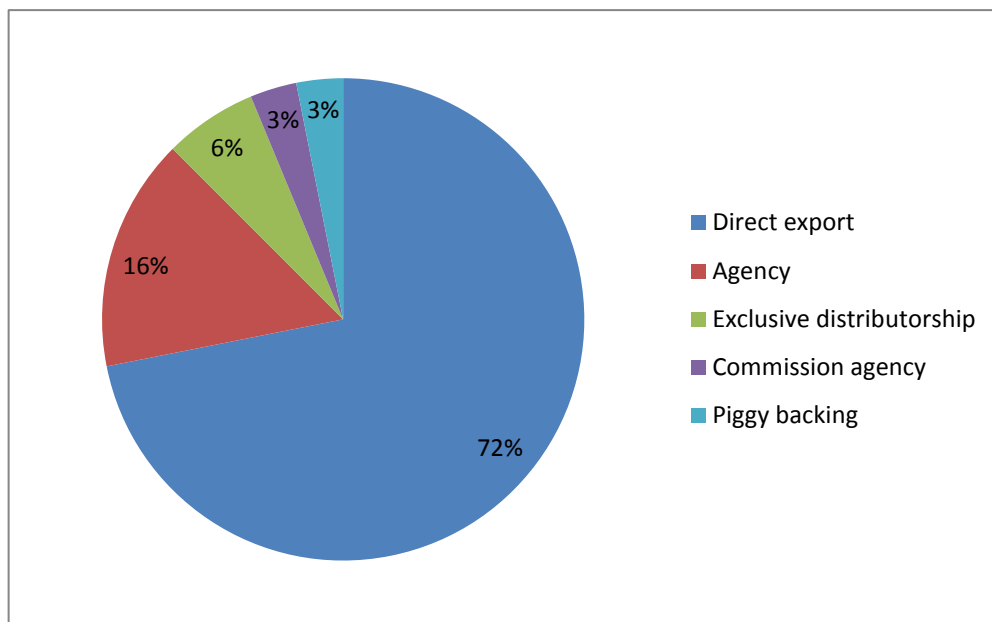


Figure 8 Foreign market entry strategy (Source: own research)

There isn't a firm that has zero profit from its foreign trade activities. 44 % of firms earn at least 10 % of its sales from foreign trade. 22 % of firms earn between 11 and 25 % of its sales from foreign trade. 9 % of firms have the ratio of foreign sales between 26 and 50 %, another 9 % has this ratio between 51 and 75 %. 16 % of firms earn more than 75 % of sales from abroad. These firms apparently consider

the foreign trade as their main activity. All of them are micro enterprises according to their number of employees.

Most of the firms (66 %) stated that their main business activities take place in the countries that are original members of EU (EU 15). These countries are more commonly countries neighboring with Czech Republic: 18 firms export to Germany and 10 firms export to Austria. But some exports go also to EU 15 countries that don't have borders with Czech Republic: 2 firms export to Great Britain and 1 firm exports to Belgium. 22 % of firms orientate their interest to the new member countries of EU (EU 13). Also there are the main representatives the neighbor countries Poland (14 firms export there) and Slovakia (11 firms export there). 2 firms export to Hungary. Some small fracture of the firms exports to SNS countries: 3 firms export to Russia and one firm exports to Ukraine. 3 firms (9 %) stated that they export to other countries that were not offered in the questionnaire: USA, Japan, Nigeria and India.

To sum up, the most of the export goes to the neighbor countries. More than a half of the firms chosen the country that is closest to their seat. E.g. 3 of 4 firms from South Bohemian Region export to Germany, firms from Usti Region export especially to Poland.

So the survey showed that the three main destinations of agrarian export are same as the secondary data implied although their order differs. The biggest part of the firms' export goes to Germany, Poland and Slovakia.

The vegetable production is the most typical for the group of these firms. 41 % specialize themselves in the plant production, 34 % of firms produce both plant and animal commodities and 25 % of firms produces animal products.

#### **5.4.1.2 Firms that ended the business operations in the foreign markets**

This is the smallest group of the firms that participated in the survey. There are only 5 firms. Four of them are self-employed, one of them has some other legal form of business.

Firms exist in average 18 years. Two started with foreign trade right after they were founded, rest of them started with foreign trade in average after 7 years of existence. In average they were 9 years in the foreign markets. There were various reasons why they ended the foreign market operations. Nobody marked the answers offered in the questionnaire, everybody had some different reason like decreased demand, unfavorable exchange rate or failure of the customer to pay.

Also in this group of firms the most common foreign market entry strategy was direct export. One firm chose agency and one firm chose piggy backing.

Almost every firm did its foreign trade activities in an EU 15 country - Germany, Italy or Netherlands. One firm exported to SNS countries - Uzbekistan and Russia.

3 firms specialize themselves in vegetable production, 2 firms in animal production.

### 5.4.1.3 Firms that don't operate in foreign markets

The questionnaire designed for the firms that don't operate in the foreign markets were filled by the most of the firms that took part in the survey. Half of these representatives are self-employed persons 11 % of them are joint-stock companies, 9 % are cooperative, 4 % of firms operate as a public company and 1 % of firms are limited partnership. 24 % of firms have some other legal form of business. The average number of years that firms exist in the domestic market is 18.

The most common specialization of the firms in this group is the vegetable production (47 %), 44 % of firms is engaged in animal production and 9 % produces both.

This group of firms is divided into two subgroups considering the fact whether the firm has some plans to enter foreign market or not. Some questions in this questionnaire were designed only for one of these two subgroups, some questions were meant for both subgroups.

75 % of firms that participated in the survey don't have any plans to internationalize. The reasons are shown in the following graph.

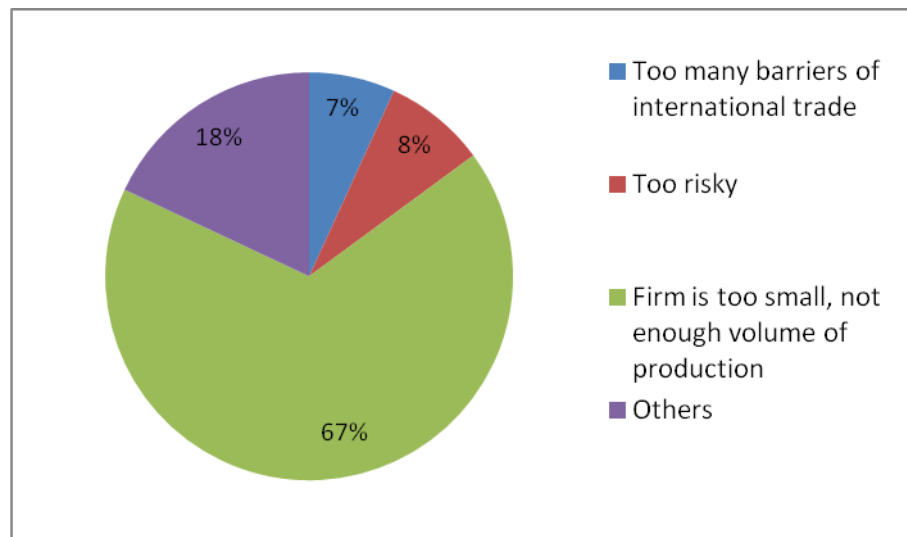


Figure 9 Reasons why firms aren't interested in internationalization (Source: own research)

So the most common reason why firms aren't interested in internationalization is that they are too small so that they aren't able to produce enough commodities for export. Other reasons stated by the firms were especially the focus on the local region and domestic market, high transportation costs or negative attitude towards EU and its legislative.

### 5.4.2 Motives to internationalization

All three groups of respondents were asked what motivates or motivated them to enter the foreign market. Firms that operate only on the domestic market



answered this question only in case they are planning the foreign market entrance. Each firm has different amount of experience with foreign trade so it can be expected that the main motives of each group of firms won't be completely the same. Table 5 shows various motives and how many firms are motivated by them (Absolute frequency). There is also the percentage from the total number of firms (Relative frequency) because the absolute number wouldn't be informative enough as each group consists of different number of firms.

Proactive and reactive motives are represented quite equally among the firms' top motives to internationalization. The motives in the table were ordered from the most frequent to the less frequent motives among the firms that operate in the foreign markets. There are some differences between the motives' occurrence among the different groups of firms but possibility of higher profits is the strongest motive for all firms. In sum the order of the five most frequent motives is following:

1. Possibility of higher profit
2. Decreasing demand on the domestic market and/or saturated market
3. High demand for the product abroad
4. Prestige of the exporting company
5. Managements' experience with international trade

Most of the firms that operate in the foreign markets (34 %) marked only one feature that motivated them to enter the foreign market. 25 % had two motives and another 25 % had three motives. We can see the order of their most common motives in the table but it is surely interesting to assess the motives of the firms whose foreign sales are more than 75 % as they are obviously established to trade abroad and their activity there can be considered as successful. There are 5 of such firms in the group (16 %). Their motives seem to be given especially by the demand: 4 of them motivated decreasing domestic demand and 3 of them were motivated by the demand for their products abroad.

The firms that stopped with foreign trade marked much more motives to enter the foreign markets (5 in average). Prestige of exporting company motivates these firms same as higher profits (80 %). 60 % of them were motivated by the high demand for their product abroad, managements' experience with international trade and possession of an exclusive information about the foreign market and customers.

Half of the firms that plan to enter the foreign market have more than one (but not more than 5) motivation, another half has only one. Also these firms are motivated most by the higher profits (54 %). Second strongest motivations (31 %) are high demand for the firms' products abroad and prestige of the exporting company. 23 % of firms that operate only in domestic market are motivated by decreasing or saturated market.

Tab. 5 Motives to internationalization

Motives to internationalization	Firms that operate in foreign market		Firms that stopped with foreign trade		Firms that plan to enter foreign market	
	Absolute freq.	Relative freq.	Absolute freq.	Relative freq.	Absolute freq.	Relative freq.
Higher profit	18	56 %	4	80 %	7	54 %
Decreasing demand in the domestic market and/or saturated market	15	47 %	2	40 %	3	23 %
High demand for the product abroad	12	38 %	3	60 %	4	31 %
Managements' experience with international trade	6	19 %	3	60 %	1	8 %
Excessive production capacity and/or overproduction	5	16 %	1	20 %	1	8 %
Prestige of the exporting company	5	16 %	4	80 %	4	31 %
Pressure of competitors on domestic market	4	13 %	1	20 %	1	8 %
Proximity to customers	4	13 %	1	20 %	1	8 %
Pressure of competitors from abroad	3	9 %	1	20 %	1	8 %
Opportunity to lower the cost due to the ownership of special technology	3	9 %	1	20 %	1	8 %
Exclusive information about foreign market	2	6 %	3	60 %	1	8 %
Tax relief	2	6 %	1	20 %	0	0 %
Economies of scale	2	6 %	1	20 %	0	0 %
Programs supporting SMEs	2	6 %	1	20 %	2	15 %

(Source: own research)

The question about motivation to enter the foreign markets didn't contain the Czech Republic's entrance to the EU on purpose. It is convenient to examine this separately so one can see the degree of motivation to expand to the foreign

markets connected with the Czech membership in EU which can be positive but also negative. It is depicted in the following picture considering that the motives can differ among the three groups of firms described above.

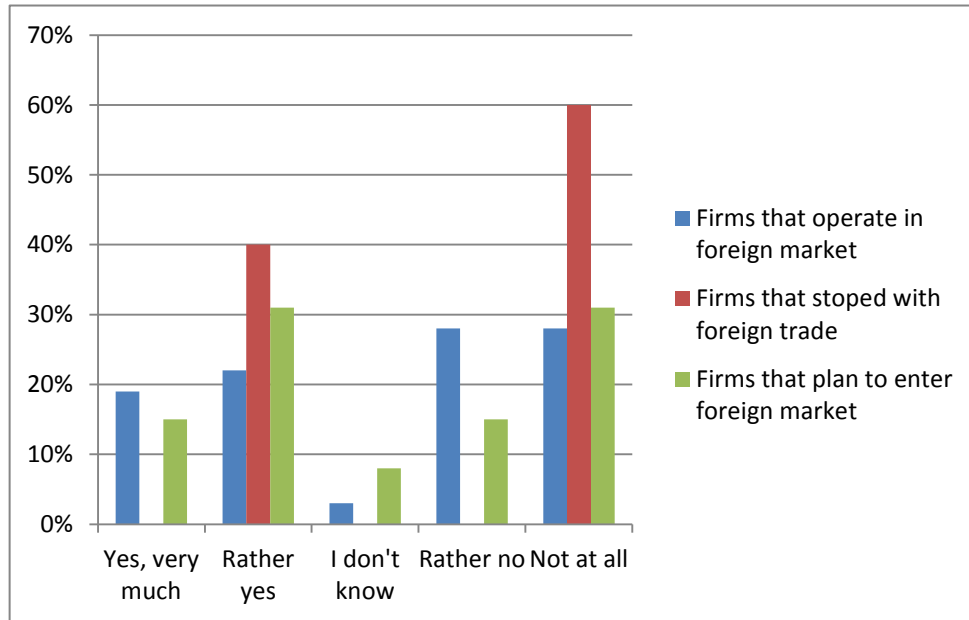


Figure 10 Degree of motivations to enter foreign markets in connection with membership in EU (Source: own research)

After summarization it is obvious that the Czech farmers' attitude towards Czech membership in EU with the connection to the foreign trade is rather negative. Although the second most frequent answer was "Rather yes" (26 %) the biggest part of them (32 %) stated that the membership didn't motivate them at all.

### 5.4.3 Barriers of foreign trade

The firms' perception of the barriers of international trade was assessed similarly as the motives to internationalization. The firms that operate in foreign market, firms that used to operate in foreign markets and firms that are planning the foreign market entrance were asked what barriers they see there. They could choose from the possible barriers that were found in the study of European Commission so that they could be compared consequently. These possible barriers were supplemented by some barriers defined by the OECD (chapter 3.4.3). The results are summarized in the table 6.

The table contains comparisons of the most frequent barriers. The order of barriers that resulted from the survey is compared to the order that found out the European Commission. The orders don't correspond at all. Agricultural SMEs have probably different specifics of internationalization process than the average European SMEs in general without regarding their industry.

From the order of barriers in table 6 it is obvious that the Czech responding firms are constrained by the internal barriers more than by the external ones as they take three first places in the table. The biggest barriers are in the personnel – they don't have enough language skills and skills to handle the foreign market operations. This is bigger problem for Czech SMEs than for the average European ones. On the other hand the Czech agricultural SMEs probably aren't afraid of the foreign competition as much as the European ones. Barriers in the form of quality and the price of the firms' products are ranked as least important by the respondents of the thesis questionnaire survey while the results of European survey revealed those barriers as the most significant internal barriers together with high cost of internationalization.

While the biggest external barriers of European SMEs are lack of capital and public support the Czech respondents who are exporting obviously don't have many problems with those barriers. Lack of capital is to a certain extent obstacle for firms considering the internationalization and firms that ended with foreign trade. The questionnaire survey revealed that they don't have almost any interest in using the support from organizations and programs for SMEs and international trade so from this point of view it is not a surprise that they don't miss the public support for SMEs. On the other side the organizations provide also support in the form of information which the SMEs could use but clearly they don't. Not enough information sources and information about the foreign markets is the biggest external barrier for Czech respondents. The agricultural supports are apparently sufficient for them so the lack of the capital also doesn't bother them.

The second biggest external barrier among the farmers is too difficult and costly administration connected to foreign market operations. The EUs' legislation resulting in too complicated bureaucracy and its interpretation in Czech Republic is great cause of the Czech farmers' negative attitude against the EU as the many responses in the survey implied.

The purpose of the EUs' common market is lowering the impediments of trade between the member states. It's done visibly by the abolishing the customs duty and similar fees paid on the national borders, and by unification of the products' standards. The results of the survey comply with it. Only 4 % of all firms have the barrier in the form of too high technical, health or safety standards and 12 % of firms (probably firms trading outside the EU) marked the customs duty and other tariff as the barrier to their internationalization.

Tab. 6 Barriers of foreign trade

Barriers of foreign trade	Firms that operate in foreign market		Firms that stopped with foreign trade		Firms that plan to enter foreign market	
	Absolute freq.	Relative freq.	Absolute freq.	Relative freq.	Absolute freq.	Relative freq.
Foreign language	21	66 %	4	80 %	5	38 %
Managers and employees don't have enough skills	15	47 %	4	80 %	4	31 %
Higher cost caused by required product adjustments	15	47 %	4	80 %	2	15 %
Not enough information	8	25 %	1	20 %	5	38 %
Too complicated administration	8	25 %	1	20 %	4	31 %
Difficult contacting customers	7	22 %	1	20 %	4	31 %
Not enough public support	6	19 %	1	20 %	1	8 %
Impossibility of finding a suitable foreign representation	6	19 %	1	20 %	0	0 %
Customs duty	5	16 %	0	0 %	1	8 %
Not enough capital	4	13 %	4	80 %	4	31 %
Differences in legislative system	4	13 %	0	0 %	2	15 %
The government favors the domestic producers	4	13 %	1	20 %	1	8 %
Foreign competition	4	13 %	1	20 %	2	15 %
Insufficient production capacity	3	9 %	1	20 %	3	23 %
High cost of internationalization	2	6 %	2	40 %	2	15 %
Poor economic conditions in the target country	1	3 %	2	40 %	0	0 %
Too high health, safety and technical standards	1	3 %	1	20 %	0	0 %
Price of the firms' products	1	3 %	1	20 %	1	8 %

Quality of a firms' products	0	0 %	2	40 %	2	15 %
Unstable political situation in the target country	0	0 %	0	0 %	0	0 %

(Source: own research)

Tab. 7 Comparison of barriers

Barriers of foreign trade	Order of barriers perceived by the European SMEs according to study of European Commission	Order of barriers resulting from the questionnaire survey
<b>Internal barriers</b>		
Price of the products or services of the enterprise	1.	6.
High cost of internalization	2.	4.
Quality of firm's products	3.	5.
Qualified personnel	4.	2.
Specifications of firm's products	5.	3.
Language	6.	1.
<b>External barriers</b>		
Lack of capital	1.	4.
Lack of adequate public support	2.	5.
Lack of adequate information	3.	1.
Cost of difficult paper work for transport	4.	2.
Other laws and regulation in foreign countries	5.	7.
Tariffs or other trade barriers in foreign market	6.	6.
Cultural difference	7.	3.

(Source: own research, European Commission)

#### 5.4.4 Risks of foreign trade

Respondents of the survey were also asked about which foreign trade risks they perceive. This question was designed for all three groups of firms. Firms that operate only in domestic market answered the question only in case they have plans to enter the foreign markets. Most of the firms marked one or two risks, only

13 % of all firms stated that they don't see any risk in international trade. The perception of exchange rate risk wasn't examined as it is obviously perceived by each firm from the country with its own national currency and trading mostly with members of the Eurozone. So focus was on the other risks.

The figure 11 shows that there aren't significant differences in opinions on the risks of foreign trade among the firms with different experience with foreign trade. All groups of firms perceive the market risk as the most intensive. In sum 37 % of all firms are afraid of changes in economic situation or demand/supply relation leading to increased prices or costs. In case of firms that ended with foreign trade this risk is perceived by 60 % of them. One of them specifically gives the decreased demand as the reason of ending the foreign trade.

Second most frequent answer to this question was commercial risk that represents especially possibility of a business partner failure. 23 % of all firms marked this answer. Also there this possibility was most common among the firms that ended with foreign trade. Customer who didn't pay for the deliveries was the reason of ending the foreign trade for one of them.

13 % of all firms are afraid of the goods damage during transport. This is relatively small fracture because most of the agricultural products aren't prone to damage. 12 % are afraid of consequences of liability for their product. Territorial risk is perceived only by the 9 % firms that operate in foreign market. This can be explained by the fact that most of the asked firms export to EU 15 countries that are very stable so big changes in economic and other policies aren't expected there.

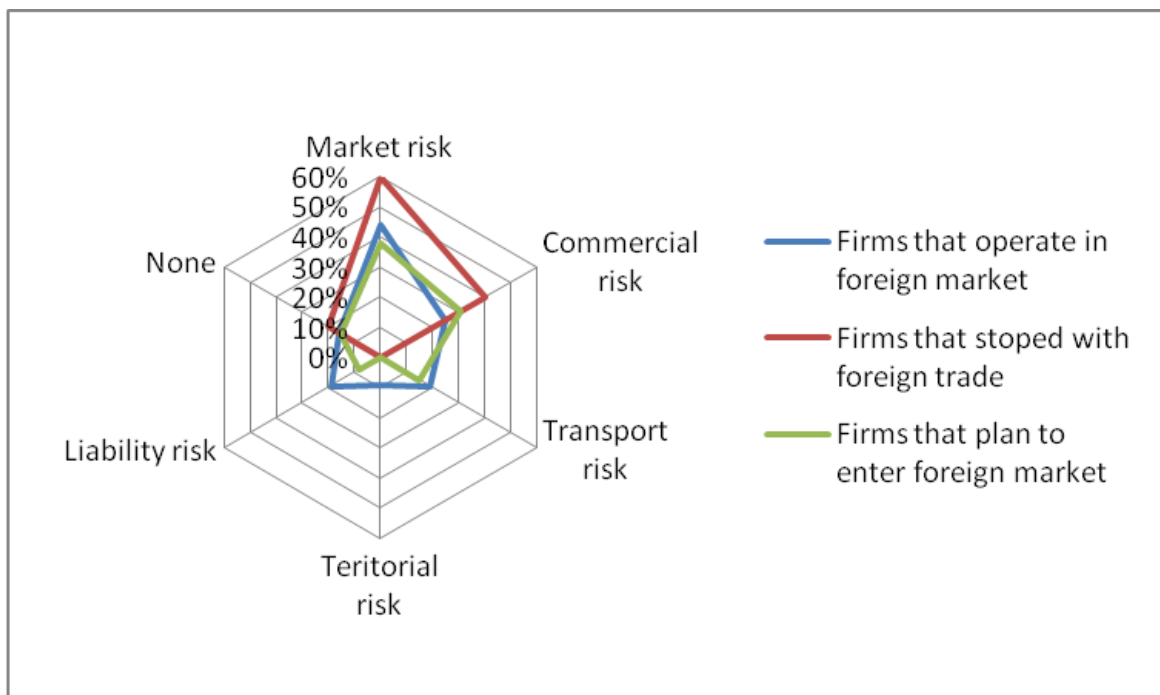


Figure 11 Risks of foreign trade (Source: own research)

#### 5.4.5 Drawing of the support

One of the main purposes of the survey was the examination of the attitude of agricultural SMEs to the EU as its control over agriculture is very strong with very significant impacts. There are many positive features about the Czech membership EU but also negative. One of the greatest advantages for Czech agricultural SMEs is the possibility of gaining support from EU budget.

The firms that took part in the questionnaire survey were asked about their interest in three types of support that are available for them. Two of those types of support are meant for all SMEs in Czech Republic (or eventually in EU) no matter in what industry they operate and are specialized on SMEs' internationalization. Firms that operate or used to operate in foreign markets were asked whether they have ever used the services of any organization that provides any kind of support for their internationalization. First of those questions was aimed at those organizations that provide services for Czech SMEs: Czech-Moravian Guarantee and development Bank, Czech Invest, Czech Export Bank, Export Guarantee and Insurance Company, Czech Trade, CEBRE, Agrarian Chamber, second question was about using programs and the services of organizations that provide support for SMEs' internationalization on European level: European bank for reconstruction and development, Enterprise Europe Network, programs CIP or COSME.

The survey revealed firms' very low interest in services of those organizations. None of the firms that ended with foreign trade have ever used any kind of those supports. Also firms that currently operate in foreign markets aren't very interested in using the support for internationalization. Only one firm from this group of 32 firms stated that it used the services of ČZRB, another one used services of Czech Trade. 3 firms claimed that they used services of the Czech Agrarian chamber which is not primarily designed to help with foreign trade but among other services it also provides consultations about international relations. Obviously the agrarian SMEs rather chose the organization specialized in agriculture than any other organization whose range of customers is more general. None of the firms that operate in foreign markets ever used the support from the above listed EU organizations.

Third type of support that all firms were asked about are their drawing of agriculture support: direct payments (DP), Program for rural development (PFRD), subsidies within common organization of agriculture markets (COAM) and national subsidies (NS). Firms are much more interested in drawing this kind of support.

The extent to which the firms receive the agriculture support is shown in figure 12. In the picture one can see that the supports are drawn quite equally by all three groups of firms, no matter what experience with foreign trade they have. In sum, there are only 18 % of firms that don't benefit from any agriculture support.



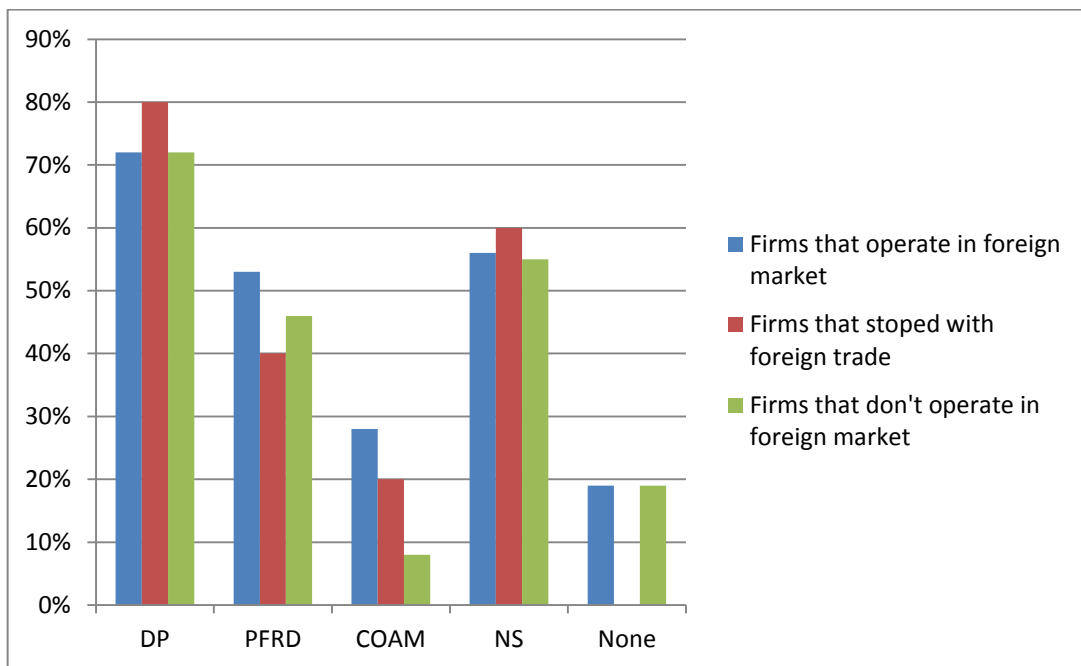


Figure 12 Receiving the support for farmers (Source: own research)

#### 5.4.6 Membership in EU

As was already mentioned the agriculture firms were asked what positives and what negatives they see in the Czech membership in EU. All firms no matter what experience they have with foreign trade answered the questions about the advantages and disadvantages of membership in EU. Figure 13 shows how many firms perceive each particular advantage of EU for farmers.

According to the figure 13 the biggest advantage is the possibility of gaining the financial support from EU budget. 56 % of all firms marked this possibility although the support for agriculture is drawn by much more of them.

23 % of all firms marked the advantage of higher income and better standard of living for farmers. Also this number would be expected higher as 47 % firms stated that they use the Program for rural development. The advantage of better opportunities for export was marked especially by the firms that have some experience with it which is quite expectable. Unfortunately there are a big percentage of firms that don't see any advantage in the membership in EU. These are especially the firms that operate only in the domestic market. On the other hand most of the firms operating abroad marked at least one advantage. From this point of view it is possible that the membership in EU discourages firms from entering the foreign markets.

The participants of the survey had the possibility to add any other advantage. 13 % of them used this possibility. Those advantages were especially lesser barriers for business and international trade, uniform veterinary standards and easier transport of animals across the national borders, proper fulfillment of the payment conditions.

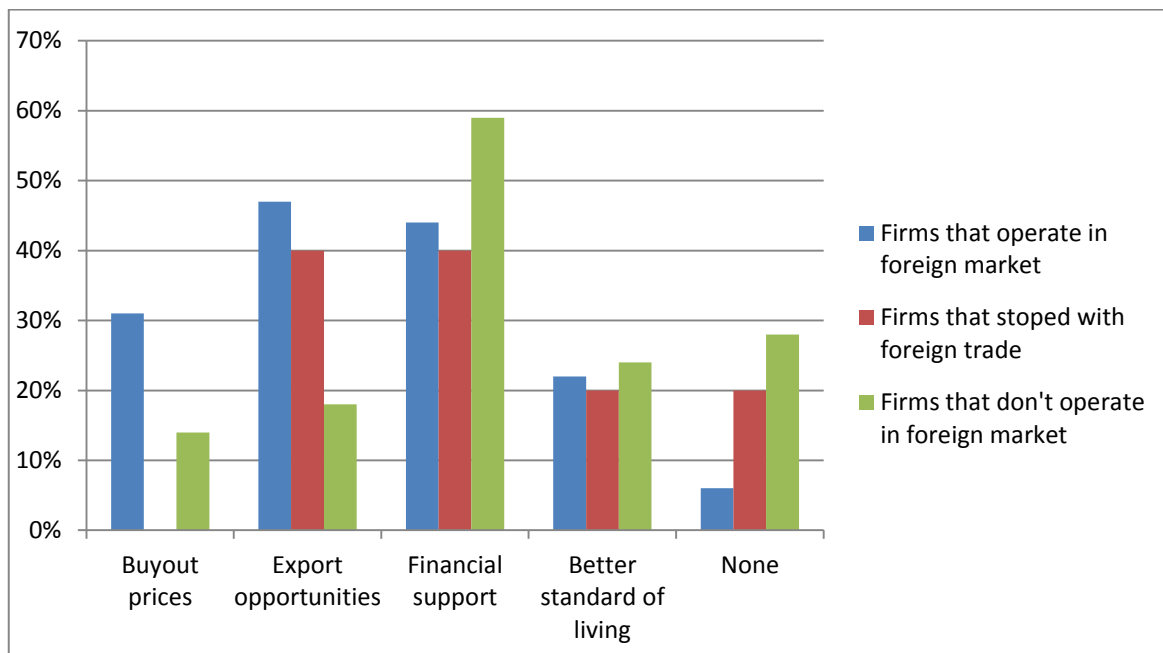


Figure 13 Advantages of membership of EU (Source: own research)

If we compare the number of marked advantages and disadvantages in the questionnaire it is obvious that firms see much more disadvantages than advantages. Figure 14 depicts the disadvantages of membership in EU and their representation among the firms.

The biggest negative from the firms' point of view is that member states receive the financial support under the different conditions for each of them.

Increased competition in the form of cheap imported products is the negative especially for the firms that operate only in the domestic market. Probably the firms that export their product don't have to deal with this problem so much as they can choose into what market they export so they know competition they will meet there.

Very small fracture of firms (8 %) thinks that there are no disadvantages. Firms had opportunity to add another disadvantage. 6 % of them did so. Other disadvantages were too much administration when applying for subsidies, wrong implementation of EU regulations into Czech legislative and unequal bureaucracy. Some firms specifically stated that the entrance into EU was a mistake. So, quite negative attitude to EU can be seen there.

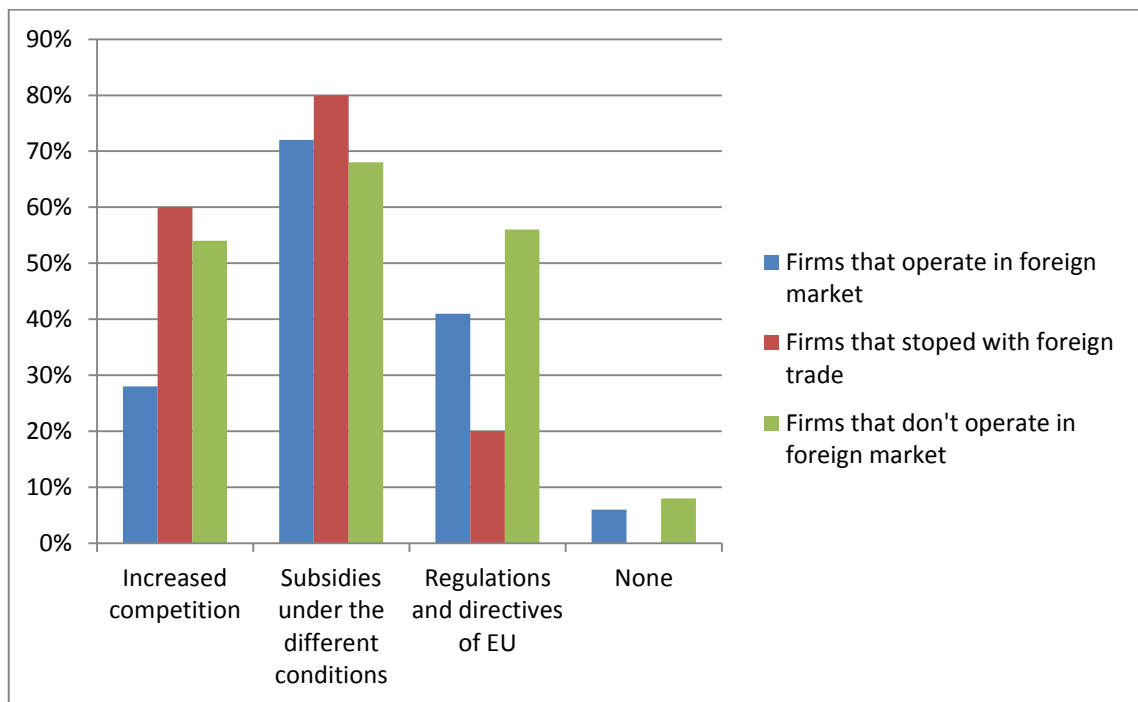


Figure 14 Disadvantages of membership in EU (Source: own research)

## 5.5 Testing of statistical hypotheses

The statistical hypotheses were designed before the questionnaire and were tested after the data were successfully collected.

Null hypotheses  $H_0$  claims there isn't a dependency between the examined features whereas the alternative hypotheses  $H_1$  claims that the examined features are dependent. In order to assess whether the hypotheses will be rejected or not the significance level  $\alpha$  had to be specified. The significance level  $\alpha$  that was chosen for this thesis is 5 %. P-value will be computed for each hypothesis in the Statistica program and then it will be compared with  $\alpha$ . In case that the computed p-value is lower than  $\alpha$ , the null hypothesis will be rejected and therefore there exists a dependency between the examined features. In case that the computed p-value is higher than 5 %, there exists no dependency between the features and null hypothesis is accepted.

The outcomes from the statistical tests in Statistica are contained in the attachment D.

### Hypothesis 1

*Null hypothesis ( $H_0$ ):* The volume of sales from abroad isn't dependent on annual turnover.

*Alternative hypothesis ( $H_1$ ):* The volume of sales from abroad is dependent on annual turnover.

The reason why this hypothesis was tested is the assumption that the share of the sales from foreign trade on the total sales is dependent on the size of the firm measured by its annual turnover. It was assumed that the bigger firms have greater financial sources which would make the expansion to the foreign markets easier and more effective, resulting in the bigger sales from abroad.

But the computed p-value is equal to 0.654486, which is more than 0.05, therefore the null hypothesis can't be rejected and there is no dependency between the size of a firm (measured by the annual turnover) and the volume of the sales from foreign trade.

### **Hypothesis 2**

*Null hypothesis ( $H_0$ ):* The number of perceived barriers isn't dependent on number of employees.

*Alternative hypothesis ( $H_1$ ):* The number of perceived barriers is dependent on number of employees.

This hypothesis checks whether the smaller firms find it harder to overcome the barriers of foreign trade hence they perceive more of them.

The result of the test is following: p-value is 0.723315 which is more than significance level  $\alpha$ . So the null hypothesis is accepted. There is no dependency between the size of a firm (measured by the number of employees) and the perception of the barriers of the foreign trade (measured by the number of barriers that a firm has marked in the questionnaire).

### **Hypothesis 3**

*Null hypothesis ( $H_0$ ):* The number of perceived advantages of Czech membership in EU isn't dependent on motivation by Czech entrance to EU to foreign market entrance.

*Alternative hypothesis ( $H_1$ ):* The number of perceived advantages of Czech membership in EU is dependent on motivation by Czech entrance to EU to foreign market entrance.

Third hypothesis verifies the assumption that the firms that see more than one advantage in the Czech membership in EU are also motivated by the membership in EU to enter the foreign market that will be the most probably the market of any EU country and vice versa.

The computed p-value is 0.022908. This means that the null hypothesis is rejected and there is a dependency between the number of perceived advantages and motivation by membership in EU to enter foreign market. It can be observed in the pivot table in the attachment D that the direction of the dependency is quite corresponding with the assumption. 64 % of firms that aren't motivated by the membership in EU at all perceive only one advantage in the Czech membership in EU and 28 % of them see no advantage at all. 62.5 % of firms that stated the

membership in EU motivates them to enter foreign market very much perceive more than two advantages of membership in EU.

#### **Hypothesis 4**

*Null hypothesis ( $H_0$ ):* The number of the drawn supports isn't dependent on the fact whether the firms perceive the opportunity of drawing supports from EU budget as the advantage.

*Alternative hypothesis ( $H_1$ ):* The number of the drawn supports is dependent on the fact whether the firms perceive the opportunity of drawing supports from EU budget as the advantage.

The hypothesis verified the assumption that the farmers that receive more than one type of support perceive the opportunity to gain the support from EU budget as an advantage.

The computed p-value 0.000593 confirmed the assumption. As it is smaller than 5 % the null hypothesis is rejected and the alternative hypothesis about the dependency of the number of drawn support and advantage in drawing the support is accepted. The assumption is also confirmed by the pivot table computed in Statistica. The biggest part of the firms that don't see the receiving the financial support as an advantage (30 %) don't receive any support. On the other hand 34.5 % of the firms that perceive this advantage draw two supports, 39 % of them draw three or four types of support.

#### **Hypothesis 5**

*Null hypothesis ( $H_0$ ):* The volume of sales from abroad isn't dependent on the number of years that a firm is involved in international trade.

*Alternative hypothesis ( $H_1$ ):* The volume of sales from abroad is dependent on the number of years that a firm is involved in international trade.

The hypothesis tests the assumption that with the increasing number of years in foreign trade also increases the involvement in the foreign market operations that can be measured by the share of the foreign sales on the total sales.

The computed p-value is 0.111624 so the null hypothesis about independency of the variables has to be accepted.

This implies that the stages approach to internationalization theory, particularly the Uppsala model, isn't applicable to the internationalization process of the Czech agricultural SMEs that took part in the questionnaire survey. The Uppsala model claims that the longer is a firm present in the foreign markets the more is increasing the level of commitment and amount of resources committed to international markets. This model is recently criticized in literature for its inapplicability which is also confirmed by the statistical test of this hypothesis.

## 6 Discussion

The diploma thesis consists of theoretical and practical parts from which the primary data collection through the questionnaire survey is the most contributive as it serves to reaching the main objective of the thesis which is the identification of factors influencing the internationalization of SMEs in Czech agriculture connected to the membership of EU. The return of the questionnaires was only 4.63 %. It was filled by 201 respondents which is very small fracture of the total number of the enterprises operating in agriculture in the Czech Republic. The questionnaire was designed for three groups of firms with different amount of experience with foreign trade so it was interesting to compare their answers. The firms that operate in foreign markets, firms that used to operate in foreign market but already ended this activity and in some cases firms that consider entering the foreign market were the most relevant for the survey, but only 25 % of firms that filled the questionnaire belong to any of these groups. This small sample of respondents indicates that the findings and conclusions from the survey aren't applicable to all agricultural SMEs in Czech Republic but they are valid only within the group of firms that participated in the survey for this diploma thesis. Especially the results from the firms that ended their foreign trade operations aren't significant as there were only 5 such firms.

The way how the survey was performed is another factor that lowers the predicative value of the collected primary data. Sending the electronic questionnaire by e-mails is very simple way how to reach the respondents and collect their answers but the person conducting the survey has almost no control over the respondents and can't be sure that the questionnaires are filled correctly, truthfully, by the competitive person, etc.

The study about the internationalization of European SMEs conducted by the European Commission in 2010 revealed that there is a negative correlation between the size of the SME's home country population and its level of international activity. Countries such as Czech Republic, Estonia, Denmark, Sweden and Slovenia have a much higher percentage of exporters than the EU average of 25%. France, Germany and UK score below average. As concerns the Czech agricultural SMEs examined by the questionnaire survey the percentage of the internationalized firms is 16 %. So compared to this EU average the firms operating in agriculture are below average by 9 %. Many firms in the survey stated that they prefer the domestic consumption.

The most frequent motive to internationalization among the responding firms (no matter the level of their experience with foreign trade) is the prospect of higher profits. Other frequent motives are connected to demand and prestige of exporting company. In the begging of the elaboration of the thesis there was the assumption that the internationalization is the reaction to the recently increasing competition, that comes from countries that enjoy more favorable conditions in agriculture. These favorable conditions consist especially of fact that some member countries receive more financial support than others. The producers

coming from these countries and competing with Czech farmers offer cheaper imported products in the Czech domestic market. But the survey showed that the respondents don't see this fact as a possible threat or they don't find the internationalization as a suitable response to it even if the firms see the different conditions for drawing the support as the biggest disadvantage of the membership of EU. Only 10 % of all firms that have any experience with foreign trade or are considering the internationalization claimed that the competition from abroad and imported products motivate them to start up with foreign trade. There is even more firms (12 %) that are motivated by the domestic competitors.

Barriers of international trade for Czech SMEs were evaluated and compared with barriers that are significant among the SMEs in EU which are identified in the study about the internationalization of European SMEs conducted by the European Commission in 2010. The barriers were first ordered from the most frequent to the least frequent in general to assess their overall order and then categorized according to their nature to internal (related to the firms' capabilities) and external barriers (related to the firms' environment) so they could be compared with the findings in the European Commissions' study. The result of this comparison is that the Czech agricultural SMEs responding the thesis survey perceive the barriers and their intensity very differently from the average European SMEs participating in the Commission survey that examined various industries and summarized the results. From this point of view the specifics of the internationalization process are different for Czech agricultural SMEs and average European SMEs.

The most significant internal barriers among the responding firms is foreign language (while among European SMEs it's on the last – sixth place), second most common barrier is the insufficient qualification of the personnel (in EU on the fourth place) and third biggest internal barrier is specification of firms' products (in EU on the fifth place). The biggest external barrier for Czech SMEs is lack of information (in EU on the third place), second biggest are costs due to difficult administration (in EU on the fourth place) and the third biggest external barrier are cultural differences and difficult reaching of customers (in EU on the last – seventh place).

One of the greatest risks of the international trade for the enterprises from the country with its own national currency is the exchange rate risk. But after the Czech Republic will fulfil the Maastricht criteria and the government will approve the entrance to the Eurozone this risk will drop very distinctly as the significant part of the export goes to the Eurozone countries. The common currency will lower the costs of SMEs (especially transaction costs) so the increase in exports can be expected. That's the reason why there was no focus on this risk in the thesis.

Five statistical hypotheses were verified using the primary data from the questionnaire survey. Two hypotheses tested the influence of the enterprise size (measured by the number of employees or annual turnover) on the two features: extent of the foreign sales and number of perceived barriers. Both tests proved the independency even if the both criterions for size were tested within each hypothesis.

The last hypothesis tested whether it is possible to apply the Uppsala model to the actual internationalization of the Czech agricultural SMEs that took part in the survey. The Uppsala model is criticized for its inapplicability to real SMEs of the modern world. The statistical test showed the independency between the time a firm is present in the foreign market and volume of foreign sales indicating the level of commitment there. This confirmed that the critics are objective.

Another feature disproving the Uppsala model is the Born Globals phenomenon that shows that many international firms don't go through internationalization stages but on the contrary are established for international trade so they skip all internationalization stages. So they begin with exporting right away or within few years of their founding. The particular numbers of those few years are different in definitions among the authors but usually it is up to two years. Also the occurrence of the Born Globals among the examined SMEs is considerable. Among the firms operating in the foreign market there is 38 % of them that went international within up to two years from their establishment.



## 7 Conclusion

The main objective of the work was identification and description of the positive and negative factors influencing the internationalization process of the small and medium-sized enterprises operating in agriculture in the Czech Republic. Primary data were collected with use of questionnaire survey and served to reaching the main objective while the secondary data were collected from the statistical databases in order to assess the development of the Czech agriculture, especially the foreign agrarian trade before and after the Czech Republic entered EU which was the partial goal of the thesis.

SMEs and their internationalization process are nowadays studied because they are very important and contributive in the national economy but have many weaknesses compared to the big corporations. The broader knowledge about the SMEs and specifics of their internationalization, that is often becoming inevitable in the globalized world, will help to understand their needs when creating the support for them that is necessary due to their weakened position. But despite this weakened position the agricultural SMEs examined in the survey don't have any interest in using the support for the internationalization. They are satisfied with drawing the support for farmers which is quite extensive.

The agriculture, as it produces food satisfying the basic human need and helps to preserve the natural environment, is very specific and protected sector of the European economy. So the agricultural SMEs in EU receive the extra support compared to SMEs from other industries. The possibility to gain the financial support from the EU budget is one of the greatest impacts of the Czech membership of EU for the farmers. More than 70 % of surveyed farmers are receiving the direct payments from EU.

Questionnaire survey was conducted with the use of electronic questionnaires designed for the three groups of firms according their experience with foreign trade. So basically the first question that the respondents were asked was about their experience with foreign trade. The biggest part of the firms doesn't have any experience with foreign trade. There were only 16 % of them that currently operate in the foreign market. The most common foreign market entry strategy is the direct exporting.

The motives to internationalization are the positively influencing factors. The greatest motive of all enterprises no matter what is their experience with foreign trade is the possibility of gaining higher profit. Higher profits motivate more than half of the firms. The survey revealed that the decision to enter the foreign market is influenced rather by the demand (decreasing demand in the domestic market or increasing demand abroad) than by the competitive pressures of domestic or foreign producers. The main motivations of the firms that currently trade abroad and firms that have plans to enter the foreign market were very similar but there can be found one exception: according to the survey the prestige of the exporting company is also one of the main motive but it motivates rather firms that are planning to start up with foreign trade than the firms that are already exporting.

The motivations by the Czech membership of EU were also examined. The question in the questionnaire was designed so the firms could express the level of motivation by the EU to start with foreign trade on the scale of five degrees. The firms' opinions about the motivation by the Czech membership of EU to go international are quite clean-cut and strong, especially the opinions of the firms with the negative attitude to EU who constitute more than the half among the responding firms from which 32 % claimed that the Czech membership of EU doesn't (or didn't) motivate them at all to start with foreign trade. Only small group of all firms said they are motivated by it very much.

Decisions about internationalization are negatively influenced by the barriers and risks. In the thesis the greater emphasis is on the barriers. The research examined the occurrence of the barriers of international trade among the responding SMEs. It was revealed that the three biggest barriers are related to the firms' capabilities, i.e. internal barriers: foreign language, employees' skills and the higher cost due to necessary adjustments of products required by the foreign market and customers. Another common barrier is not enough information about foreign markets but this barrier could be lowered if the SMEs were using the services of the organizations like Czech Trade.

The purpose of the EUs' common market is lowering the impediments of trade between the member states. The research showed that this is done successfully as only a small fracture of firms perceive the barriers in forms of too high technical, health or safety standards and customs duty and other tariff but on the other hand the barrier in the form of too complicated administration connected to the exports still remains quite significant.

As concerns the other negatively influencing factor the most significant risk from the examined risks of foreign trade is the market risk. The less significant risk is territorial as most of the asked firms export to EU 15 countries that are very stable so big changes in economic and other policies aren't expected there.

The statistical hypotheses tested the impact of firms' size on its involvement in the foreign trade and on the intensity of the barriers perception. Both test proved there isn't a dependency between the size and those two features. Other two hypotheses were designed to examine the advantages of membership of EU. The most meaningful outcome from those two tests is that the firms that think that the membership of EU is advantageous are also more motivated by it to internationalize their business more than others. The last tested hypothesis confirmed the critics of the Uppsala model.

The secondary data were used to assess the development of agriculture during the last two decades. The Czech entrance to EU in 2004 boosted the foreign trade. Due to removal of the customs barriers the agrarian export increased by 26.6 % in following year. This growth was slowed-down by the financial crisis in 2009 but its impact on the agrarian foreign trade wasn't as significant as on other industries because agriculture is the sector with very stable demand. The entrance to EU led to the territory structure changes but the changes were not very significant as the Czech Republic was already involved in trade with EU countries

and countries that also acceded in 2004, especially the Slovakia. The agrarian export to EU 27 countries represented 91.3 % in 2012.

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# **Attachments**

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## **A NACE Classification**

A - Agriculture, forestry and fishing

### **A1 - Crop and animal production, hunting and related service activities**

A1.1 - Growing of non-perennial crops

A1.1.1 - Growing of cereals (except rice), leguminous crops and oil seeds

A1.1.2 - Growing of rice

A1.1.3 - Growing of vegetables and melons, roots and tubers

A1.1.4 - Growing of sugar cane

A1.1.5 - Growing of tobacco

A1.1.6 - Growing of fibre crops

A1.1.9 - Growing of other non-perennial crops

A1.2 - Growing of perennial crops

A1.2.1 - Growing of grapes

A1.2.2 - Growing of tropical and subtropical fruits

A1.2.3 - Growing of citrus fruits

A1.2.4 - Growing of pome fruits and stone fruits

A1.2.5 - Growing of other tree and bush fruits and nuts

A1.2.6 - Growing of oleaginous fruits

A1.2.7 - Growing of beverage crops

A1.2.8 - Growing of spices, aromatic, drug and pharmaceutical crops

A1.2.9 - Growing of other perennial crops

A1.3 - Plant propagation

A1.3.0 - Plant propagation

A1.4 - Animal production

A1.4.1 - Raising of dairy cattle

A1.4.2 - Raising of other cattle and buffaloes

A1.4.3 - Raising of horses and other equines

A1.4.4 - Raising of camels and camelids

A1.4.5 - Raising of sheep and goats

A1.4.6 - Raising of swine/pigs

A1.4.7 - Raising of poultry

A1.4.9 - Raising of other animals

A1.5 - Mixed farming

A1.5.0 - Mixed farming

A1.6 - Support activities to agriculture and post-harvest crop activities

- A1.6.1 - Support activities for crop production
- A1.6.2 - Support activities for animal production
- A1.6.3 - Post-harvest crop activities
- A1.6.4 - Seed processing for propagation

- A1.7 - Hunting, trapping and related service activities
  - A1.7.0 - Hunting, trapping and related service activities

## **A2 - Forestry and logging**

- A2.1 - Silviculture and other forestry activities
  - A2.1.0 - Silviculture and other forestry activities
- A2.2 - Logging
  - A2.2.0 - Logging
- A2.3 - Gathering of wild growing non-wood products
  - A2.3.0 - Gathering of wild growing non-wood products
- A2.4 - Support services to forestry
  - A2.4.0 - Support services to forestry

## **A3 - Fishing and aquaculture**

- A3.1 - Fishing
  - A3.1.1 - Marine fishing
  - A3.1.2 - Freshwater fishing
- A3.2 - Aquaculture
  - A3.2.1 - Marine aquaculture
  - A3.2.2 - Freshwater aquaculture

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## **B Common Customs Tariff**

Schedule of customs duties:

### **Section I: Live animals; animal products**

1. Live animals
2. Meat and edible meat offal
3. Fish and crustaceans, molluscs and other aquatic invertebrates
4. Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included
5. Products of animal origin, not elsewhere specified or included

### **Section II: Vegetable products**

6. Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage
7. Edible vegetables and certain roots and tubers
8. Edible fruit and nuts; peel of citrus fruit or melons
9. Coffee, tea, maté and spices
10. Cereals
11. Products of the milling industry; malt; starches; inulin; wheat gluten
12. Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw and fodder
13. Lac; gums, resins and other vegetable saps and extracts
14. Vegetable plaiting materials; vegetable products not elsewhere specified or included

### **Section III: Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes**

15. Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes

### **Section IV: Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes**

16. Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates
17. Sugars and sugar confectionery
18. Cocoa and cocoa preparations
19. Preparations of cereals, flour, starch or milk; pastrycooks' products
20. Preparations of vegetables, fruit, nuts or other parts of plants
21. Miscellaneous edible preparations
22. Beverages, spirits and vinegar
23. Residues and waste from the food industries; prepared animal fodder
24. Tobacco and manufactured tobacco substitutes

## C Questionnaire survey

### Questionnaire for the firms that operate in the foreign market

1 V jakém roce byla založena Vaše společnost?

.....

2 V jakém roce začala Vaše společnost působit na zahraničním trhu/trzích?

.....

3 Ve které skupině zemí nejčastěji provádíte Vaše zahraniční obchodní operace?

- EU 15 (původní členské země)
- EU 13 (nové členské země)
- Země ESVO (Švýcarsko, Island, Lichtenštejnsko, Norsko)
- Země SNS (Rusko, Ukrajina...)
- Jiné

4 Uveďte maximálně tři nejvýznamnější cílové země Vašich zahraničních obchodních operací. Jejich pořadí určete dle objemu tržeb (od největšího k nejmenšímu).

.....

5 Co nejvíce motivovalo Vaši firmu ke vstupu na zahraniční trh/y?

- Vysoká poptávka po Vašem produktu na zahraničním trhu
- Vyšší zisky
- Exkluzivní informace o zahraničním trhu a zákaznících
- Zkušenosti managementu s mezinárodním obchodem
- Daňové úlevy
- Úspory z rozsahu
- Tlak konkurence pocházející ze zahraničí, importované produkty
- Tlak konkurence pocházející z domácího trhu
- Klesající domácí poptávka a/nebo nasycený domácí trh
- Nadbytečná výrobní kapacita a/nebo nadprodukce
- Větší blízkost k zákazníkům
- Možnost využití programů na podporu MSP a jejich pronikání na zahraniční trh
- Možnost snížení nákladů díky vlastnictví speciální technologie
- Prestiž exportující firmy
- Žádná z uvedených možností
- Jiné .....

6 Motivovalo Vás členství ČR v EU ke vstupu na zahraniční trh?

- Ano, velmi
- Spíše ano
- Nevím
- Spíše ne
- Vůbec ne

7 Jaké výhody nejvíce vnímáte v souvislosti se vstupem ČR do EU?

- Vyšší výkupní ceny
- Větší možnosti exportu
- Možnosti čerpání podpor z rozpočtu EU
- Zvýšení příjmů a životní úrovně zemědělců
- Žádná z uvedených možností
- Jiné .....

8 Jaké nevýhody nejvíce vnímáte v souvislosti se vstupem ČR do EU?

- Zvýšená konkurence v podobě levných importovaných produktů
- Nerovnost podmínek čerpání podpor pro různé členské státy
- Omezení v podobě regulací a směrnic EU
- Žádná z uvedených možností
- Jiné .....

9 Jaké bariéry Vašemu podniku brání/bránily vstoupit na zahraniční trh/y?

- Vysoké náklady na internacionalizaci
- Kvalita produktů firmy
- Manažeři a další zaměstnanci nemají dostatečné schopnosti ke zvládnutí zahraničních operací
- Zvýšení nákladů kvůli nutnosti upravit produkt podle požadavků zahraničního trhu
- Cizí jazyk
- Nedostatek kapitálu
- Nedostatek veřejné podpory
- Nedostatek informačních zdrojů a informací o zahraničním trhu
- Příliš složitá administrativa
- Rozdílný právní systém
- Clo a podobné poplatky
- Nedostatečná výrobní kapacita
- Obtížné navázání kontaktů se zákazníky
- Nemožnost najít vhodné zahraniční zastoupení
- Ztížené podmínky pro dovozce, vláda zvýhodňuje domácí producenty
- Zahraniční konkurence
- Špatné ekonomické podmínky v cílové zemi (vysoký vládní dluh, inflace, nezaměstnanost)
- Nestabilní politická situace v cílové zemi
- Vysoké zdravotní, bezpečnostní a technické standardy

- 
- Cena produktů firmy
  - Žádná z uvedených možností
  - Jiné .....

10 Jaká rizika zahraničního obchodu vnímáte jako nejvýraznější?

- Tržní (riziko změny v ekonomické situaci, změny cen, zvýšení nákladů)
- Komerční (riziko selhání obchodního partnera, ve smlouvě nejsou řádně definovány podmínky)
- Transportní (riziko poškození zboží během přepravy)
- Teritoriální (riziko politických změn, změn v hospodářské politice, přírodní katastrofy)
- Riziko odpovědnosti za výrobek
- Žádné

11 Využili jste služby některých z uvedených českých organizací na podporu exportu?

- Českomoravská záruční a rozvojová banka
- Czech Invest
- Česká exportní banka
- Exportní garanční a pojišťovací společnost
- Czech Trade
- CEBRE
- Agrární komora ČR
- Žádná z uvedených možností

12 Využili jste některé podpory MSP nebo jejich pronikání na zahraniční trhy v rámci EU?

- Evropská banka pro rekonstrukci a rozvoj
- Enterprise Europe Network
- Evropská investiční banka
- Rámcový program pro konkurenceschopnost a inovace CIP nebo COSME
- Žádná z uvedených možností

13 Využili jste některé z podpor určených pro zemědělce?

- Přímé platby v rámci společné zemědělské politiky
- Program rozvoje venkova ČR
- Dotace v rámci společné organizace trhu
- Národní dotace
- Žádná z uvedených možností

14 Jakou formu vstupu na zahraniční trh jste zvolili?

- Prostřednické vztahy
- Smlouva o výhradním prodeji
- Obchodní zastoupení
- Komisionářská nebo mandátní smlouva

- 
- Piggy backing (spolupráce s velkou firmu ze stejného oboru podnikání)
  - Přímý vývoz
  - Exportní aliance
  - Licenční dohody
  - Franchizing
  - Smlouva o řízení
  - Zušlechťovací operace (outsourcing)
  - Výrobní kooperace
  - Přímé investice

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- Rostlinná výroba
- Živočišná výroba
- Rostlinná i živočišná výroba

16 Jaký je počet zaměstnanců Vaší společnosti?

- 0 - 10
- 11 - 50
- 51 - 250
- Více než 250

17 Jaký je roční obrat vaší firmy?

- Méně než 2 mil. EUR
- 2,1 mil EUR - 10 mil. EUR
- 10,1 - 50 mil. EUR
- Více než 50 mil. EUR

18 Kolik procent z celkových tržeb Vaší společnosti tvoří tržby ze zahraničního obchodu?

- Zahraniční operace nejsou ziskové
- 1 - 10 %
- 11 - 25 %
- 26 - 50 %
- 51 - 75 %
- 76 - 100 %

19 Jaká je právní forma Vašeho podnikání?

- OSVČ
- Komanditní společnost
- Veřejná obchodní společnost
- Akciová společnost
- Družstvo
- Evropská společnost
- Jiná



20 V jakém kraji/ krajích Vaše společnost působí?

- Jihomoravský
- Jihočeský
- Karlovarský
- Královéhradecký
- Liberecký
- Moravskoslezský
- Olomoucký
- Pardubický
- Plzeňský
- Praha
- Středočeský
- Ústecký
- Vysočina
- Zlínský

### Questionnaire for the firms that ended the operations in the foreign markets

1 V jakém roce byla založena Vaše společnost?

.....

2 V jakém roce začala Vaše společnost působit na zahraničním trhu/trzích?

.....

3 V jakém roce přestala Vaše společnost působit na zahraničním trhu/trzích?

.....

4 Ve které skupině zemí nejčastěji provádíte Vaše zahraniční obchodní operace?

- EU 15 (původní členské země)
- EU 13 (nové členské země)
- Země ESVO (Švýcarsko, Island, Lichtenštejnsko, Norsko)
- Země SNS (Rusko, Ukrajina...)
- Jiné

5 Uveďte maximálně tři nejvýznamnější cílové země Vašich zahraničních obchodních operací. Jejich pořadí určete dle objemu tržeb (od největšího k nejmenšímu).

.....

6 Co nejvíce motivovalo Vaši firmu ke vstupu na zahraniční trh/y?

- Vysoká poptávka po Vašem produktu na zahraničním trhu
- Vyšší zisky
- Exkluzivní informace o zahraničním trhu a zákaznících

- 
- Zkušenosti managementu s mezinárodním obchodem
  - Daňové úlevy
  - Úspory z rozsahu
  - Tlak konkurence pocházející ze zahraničí, importované produkty
  - Tlak konkurence pocházející z domácího trhu
  - Klesající domácí poptávka a/nebo nasycený domácí trh
  - Nadbytečná výrobní kapacita a/nebo nadprodukce
  - Větší blízkost k zákazníkům
  - Možnost využití programů na podporu MSP a jejich pronikání na zahraniční trh
  - Možnost snížení nákladů díky vlastnictví speciální technologie
  - Prestiž exportující firmy
  - Žádná z uvedených možností
  - Jiné .....

7 Motivovalo Vás členství ČR v EU ke vstupu na zahraniční trh?

- Ano, velmi
- Spíše ano
- Nevím
- Spíše ne
- Vůbec ne

8 Jaké výhody nejvíce vnímáte v souvislosti se vstupem ČR do EU?

- Vyšší výkupní ceny
- Větší možnosti exportu
- Možnosti čerpání podpor z rozpočtu EU
- Zvýšení příjmů a životní úrovně zemědělců
- Žádná z uvedených možností
- Jiné .....

9 Jaké nevýhody nejvíce vnímáte v souvislosti se vstupem ČR do EU?

- Zvýšená konkurence v podobě levných importovaných produktů
- Nerovnost podmínek čerpání podpor pro různé členské státy
- Omezení v podobě regulací a směrnic EU
- Žádná z uvedených možností
- Jiné .....

10 Jaké bariéry Vašemu podniku brání/bránily vstoupit na zahraniční trh/y?

- Vysoké náklady na internacionalizaci
- Kvalita produktů firmy
- Manažeři a další zaměstnanci nemají dostatečné schopnosti ke zvládnutí zahraničních operací
- Zvýšení nákladů kvůli nutnosti upravit produkt podle požadavků zahraničního trhu
- Cizí jazyk
- Nedostatek kapitálu

- Nedostatek veřejné podpory
- Nedostatek informačních zdrojů a informací o zahraničním trhu
- Příliš složitá administrativa
- Rozdílný právní systém
- Clo a podobné poplatky
- Nedostatečná výrobní kapacita
- Obtížné navázání kontaktů se zákazníky
- Nemožnost najít vhodné zahraniční zastoupení
- Ztížené podmínky pro dovozce, vláda zvýhodňuje domácí producenty
- Zahraniční konkurence
- Špatné ekonomické podmínky v cílové zemi (vysoký vládní dluh, inflace, nezaměstnanost)
- Nestabilní politická situace v cílové zemi
- Vysoké zdravotní, bezpečnostní a technické standardy
- Cena produktů firmy

11 Jaká rizika zahraničního obchodu vnímáte jako nejvýraznější?

- Tržní (riziko změny v ekonomické situaci, změny cen, zvýšení nákladů)
- Komerční (riziko selhání obchodního partnera, ve smlouvě nejsou řádně definovány podmínky)
- Transportní (riziko poškození zboží během přepravy)
- Teritoriální (riziko politických změn, změn v hospodářské politice, přírodní katastrofy)
- Riziko odpovědnosti za výrobek
- Žádné

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- Czech Trade
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- Žádná z uvedených možností

14 Využili jste některé z podpor určených pro zemědělce?

- Přímé platby v rámci společné zemědělské politiky
- Program rozvoje venkova ČR
- Dotace v rámci společné organizace trhu
- Národní dotace
- Žádná z uvedených možností

15 Jaká je příčina ukončení Vašich zahraničních obchodních operací?

- Neschopnost přizpůsobit se požadavkům zákazníků a novým možnostem zahraničního trhu
- Kulturní rozdíly
- Produkty neobstály zahraniční konkurenci
- Nedostatečný průzkum trhu a jeho požadavků
- Nedostatečně vypracovaná strategie vstupu na zahraniční trh
- Splnění jednorázové zakázky na zahraničním trhu
- Jiné .....

16 Jakou formu vstupu na zahraniční trh jste zvolili?

- Prostřednické vztahy
- Smlouva o výhradním prodeji
- Obchodní zastoupení
- Komisionářská nebo mandátní smlouva
- Piggy backing (spolupráce s velkou firmou ze stejného oboru podnikání)
- Přímý vývoz
- Exportní aliance
- Licenční dohody
- Franchizing
- Smlouva o řízení
- Zušlechťovací operace (outsourcing)
- Výrobní kooperace
- Přímé investice

17 Na jakou oblast výroby se specializuje Váš podnik?

- Rostlinná výroba
- Živočišná výroba
- Rostlinná i živočišná výroba

18 Jaký je počet zaměstnanců Vaší společnosti?

- 0 - 10
- 11 - 50
- 51 - 250
- Více než 250

19 Jaký je roční obrat vaší firmy?

- Méně než 2 mil. EUR
- 2,1 mil EUR - 10 mil. EUR
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- Veřejná obchodní společnost
- Akciová společnost
- Družstvo
- Evropská společnost
- Jiná

21 V jakém kraji/ krajích Vaše společnost působí?

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- Jihočeský
- Karlovarský
- Královéhradecký
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- Moravskoslezský
- Olomoucký
- Pardubický
- Plzeňský
- Praha
- Středočeský
- Ústecký
- Vysočina
- Zlínský

### **Firms that don't operate in the foreign market**

1 V jakém roce byla založena Vaše společnost?

.....

2 Uvažujete do budoucna o vstupu na zahraniční trh?

- Ano
- Ne

3 Z jakého důvodu nemáte zájem o vstup na zahraniční trh?

- Příliš mnoho bariér zahraničního obchodu
- Moc rizika
- Firma je moc malá, nedostatečný objem produkce
  - Jiné .....

---

#### 4 Jaké bariéry Vašemu podniku brání/bránily vstoupit na zahraniční trh/y?

- Vysoké náklady na internacionalizaci
- Kvalita produktů firmy
- Manažeři a další zaměstnanci nemají dostatečné schopnosti ke zvládnutí zahraničních operací
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- Clo a podobné poplatky
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- Ztížené podmínky pro dovozce, vláda zvýhodňuje domácí producenty
- Zahraniční konkurence
- Špatné ekonomické podmínky v cílové zemi (vysoký vládní dluh, inflace, nezaměstnanost)
- Nestabilní politická situace v cílové zemi
- Vysoké zdravotní, bezpečnostní a technické standardy
- Cena produktů firmy

#### 5 Co nejvíce motivovalo Vaši firmu ke vstupu na zahraniční trh/y?

- Vysoká poptávka po Vašem produktu na zahraničním trhu
- Vyšší zisky
- Exkluzivní informace o zahraničním trhu a zákaznících
- Zkušenosti managementu s mezinárodním obchodem
- Daňové úlevy
- Úspory z rozsahu
- Tlak konkurence pocházející ze zahraničí, importované produkty
- Tlak konkurence pocházející z domácího trhu
- Klesající domácí poptávka a/nebo nasycený domácí trh
- Nadbytečná výrobní kapacita a/nebo nadprodukce
- Větší blízkost k zákazníkům
- Možnost využití programů na podporu MSP a jejich pronikání na zahraniční trh
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- Prestiž exportující firmy
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- Jiné .....

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- Tržní (riziko změny v ekonomické situaci, změny cen, zvýšení nákladů)
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- Žádné

8 Jaké výhody nejvíce vnímáte v souvislosti se vstupem ČR do EU?

- Vyšší výkupní ceny
- Větší možnosti exportu
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- Zvýšení příjmů a životní úrovně zemědělců
- Žádná z uvedených možností
- Jiné .....

9 Jaké nevýhody nejvíce vnímáte v souvislosti se vstupem ČR do EU?

- Zvýšená konkurence v podobě levných importovaných produktů
- Nerovnost podmínek čerpání podpor pro různé členské státy
- Omezení v podobě regulací a směrnic EU
- Žádná z uvedených možností
- Jiné .....

10 Využili jste některé z podpor určených pro zemědělce?

- Přímé platby v rámci společné zemědělské politiky
- Program rozvoje venkova ČR
- Dotace v rámci společné organizace trhu
- Národní dotace
- Žádná z uvedených možností

11 Na jakou oblast výroby se specializuje Váš podnik?

- Rostlinná výroba
- Živočišná výroba
- Rostlinná i živočišná výroba

---

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- Moravskoslezský
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- Plzeňský
- Praha
- Středočeský
- Ústecký
- Vysočina
- Zlínský



## D Outcomes from the program Statistica

Tab. 8 Hypothesis 1: The dependency between the volume of sales from abroad and annual turnover

Statistics	Dependency between the volume of sales from abroad and annual turnover		
	Chi-square	sv	p-value
Pearson chi-square	5.93524	8	0.654486

Source: own research

Tab. 9 Hypothesis 2: The dependency between the number of perceived barriers and number of employees

Statistics	Dependency between the number of perceived barriers and number of employees		
	Chi-square	sv	p-value
Pearson chi-square	14.0882	18	0.723315

Source: own research

Tab. 10 Hypothesis 3: The dependency between the number of perceived advantages of Czech membership in EU and motivation by Czech entrance to EU to foreign market entrance

Statistics	Dependency between the number of perceived advantages of Czech membership in EU and motivation by Czech entrance to EU to foreign market entrance		
	Chi-square	sv	p-value
Pearson chi-square	19.6225	4	0.022908

Source: own research

Tab. 11 Hypothesis 3: Pivot table - frequency of the values

Number of perceived advantages	Does the membership in Eu motivate you to enter foreign market?					
	Not at all	Rather no	I don't know	Rather yes	Yes, very much	Total
0	8%	2%	0%	4%	2%	16%
1	18%	16%	0%	8%	4%	46%
2	2%	4%	2%	10%	8%	26%
3	0%	4%	0%	4%	0%	8%
4	0%	0%	2%	0%	2%	4%
Total	28%	26%	4%	26%	16%	100%

Source: own research

Tab. 12 Hypothesis 4: The dependency between the number of the drawn supports and the fact whether the firms perceive the opportunity of drawing supports from EU budget as the advantage

Statistics	Dependency between the number of the drawn supports and the fact whether the firms perceive the opportunity of drawing supports from EU budget as the advantage		
	Chi-square	sv	p-value
Pearson chi-square	29.1578	16	0.000593

Source: own research

Tab. 13 Hypothesis 4: Pivot table - frequency of the values

Receiving of the financial support from EU is advantage	Number of drawn supports					
	0	1	2	3	4	Total
No	13.2 %	10.66 %	9.64 %	6.6 %	4.06 %	44.16%
Yes	5.08 %	9.64 %	19.29 %	16.24 %	5.58 %	55.84 %
Total	18.27 %	20.3 %	28.93 %	22.84%	9.64 %	100 %

Source: own research

Tab. 14 Hypothesis 4: The dependency between the years the firm is involved in the foreign trade and the volume of the foreign sales

Statistics	Dependency between the years the firm is involved in the foreign trade and the volume of the foreign sales		
	Chi-square	sv	p-value
Pearson chi-square	86.8825	72	0.111624

Source: own research