

# **Impact of EU on the internationalization of Czech SMEs in ICT industry**

**Diploma thesis**

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## **Abstract**

ŽALMAN, Jakub. *Impact of EU on the internationalization of Czech SMEs in ICT industry*. Diploma thesis. Mendel University in Brno, 2015.

The topic of this diploma thesis is how is the fact that Czech Republic is member of the EU influencing internationalization of Czech SMEs operating in ICT industry. EU has opened and unified the internal market a lot which gave new possibilities of internationalization for member countries. Importance of the topic is also given by the facts that small and medium-sized companies have crucial importance for Czech economy and ICT industry is growing and has crucial influence on increasing effectiveness of companies. Sub-goals of the thesis concerns with the motivation, barriers and risks of internationalization process within the EU.

Literature review provides insight into globalization and internationalization itself, possibilities and theoretical approaches to internationalization process. In the literature review are also described different theoretical approaches to risks, barriers and motives of internationalization with emphasis on small and medium-sized companies. Next part of the thesis is focused on the situation of SMEs within EU and Czech Republic, on the ICT industry within the EU and Czech, its importance and development in Czech Republic and on the own primary research.

## **Keywords**

European Union, small and medium-sized enterprises, ICT industry, internationalization, barriers, motives, risks.

## **Abstrakt**

ŽALMAN, Jakub. *Vliv EU na internacionalizaci malých a středních podniků v oboru ICT*. Diplomová práce, Mendelova univerzita v Brně, 2015.

Téma této diplomové práce je jak fakt, že je Česká republika členem EU, ovlivňuje internacionalizaci českých malých a středních podniků působících v oboru ICT. EU ve veliké míře otevřela a unifikovala vnitřní trh, což dalo nové příležitosti k internacionalizaci členským zemím. Důležitost tohoto tématu je také dána faktem, že malé a střední podniky mají pro ekonomiku významnou důležitost a ICT obor má růstový trend a má zásadní vliv na zvyšování efektivnosti podniků. Další cíl práce se týká motivů, bariér a rizik internacionalizačního procesu.

Literární rešerše poskytuje vhled do globalizace a internacionalizace a do možností a teoretických přístupů k internacionalizačnímu procesu. V literární rešerši jsou také popsány různé teoretické přístupy k rizikům, bariérám a motivům internacionalizace s důrazem na malé a střední podniky. Další část práce se zaměřuje na popis situace malých a středních podniků v EU a v České republice, na obor ICT, jeho významnost a vývoj v České republice a na vlastní primární výzkum.

## **Klíčová slova**

Evropská unie, malé a střední podniky, ICT obor, internacionalizace, bariéry, motivy, rizika





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# 1 Introduction

There can be found more opinions on what exactly is globalization and internationalization and when it started to emerge. But what most of the authors agrees on is that globalization as well as internationalization has been more and more intense during last couple decades. There is no doubt that people live in and companies operate in globalized world. One of evidences, causes and consequences of globalization is European integration. European Union has opened the internal borders and has been unifying internal market, law and regulations to, in Europe, unprecedented levels. Opened internal market in EU, increasing globalization and internationalization are providing new opportunities for Czech companies. The world is not just opened for Czech firms, but also Czech Republic is more opened for foreign companies that is something that is increasing competition. So that SMEs can compete in a very competitive environment, they are forced to focus on customer requirements, development of the information society, the use of the latest findings, etc. One of the important options how Czech companies can compete with foreign competition and increase its competitiveness is to internationalize. Internationalization is connected with many risks and barriers which has to be companies aware of. Not only the increase of competitiveness but companies can identify variety of other motives to internationalize.

Small and medium-sized companies are called engine of the economy. SMEs largely contribute to the economic growth of individual countries, with no exception for Czech Republic, and are essential for enhancing competitiveness. These enterprises generate large numbers of jobs and contribute largely to the total turnover of all companies. SMEs have specific features that distinguish them from larger firms. Flexibility or the ability to adapt quickly to new situations is one of the most valuable features of SMEs. On the other hand one of the biggest disadvantages is difficult capital accessibility. Limited sources of SMEs can hinder their development. There can be found more positives and negatives of SMEs. Despite all the obstacles and barriers SMEs account for about 99% of all companies in Czech Republic. Based on these and many more facts is obvious that SMEs, their development and business should be watched carefully and supported.

ICT industry is becoming more and more important in whole EU – Czech Republic including. ICT industry is even identified as on the leading sectors of EU. ICT industry helps to maintain or increase employment, improves productivity, efficiency and competitiveness of companies. Direction of the development of ICTs largely depends on large corporations. But increasingly important role play SMEs which, thanks to the growing support, for example, by innovation centres and technological incubators can realize bigger and more challenging projects. And by internationalization of Czech small and medium-sized enterprises in the ICT sector will be this diploma thesis concerned.

## **2 Goal of the thesis**

The ultimate goal of this diploma thesis is to find out how is the fact, that Czech Republic is a member of the European Union influencing internationalization of Czech SMEs operating in ICT industry.

There can be observed more ways how EU can influence internationalization. The ultimate goal can be divided into basically three sub-goals – barriers, risks and motives. In other words, important concern of the thesis is to find out what are the main barriers for Czech ICT SMEs to internationalize within the EU internal market. The same counts for risks and motives.

Another goal of the thesis is to research whether there is some difference according to SMEs in the ICT sector when entering foreign markets within the EU and outside the EU and more specifically – whether there is some difference when expanding their business to countries culturally or demographically close to Czech Republic, or not.

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## 3 Internationalization theory overview with emphasis on SMEs in EU

In this part of the thesis will be studied literature, to put theoretical framework and overview in fields that are needed to compile practical part of the thesis. To provide better orientation, this part is divided into more sub-chapters.

First sub-chapter will be concerned with globalization and internationalization with the emphasis on SMEs. The goal is to define globalization and internationalization, examine roots of both – internationalization and globalization, but most importantly to look on both from today's perspective and to find out how do they influence nowadays businesses.

Next chapter is devoted to theoretical approaches to the internationalization. In the chapter will be examined the most important internationalization approaches that are the most suitable for SMEs.

The three following chapters will be concerned with risk in the internationalization process, motivation factors of internationalization and barriers of internationalization. The aim is to find and compare the most important and relevant theoretical approaches and categorizations of these topics.

In the last sub-chapter of literature review the attention is put on possibilities how SMEs can internationalize. In other words on foreign market entry modes. This sub-chapter is divided into three logical parts and foreign market entry modes are examined more in detail.

### 3.1 Globalization and internationalization of SMEs

#### 3.1.1 Globalization

Globalization is nowadays familiar and commonly used term. Not just huge international corporations but also small and medium sized companies can compete on the global market (Prakashan, 2007). The term globalization has been in use for more than 50 years (Wunderlich, 2007), but as an important subject of research of social sciences has been over previous 20 years (Lehmannová, 2008). Different authors have different opinions on what globalization itself is, in which historical era are the first roots of globalization, if it has positive or negative consequences, what drives the globalization process or there is even not consensus whether it is a new phenomenon or not. (Wunderlich, 2007).

Globalization has been studied mainly from the economical point of view, but in fact it is very complex process affecting many more areas, not just the economical ones (Lehmannová, 2008).

There is not only one definition of globalization, but in fact it can be said, that each author has his own definition. According to Friedman (2000) globalization is international system based on integration of markets, states and technologies. Hicks (1999) describes globalization as integration of political, economical and

cultural activities of geographically separated nations. Shuehey (2001) believes that globalization is widely used term describing recent fast development of international economical, social and political integration. According to Prakashan (2007) globalization is a trend which is increasing the integration of the economies and leads to global economic system. It furthers the worlds' welfare through free movement of capital efficiency and various types of production factors including technology.

Globalization can be also described as spontaneous undirected process that leads to mutual integration. Most important actors of globalization are: supranational companies, developed industrial countries and their unions and international organizations (Mezřický, 2003).

Positives of globalization are: increase in amounts of international trade, increase in direct investment flows, increase of consumption, economic growth of countries which some of them transformed from developing to developed countries (South Korea, Tchaj-wan, Malaysia, Hong Kong), rise of the homogenous middle class, opening of the economies or increase in migration of people connected with higher global possibilities. Among negatives of globalization we can name for example: uncontrolled huge capital flow that are much higher than amount of goods traded, which may be risky and potential source of economical collapses, increasing inequality of incomes – in some countries consumption is increasing rapidly, but in some countries consumption is even decreasing (Africa), inequality is increasing not just when comparing the countries, but also within the countries (USA) and last but not least globalization weakens the role and influence of governments (Mezřický, 2003).

Globalization, in that traditional meaning, used to have clear direction from west to east. In other words from developed countries to developing countries. Globalization is also accompanied with new capital flows. Nowadays capital is not flowing just from richer, western, world to the developing, eastern, parts of the world. Capital flows have new directions and eastern countries (for example China) or petrol producing countries are financing debts of the western countries (mainly the USA). This is a new phenomenon and may be caused by excessive savings in eastern world and huge profits from oil in oil producing countries and/or by excessive consumption in the western world (Adams, 2011).

As was said earlier – globalization does not have one single definition. But probably most of the authors agree, that globalization has impacts on almost all of the areas of the everyday life of households, firms, governments and any other institutions. Globalization has huge economic impacts, is changing diversity in the world economy, has impacts on direction and composition of trade and financial flows, is increasing migration of population, transfer of knowledge and last but not least helps to mix the cultures (Adams, 2011).

According to Kislingerová (2005) globalization is very important phenomenon affecting worldwide economy and even locally operating companies should look carefully what are their global competitors doing and what is happening in their industry on the global scale. SMEs have in general two options how to react

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on globalized economy. The first option is to monitor the global market carefully and adapt accordingly (which is the passive approach) or join the global market (which is the active approach). The second approach applies those firms, which do not see globalization as a threat but as an opportunity. But according to the author – to enter the global market is not an easy task and company should be very well prepared for this important step.

### 3.1.2 Internationalization

Internationalization of companies can be crucial for such a small economies as Czech Republic. Entering new markets can be great opportunity to tremendous growth for firms based in Czech Republic with relatively small domestic market. Internationalization can be source of growth, increase in production and it can help compensate fluctuation of domestic demand (Jurek, 2012).

In the previous researches not so much attention was paid to the internationalization of SMEs problematics. Most of the literature was written about internationalization of big multinational corporations. But recently more authors are more concerned about internationalization process of SMEs. One of the reasons is that countries with payment deficits are supporting internationalization of their small and medium sized companies with the aim to increase the growth of GDP or decrease unemployment (Ruzzier, 2006).

Internationalization, as well as globalization, has not one single definition. There is many opinions on what internationalization is. Buckley (1999) believes that *“internationalization of the firms is a process in which the firms gradually increase their international involvement”*. According to Nandé (2007) internationalization is about all the entrepreneurial activities that are not taking place just within one country, but also on foreign markets in foreign countries.

Authors are not united not only about the opinion in which era are the very roots of globalization but there are also more opinions when are the very roots of internationalization. What most of the authors agree on is that process of internationalization speeded up after the Second World War rapidly. Among many factors that helped to speed up this process was also creation of many international organizations which was foundation of the institutional framework that helped to manage the internationalization process and to remove barriers among countries. (Kunešová, 2006). Buckley (1999) agrees that high priority given to the internationalization process by scientists can be observed in late 1950s. In the end of this decade can be observed shift of the interest from simply decision making to export to the internationalization as a complex process.

What is specific about the region of Central and Eastern Europe, including Czech Republic, is that strong emergence of internationalization could be observed here with delay comparing to the rest of the world, especially comparing to the developed Western world. The reason is that this region experienced decades last- ing communist regime which was connected with closed economies not allowed to have any relationships with the rest of the non-communist world. That's why com-

panies in this region could think of internationalization after the fall of Berlin wall in 1989 (Jurek, 2012).

With internationalization is strongly connected notion integration. Integration is the process of merging or connecting two or more originally separated units into new, internally unified, entity. Integration can be both - formal and informal. While informal integration is a spontaneous process, formal integration is usually result of negotiation between two or more parties. Informal integration is more or less continuous process and formal integration is more hike process according to new political decisions and new directives or contracts. And this is the case of European Union integration. European integration have undergone these major steps: free trade zone, customs union, common market. Nowadays EU is on very high level of integration which is called economical union. And one last step to the highest level of integration is the political union (Pavlík, 2005).

Factors that help the internationalization process are lower transportation costs, lower communication costs, decreased barriers for free movement of people (especially within the European Union), goods and services, knowledge and capital (Mayrhofer, 2012).

There are three levels to structure firms' international activities according to degree of internationalization:

1. *Little or no formal organizational recognition of international activities of the firm.* On this level firms are dealing with international transactions just occasionally and not regularly.
2. *International division.* Companies on this level give greater emphasis to international business.
3. *Global organization.* Firms operate on the global scale and should be structured accordingly.

The very basic structure is the first one, when companies pay almost no attention to the international market and are focusing mainly on the domestic market. But the more the company is global, the more complex structure of the company is. (strana 310) (Czinkota, 2013)

### **3.2 Theoretical approaches to the internationalization process**

The importance of this paper is given by the fact that not so much studies have been investigating the topic of the internationalization process of SMEs in ICT industry. What is specific about the ICT industry is that ICT is a common name for goods production as well as provision of services (Spiezia, 2008). And most of the internationalization process models and most of the empirical studies are mainly concerned about internationalization of manufacturing companies. Studies of internationalization process of service companies are very limited (Eriksson, 2012).

In the world economy there are firms with various approach to the internationalization. Some of them do not even think about exporting operations, some of them are joining the international market just ad hoc and some of them are from



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the very beginning operating on the global scale (Lu, 2001). Internationalization process problem is trying to solve number of authors and specialists. That's why there is so much more or less similar, more or less different theoretical and practical approaches concerned about the internationalization process. In the following part of this thesis there will be described the most prevalent approaches to this problematics.

It is obvious that there is huge difference between old approaches and newer approaches to internationalization. Old approaches are looking at internationalization more from the macroeconomic point of view – from the optics of particular countries while the aim of newer approaches is more about to help individual companies to go through internationalization process. Actually old approaches are not talking about internationalization yet. They are concerned more with the international trade. The first notions of international trade can be dated in the era of mercantilists. Mercantilist's advice believed that country should keep positive balance of payments. In other words to have higher inflows of capital into the country than outflows of capital from the country. Other author were trying to explain the existence of trade between countries. Adam Smith explained international trade exists because some countries have absolute advantage while David Ricardo's explanation was existence of comparative advantage. Last but not least can be mentioned the opinion by Mr. Ohlin, who's explanation of international trade is based on the fact that one country, is exporting some goods for which production has bigger amount of sources and importing goods for which production is another country better equipped (Barber, 2009, Harrison, 2000, Sojka, 2010).

There can be found number of different models of internationalization process as well as variety of their classification. For example Andersen (1993) finds two categories – so called U-model (Uppsala model) developed at the University of Uppsala at Stockholm by Johanson and Vahlne (1977) and I-models (where I stands for Innovation) originally developed by Bilkey and Tesar (1977). There can be found similarities between these two models. The reason why Andersen (1993) distinguishes between these two is that U-model is applicable for any size of the firm while I-models are applicable just for small firms. On the other hand Laghzaoui (2011) defines three dominant approaches to internationalization of SMEs: stages approach, economical approach and networks approach. Ruzzier (2006) selects following internationalization theories and models: Internationalization theory, The transaction cost approach, The eclectic paradigm, Monopolistic advantage theory, Stage models of internationalization (including U-model and I-model), Network approaches to internationalization, Resource-based approach to internationalization and Internationalization entrepreneurship. Next can be mentioned Ahokangas (1998) who separates approaches to internationalization process into three groups: Traditional approaches, Network approaches and Resource-based approaches.

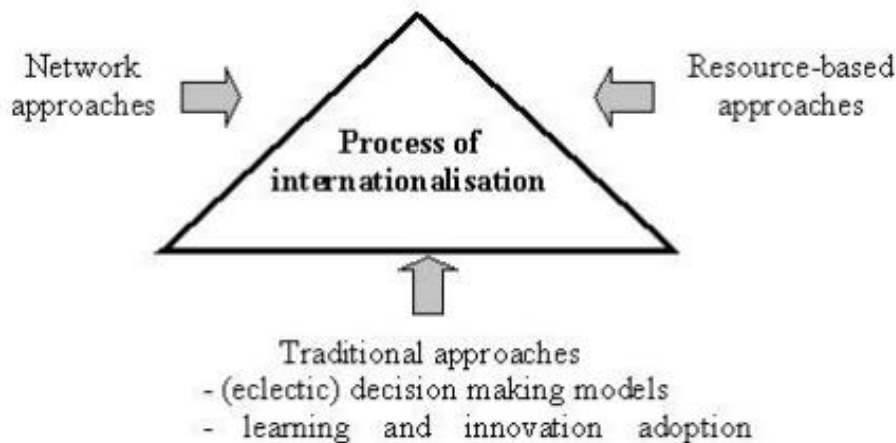


Figure. 1 Approaches to internationalization process by Ahokangas (1998)

This paper will use Ninan's classification published in his paper "The Internationalization of Austrian Firms in Central and Eastern Europe" from 2012. The reason is that this classification is suitable for SMEs, it is selection of approaches that are the most important, are practically applicable and their practicability is proved on companies based in the region of Central and Eastern Europe. So the subject of following research are these eight approaches to process of internationalization:

- Uppsala model
- Network theory of internationalization
- International Product life cycle theory
- Strategic behaviour
- International transaction cost theory
- Eclectic theory
- Behaviorist internationalization theory
- Born globals

### 3.2.1 The Uppsala model

The Uppsala model belongs among so called Stages models. What is typical for Stages models of internationalization is that companies go through internationalization process gradually, step by step. At the very beginning there is a company that has no relationship with abroad. In other words has not regular exporting activities. Firm first begin with direct exports abroad itself, with its own resources and people. Later, company starts for its export operations using independent representatives or agents based in foreign country. Next stage is that organization establishes sales subsidiaries in country to which is exporting. And finally the fourth step is that company develops production and/or manufacturing facility in foreign country. These steps, or stages are actually called "The establishment chain". (Nejati, 2009, Coviello and McAuley 1999, Melin 1992).

It is clear that the establishment chain is about four gradual stages of internationalization. These stages are not ad hoc but continue one by one in described

order and they are internally dependent on each other. In each stage firms have different level of knowledge and experiences with foreign markets. In every stages companies are collecting information, knowledge and experiences about new markets that are helps them to move to higher stage of internationalization. At the first stage companies have not commitments and resources abroad and gradually stage by stage they increase their commitments and resources in foreign country/countries. Important is to say that under specific conditions some steps of the Uppsala model of internationalization can be skipped or more stages can be applied in one country at one time. For example the second and the third stage in order to cover whole market (Johanson and Wiededesheim-Paul, 1975).

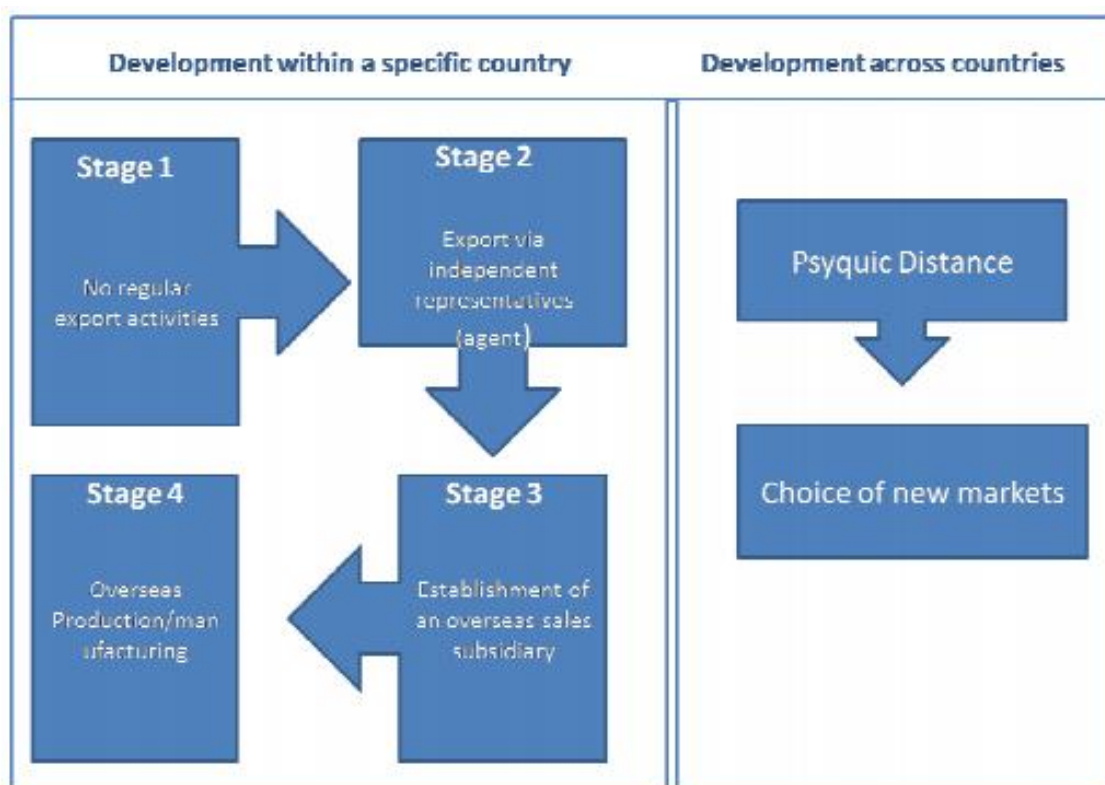


Figure. 2 Uppsala model process of internationalization (Masum, 2008)

This model of internationalization was developed by Jan Johanson and Jan-Erik Vahlne in 1977 at the University of Uppsala in Stockholm, Sweden. This is where its name comes from. But the author originally did not call this model The Uppsala model, but "A model of knowledge development and increasing foreign market commitments." (Johanson, 1977).

The authors of this model developed Uppsala model on the empirical data based on four Swedish companies: Sandvik, Atlas Copco, Facit and Volvo. What they observed is that Swedish firms go through internationalization process by smaller steps. Not by one huge production investment abroad at one time. Even though Uppsala model was developed based on data of Swedish companies, gradu-

al process of business internationalization is not just case for Swedish companies. (Johanson, 1977).

One of the factors that affect the speed by which company goes through internationalization process according to this model is "Psychic distance". Psychic distance is more about how countries are, or are no similar, then about the geographical distance between them. Similarities (or conversely differences) are for example on the education level, business practices level, industrial development level and the author also mention differences in language, education or culture. These factors do effect the efficiency of flow of the information between countries. Between home country and the country to which the company exports its goods or services. There is negative relationship between psychic distance and the establishments. There is the expectation that companies should first think about internationalization in countries that are the most similar to the domestic one (Johanson and Wiededesheim-Paul, 1975).

### **3.2.2 Network theory of internationalization**

Network theory of internationalization is developed by Johanson and Mattson (1988) is based on the fact that is somehow similar with the previous mentioned Uppsala model. The similarity is in the importance given to the knowledge. Knowledge that is crucial for internationalization of companies (Adley and Wilson, 2003). With this opinion agrees Forsgren (2013) who believes that according to network theory of internationalization knowledge of the market abroad is fundamentally important. The difference here is that in Uppsala model knowledge is gained by experiences of the firm itself from operations on the foreign market, in the network theory of internationalization firm gains information about new market through, or from, its network (Glowik, 2009, Johanson and Mattson, 1988).

There are more factors that affects success of company in the new market. It is not only a factory in abroad or signing a good quality contracts with local players. Important for company to be successful in foreign country is learning about and knowledge of local network. Crucial is knowledge of local business network that is related to the field of industry of given company, knowledge of important local players, knowledge of local network functions and to understand relations within this network (Forsgren, 20013).

Another similarity between Uppsala model and network theory is that both agrees that company should go through internationalization process by smaller, gradual steps and learn about new market by degrees. According to network theory the way how to get knowledge about foreign market is by gradual smaller investments in new market, by gradual enter on the foreign country. In other words, the only way how to gain knowledge about new market is through direct experience (Forsgren, 2013, Glowik, 2009).

The theory is focused on building of network with people and firms. Web of relations with as many actors as possible is important. Actor in one network have different aims which should not be taken in a bad way. Their aims are different, but complementary. Differences in objectives are caused by the fact that for example

some of the actors are demanders and some of them are suppliers. The think is join and to develop such a network through which firms will mutually benefit and that will help to develop their business (Etemad, 2013, Zhou and Wu 2007).

According to Johanson and Mattson (1988) there can be four types of companies in the internationalization process according to network theory. These types are described in the table below. They are ordered by two factors: level of internationalization of the company and level of internationalization of the industry.

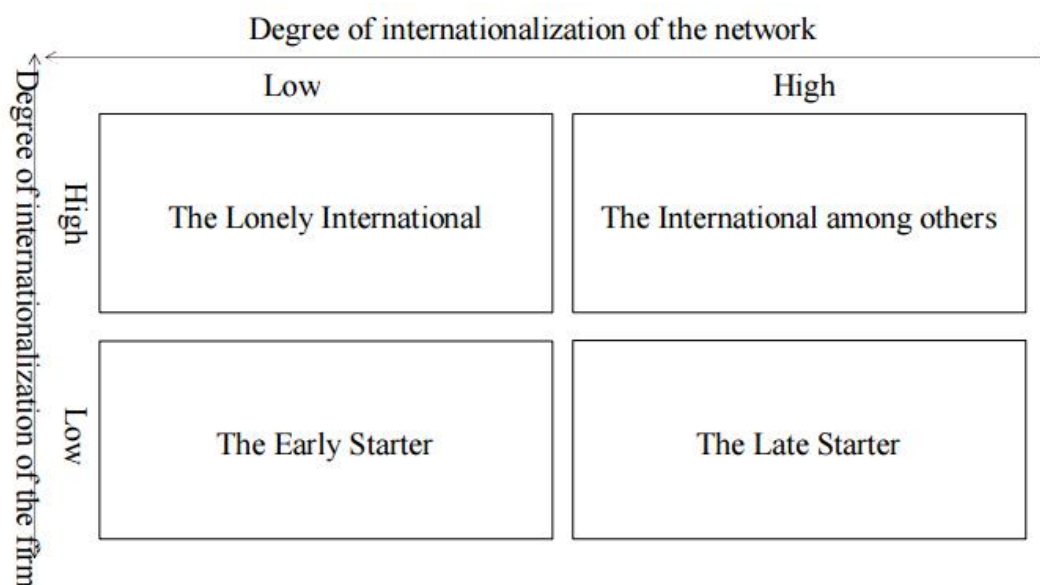


Figure. 3 Network model of internationalization (Hosseini and Dadfar, 2012, page 188)

**The Early Starter:** this is a situation in which particular company as well as other actors in the industry (suppliers, competitors and other companies operating in the same industry) have not so much information and experiences with global market as well as they don't have much international relationships (Johanson and Mattson, 1988).

**The Lonely International:** the firm have more international experiences and knowledge that other markets players in the same industry. So the firm cannot use foreign network to make its access to new market easier but have advantage over their competitors (Johanson and Mattson, 1988).

**The Late Starter:** so called late starter has not very strong position in new market and developing of good quality network is not easy for the company. The reason is that players already operating in the market have strong international relationships, knowledge and experiences.

**The International among others:** this is a situation in in which both a company as well as the environment/market players have high level international experiences. Firms can have very good and tight networks and thus it can be easier for them to enter new markets through cooperative strategies, which can be mutually beneficial (Johanson and Mattson, 1988).

### 3.2.3 International product life cycle theory

International product life cycle (IPLC) theory was developed by Raymond Vernon. The theory is mostly based on the American data, but is applicable to any country (Ayal, 1981). Vernon built his theory in 1960s by advancing David Ricardo's static comparative advantages approach, when US companies were dominating global marketplace and USA had the highest GDP per capita in the world. *"Vernon focused on the dynamics of comparative advantage and drew inspiration from the product life cycle to explain how trade patterns change over time."* (Tricolici, 2013, p. 1).

IPLC theory focuses on internationalization process and is able to predict and explain patterns of the international trade and expansion of MNEs (multinational enterprises), (Morgan, Katsikeas, 1997).

Vernon describes three fundamental life cycles of the product: new product, mature product and standardized product (Vernon, 1966).

**New product.** Preferable is to launch new product, especially innovative product, in developed country. The more developed country the better. There is more reasons why. First reason starts with development of the product itself. To develop new product or even new technology is very costly and in developed countries can company find easier access to financing its research. Second reason is that These new products/technologies use to be more expensive and in developed countries can find more customers that are able to pay for them (Tricolici, 2013). So companies based in developed countries are most likely to produce and launch their new, innovative products, in their home countries. Customers in these countries are not just richer, they are also more willing to try new goods and services. Furthermore – this step in such an early stage is also connected with lower risks, because by producing and selling product within one (home) country, companies are reducing many risks coming from process of internationalization (Wells, 1972). In the end of "New product" phase companies may begin to export to other developed countries (Tricolici, 2013).

**Mature product.** In maturity phase the product is more broadly known and its prices, as well as design and production are stabilized. Exports to other advanced countries are increasing (Wells, 1972). Later during this phase, in order to decrease costs and price of the products in new market, company makes foreign direct investments and builds production plants in foreign countries. Decrease of costs is achieved by elimination transportation costs and by the fact that in foreign countries (less developed) labour is cheaper. Production facilities in foreign countries are built in order to serve local market so there would be no need to export products from home country. Competitors during this phase starts to emerge in local markets increasingly (Vernon, 1966).

**Standardized product.** In the third phase a product becomes standardized. It means that company that came with new innovation does not have comparative advantage anymore, because the product that used to be new and innovative is not

new and innovative anymore. Product can be produced virtually anywhere and companies will move their production plants to countries with lower costs, especially with lower labour costs. This escalates the problem even more, because since the production is standardized and companies are building factories in new countries – local firms can easily copy that product and start production as well. Factors that can slow down this process is the need for educated, or even highly educated labor – that can be lacking in low labor costs countries, the need for special spare parts or reliable power supply which can be also insufficient or not available. In this phase demand for the product is decreasing and starts to be more price sensitive. Company – to be able decrease the market prices – is importing products from foreign countries where it has production plants where costs of production are lower (Vernon, 1966).

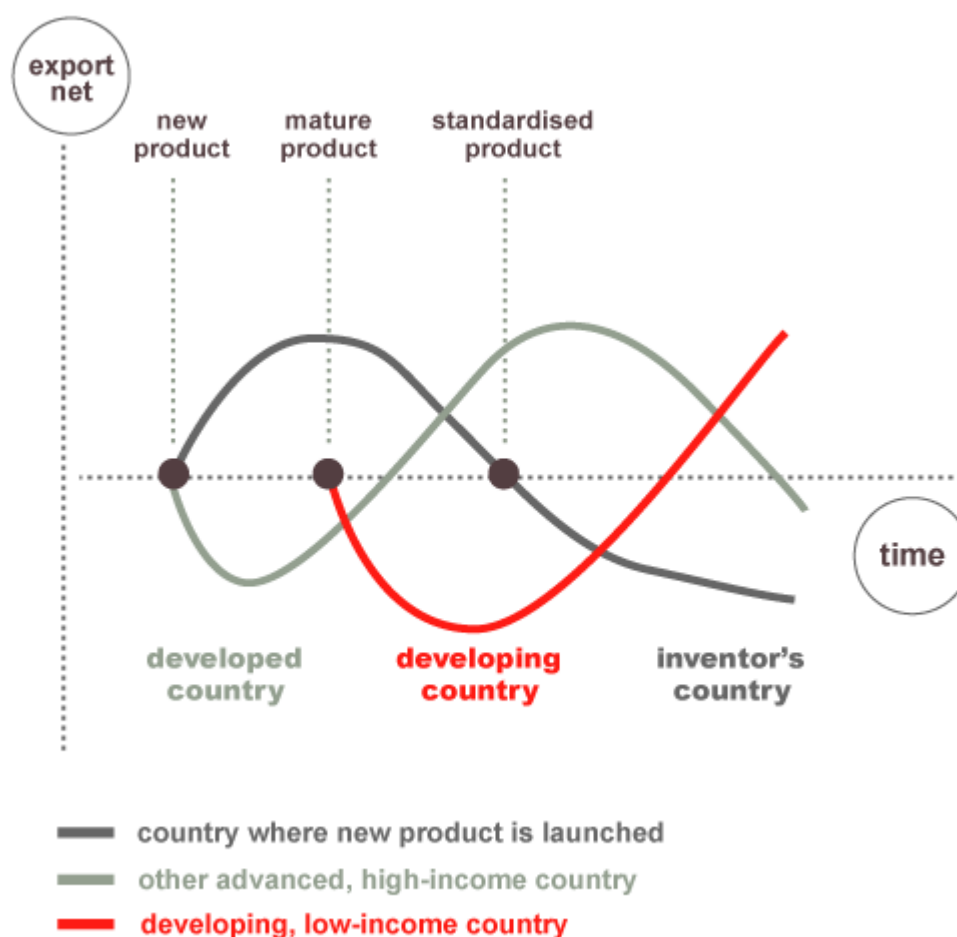


Figure. 4 International product life cycle theory scheme, source:  
<http://www.provenmodels.com/583/international-product-life-cycle/raymond-vernon>

### 3.2.4 Strategic behaviour theory

There can be fundamentally three key motives to enter foreign market through foreign direct investment (FDI). The first one is that company wants to have better, easier and in general improved access to new particular market. The second motive of FDI is driven by the aim to decrease transportation costs as well as eliminate barriers that are connected with exporting from domestic country to foreign country and managing business from domestic country in abroad (Head, 2001). The third motive was described by Raymond Vernon and later developed by Frederic Knickerbocker in his book published in 1973 (Rugman, 1996). According to Knickerbocker companies are motivated to enter new market or increase their investments in foreign countries by behaviour of their competitors. In other words, if some competitor invests and/or increases investments in particular country, given company reacts to it and invests/increases its investments in that country as well (Head, 2001).

Knickerbocker's research helps to explain flows of foreign direct investments. Foreign direct investments of one firm can be driving force for another companies in the industry to realize or extend their FDIs in the same country as well. Some evidence is also given by examples of big companies that are well known rivals on the global marketplaces. For instance Honda invested in USA and Europe and the same did Toyota and Nissan immediately (Paul, 2011).

Knickerbocker's model is also known as "follow-the-leader" hypothesis (Reinerth, 2009). The reason why companies are reacting on foreign direct investments of their competitors is that, in oligopolistic market/situation, competitor can gain quasi-monopolistic position in particular foreign country. Quasi-monopolistic position is, among others, gained by the fact that the company is the first in the foreign market and from this position can have some advantages. Which is something a competing company wants to annul so it also makes, or extends, FDI in that country (Dreyhaupt, 2006).

Among strategic behaviour theories can be also named "cross investment theory" developed by Edward Graham (1974). This theory is also based on the researches in the 1960s and 1970s which showed rapidly increased movements in foreign direct investments between USA and European countries. Until those times, the main flow of FDIs was from USA to Europe. But during 1960s and 1970s foreign direct investments by European companies in United States increased dramatically. And "cross investment theory" explains why. European companies invested in USA a lot from the defensive reasons. There is more ways how companies can defend themselves on the global marketplace and one of them is to enter competitors (or aggressor's) domestic market (Graham, 1974).

### 3.2.5 International transaction cost theory

According to the theory, key decisions of companies in internationalization process are directed by costs. Crucial of international transaction cost theory is that firms are comparing costs of internationalization with transaction costs. Running busi-



ness over open market is related with costs – those can be influenced both by human or transactional factors (Jurek, 2012). Transaction costs are for instance costs of negotiation, implementation of agreements, contract specification, monitoring (Teece, 1996) but also opportunistic behavior of customer on foreign market and cost related with solving this problem (Monye, 1997).

In more detail, factors influencing transaction costs can be according to Williamson (1985) categorized on human and transactional factors. Human factors are bounded rationality and opportunism. Bounded reality means that customers are not behaving perfectly rationale and don't have perfect information and opportunistic behavior refers to behaviour when customers do prefer their own goals to others (Williamson, 1985).

On the other hand transactional factors are: uncertainty, asset specificity and frequency. First - with increasing uncertainty are increasing transaction costs. Second – company can have specific assets or assets serving more general purposes. More general assets can be deployed more easily but are not about to be as productive as specific assets. So company has to decide whether it wants to be more flexible (have more general assets) or to invest to more specific assets and be more productive. Third – in industries with frequent transactions can be costs decreased by specialization and division of labour (Williamson, 1985).

Kutschker and Schmid (2008, p. 453) distinguish ex ante and ex post transaction costs:

#### **Ex ante costs**

- costs of searching for possible contract partners
- information costs
- negotiation costs

#### **Ex post costs**

- processing costs
- control costs
- adaptation costs

There can be also found another costs of internationalization. Those can be political and administrative costs. Political cost can be found when domestic companies are somehow favored in comparison with companies from abroad. Administrative costs referrers to additional administrative costs connected with internationalization process (Williamson, 1985).

### **3.2.6 Eclectic paradigm**

Eclectic theory is broadly known as OLI paradigm where OLI stands for Ownership advantages, Location advantages and Internationalization advantages. This theory was first introduced by John Dunning in 1977 (Lee, 2009, Rugman 2010). Important feature of eclectic paradigm is that *“the value of the whole of the OLI variables is greater than the sum of the parts”* (Dunning, 2008, p. 108). According to ec-

lectic theory companies choose the best possible way of internationalization. Or in other words – the best possible mode how to enter the international market (Keskin, 2012) while evaluating (and it can be said that Dunning's eclectic paradigm is an approach explaining process of internationalization by combining following three theories) resource-based theory, transaction cost theory and institutional theory (Yang, 2012). So it is very complex approach that is explaining early as well as later stages of internationalization. Put differently – eclectic paradigm investigates the entrance of companies to foreign countries as well as their development when already present in abroad (Stoian, 2014).

**Ownership advantages** – may be tangible or intangible and are not bounded by borders of one country so can be used on home market as well as in abroad. The fact that company owns something that others don't have may be the reason why some company is successful and other are not in the internationalization process. The more ownership advantages company has, the more likely is about to produce abroad and thereby join the international market (Dunning, 2008). Firm's specific ownership advantages must be sufficient enough to overcome additional costs coming from process of internationalization. Otherwise company they lose its power when competing with firms in host country (Dunning, 1985). Dunning (2000) has revisited his own theory and concluded that ownership advantages has changed over past couple decades due to liberalization of markets and as economy is more knowledge intense. In 1970s competitive advantage was coming from ability of companies to manage its processes and assets in order to meet market demand. In the beginning of millennium this would not be sufficient. In order to have competitive advantage company has to combine its own knowledge with knowledge collected from all over the globe and from competing companies.

**Location advantages** – helps to answer the question where to produce, build a factory or run office. All the OLI factors cannot be evaluated separately but with respect to others (Dunning, 1985). Dunning (2008) categorizes location advantages on resources usable only in place where they are situated, costs that are not transferable and cost of transportation. Ninan (2009) adds that there can be country and local advantages. The first ones are advantages that can be used by all of the companies but local specific advantages can be available for one concrete firm. Important here is to mention that one firm with some specific ownership advantages can find in one country location specific advantages unlike the other firms with different ownership advantages.

**Internalization advantages** – advantages coming from own production in foreign countries instead of producing through licensing or joint venture. With higher net benefits of internationalization goes higher probability of foreign direct investments of the company. Internalization is very important cause of mergers and acquisitions. Companies are internationalizing operations in order to have ownership advantages to be able obviate market imperfections (Dunning, 2008).

### 3.2.7 Behaviorist internalization theory

The theory was introduced by Yair Aharoni in 1966 in his study "The foreign decision process". The author explained internationalization as sequence of various steps (Buckley, 1999). Internationalization and foreign direct investments are not driven just by economic motives (Teece, 1998). Instead of economic man, who acts always rationally this theory is based on behavioural man, who doesn't have perfect information, is not clearly economical in his decisions, is limited by social group and his goal is not maximization, but satisfactory result. There is always some degree of uncertainty in decision making, decisions about internationalization and making investments in foreign country are not made by one person, but are made collectively (Kutschker and Schmid, 2008, p. 425).

According to the theory supported by empirical studies process of internationalization and decision making about foreign investments can be compartmentalized into four phases as following (Buckley and Ghari, 2012, Ramamurti and Hashai, 2011):

**1. The initiating forces.** Or put differently - decision to look to foreign market. There is difference between economic and behavioural man. Economic man would have perfect information and would be able to see clearly opportunities to invest. On the other hand behavioural man does not have perfect information and needs some initiating forces. Those can be proposal from abroad, follow the leader effect, strong foreign competition attacking in domestic market, fear that company is in threat to loose market or drive of important manager.

**2. The investigation.** Investigation or in other words analysing the foreign market. Very important here is the previous step, on the initiating force. It can effect whole process very strongly. In this process money and time of people is spend on data collection so it is not sure yet if the investment will, or will not be realized. Investigation is held in stages with particular check points and in every stage the whole investigation and decision making about whether to make or make not the investment in foreign country can be stopped. Investigation is concerned about risks, labour accessibility or costs.

**3. The decision to invest.** Important problem here is that even despite the previous investigation the final decision whether to invest abroad or not should not be so clear. One source of problem comes from the assumption of this theory that man is not economic, but behavioural and it is very difficult to say at what point should be the decision made and by whom it should be made. Second source of problem is that investigation process usually takes long time and during that time a lot of circumstances can be changed. Both circumstances – inside and outside the company.

**4. Reviews and negotiation.** After the whole process when the decision to make internationalize and realize foreign investment is made also the other in the firm, not just the decision makers, should be convinced and eventually involved. The

final decision can be made by middle management but to reviews and critiques should be employed also other employees and departments of the firm.

As mentioned earlier, abovementioned phases can take long time and while going through individual phases company learns and evolves. This is corresponding with Uppsala model of internationalization. Initially company is operating just on domestic markets. Later appears the initiating force and company starts to export through agents. Later agents are alternated by employees of the company and export department is created. Later international operations become more and more important so as a consequence more and more people within the firm are involved and direct investments abroad are made. Later with increasing importance of international operations company can evolve into multinational corporation.

### **3.2.8 Born globals**

Born global companies are becoming more and more common in nowadays globalized world. More important is age of the company at which is becoming international, rather than its size. Traditional approaches to internationalization process are based on the pattern that company begins its operations on domestic market, where it can run business for many years, and later, when a company has experience and knowledge and is already established in home country, it slowly starts to enter foreign markets, country by country (Gavusgil and Knight, 2009). But there is increasing number of firms that fall within the born global category and some authors are even talking about phenomenon (Jaw, 2011). Gavusgil and Knight (2009) goes even further and claim that “the appearance of large number of born globals is revolutionizing the traditional character of international business, and helping to reshape the global economy” (Gavusgil and Knight, 2009, p. 7) . Unlike company following the traditional internationalization pattern – typical for born global company is that it starts its operations internationally, in multiple countries, from the very beginning. In fact – origins of born global company are international and from this feature it gains some competitive advantages. The main reason why number of born globals is increasing so rapidly nowadays is globalization itself. In today's globalized world to gain information about distanced foreign market is much easier and cheaper – the same count for management of agents and representatives in new markets and also fixed costs connected with international expansion decreased (Gavusgil and Knight, 2009).

There also can be found other names for fast internationalizing companies in the literature instead of born globals. For instance Ingemar (2012, p. 18-19) provides this list: international new ventures (NVIs), global start-ups, international entrepreneurship or early, rapid or accelerated internationalization.

Born global companies are evident in small open countries (Jaw, 2011). Knight and Cavusgil (2004) agrees with this statement and adds that born globals are present in both, developed as well as developing countries.

Born global phenomenon was emerging on increasing scale in 1990s. McKinsey & Co. used the term “born global” in 1993 for the first time (Gavusgil and Knight, 2009) and the first who made research focused on born globals were Oviatt and McDougall in 1994 (Ingemar, 2012). They defined born globals as “*business organizations that from inception, seek to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries*” (Oviatt & McDougall, 1994, p. 49). This is not the only one definition that can be found in literature. For instance Knight and Cavusgil defined born globals as “*business organizations that, from or near their founding, seek superior international business performance from the application of knowledge based resources to the sale of outputs in multiple countries*” (Knight and Cavusgil, 2004, p. 124). Typical for born globals is that they go through internationalization process very quickly (Knight and Cavusgil, 2004). More authors claim, and this definition is used in many relevant studies, that born global companies are those that enter foreign markets for the first time not later than three years after their establishment and at least 25 % of their income comes from abroad (Autio, Sapienza and Almedia, 2000; Knight, 2004).

Gavusgil and Knight (2009) pointed out that to enter foreign markets all over the world is much easier nowadays than it used to be some decades ago. Thanks to this fact number of firms operating in foreign countries is growing a lot. According to the authors global market is today accessible also for small and medium sized companies. Unlike to the earlier times, when large corporations were dominating international market.

What strongly helps companies to internationalize so rapidly and is connected with globalization process, is the internet. Internet helps to gain more and better information about foreign markets they are about to enter, customers and competitors. To search for opportunities as well as threats. Internet is relatively cheap and accessible, thus it lowers the costs of internalization. Companies can also decrease risks of internationalization by doing good quality research via internet (Jaw, 2011).

### **3.3 Risks of the internationalization process of SMEs**

During the process of internationalization companies are not facing just ordinary entrepreneurial risks but also specific risks coming from internationalization itself. And more specifically – in every phase of internationalization companies can face different risks (Toulová, Votoupalová, Kubíčková 2014). This opinion is supported by Liesch, Welch and Buckley (2011) that believe that perception of risk by companies is different in early or later stages of process of internationalization. Vojík (2010) as well as Dunning (2008) agrees and conclude that some of the risks are identical with running business in domestic market (but generally they are more intense in international market) and some of them are unique for international business. Also Stremtan, Mihalanche and Pioras (2009) agrees that process of internationalization is accompanied with certain specific risks.

Business as well as internationalization of business is connected with many risks which don't have one single classification. Risks can be classified from various points of view (Kubíčková, Toullová 2013).

Relevant for the thesis is Turpins (2002) identification of five key risks for European SMEs: *"increased competition, loss of key staff to competitors, changes in customer demands, wrong strategy due to lack of market data and staff absenteeism"* (Turpin, 2002, p. 12).

Another classification is based on the source of the events that can with some probability cause a risk or risky situation. There can be external and internal factors. External factors are virtually non-influenceable by company and can be sorted in following groups: economic, environmental, political, social and technological factors. External factors, on the other hand, can be influenced by company much more easily and are sorted into following groups: infrastructure, human, process and technological factors (Steinberg, 2004).

Another classification of risks emerging during internationalization process is brought by Stremtan, Mihalanche and Pioras (2009). They distinguish between two categories of risks: *"the underestimation of the costs and the uncontrollable international environment"* (Stremtan, Mihalanche and Pioras 2009, p. 1030). The first category of risks is connected with that fact that it is more difficult for company to reach relevant data and information about foreign market, so there can be situation that opportunities of given market are overestimated and risks and costs of entering the market are underestimated. There can be underestimation of shipping costs, of costs of entering new market in general or even occurrence of some hidden costs or there can be costs coming from underestimation of cultural or physical distance. Second category of risks is based on the fact that international environment is fast changing and developing in unpredictable and unexpected way. Which may be source of many risks for companies. Here can be included changes of law, movements of exchange rates, changes of economic development, political changes, wars, etc. (Stremtan, Mihalanche and Pioras, 2009).

Here can be also mentioned Dunning's (2008) classification of risks: macroeconomic, policy, competitive and resource risks. Macroeconomic risks stands for events that typically cannot be influenced by company, like wars, changes in commodity prices, exchange rates or national disasters. Policy risks is group of risks associated with future unpredictable actions of governments, whether in domestic or foreign country. Competitive risks is group of risks covering any changes in competitors' behavior, including reaction of competitors on firms' internationalization, or global strategy. Resource risks is common name for any risk causing problems or delays in supply of resources. According to the author this is not final list. Some risks are common for any business, and some, more specific for special industry or the level of level of engagement in the internationalization process can be added.

Most important for the thesis will be following approach to risk classification of international business that is described by Vojík (2010) or Machková (2010).

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Importance of this classification is based on the fact that is suitable and applicable for internationalization of Czech SMEs. The classification is following:

- market risks,
- commercial risks,
- transportation risks,
- territorial risks,
- exchange rate risks,
- other risks.

### **Market risks**

Source of market risks are changes in market conditions and differences between expectations of firms and market reality. There can be changes in demand or supply, technological changes, seasonal fluctuations or changes in the economy. These changes can have many consequences. For instance different than expected prices or costs, loss of market position of company or unwillingness of customers to buy products or services.

Protection against these risks is a regular survey and analysis of the foreign market, timely introduction of innovations, inventory optimization, strengthening relationships with key customers like or floating prices in contracts (Vojík, 2010).

### **Commercial risks**

Many risks may be found in relationship between company and its business partners. In international business specifically importers or exporters, transportation companies or insurance companies. Consequence can for instance be: the withdrawal, insolvency or unwillingness of the debtor to pay, failure or poor performance arrangements arising from the contract or unreasonable not-taking over of goods by customer.

Companies can minimize these risks mainly by choice of the right business partners, analyzing them including analyzing their financial situation as well as reliability. Companies with limited human or financial resources can use services of rating agencies, information offices or consultant companies. The way how to minimize these risks is also signature of high quality contract (Machková, 2010).

### **Transportation risks**

During transportation can occur many problems, like damage of the goods or even their loss. These risks are borne by either the seller or buyer, or to the carrier or freight forwarder, who during shipping takes responsibility for the goods.

Fundamental way how to minimize these risk is to choose transportation company very carefully and to negotiate the delivery terms in the contract, which clearly defines the duties and responsibilities of the seller and buyer in securing transportation (Vojík, 2010).

### **Territorial risks**

Also changes in economical or political situation in foreign markets can be source of many risks. Territorial risks are also wars or natural disasters. Consequences for companies in internationalization process are for instance more difficult enforcement of money or administrative interventions due to changed political situation, impossibility of money transfers from the third countries or various problems caused by natural disasters.

Efficient protection against these risks is insurance against territorial risks, deep analysis of countries company is about to enter (and evaluation of risk level in given country) or diversification (expanding to more countries and running business together with another company) (Machková, 2010).

### **Exchange rate risks**

Exchange rate risk is specific for companies that are active internationally and are somehow connected with firms from foreign. Exchange rates are not stable but are floating and evolving over the time. Which may cause problems for companies – the may receive less than expected or spend more than expected.

In order to minimize exchange rate risks, company may use factoring or forfaiting, do operations on exchange rate markets, combine import and export operations, hold more cash in favorable currency or diversify international activities among more countries. (Vojík, 2010).

### **Other risks**

Among other risks can be named risk of responsibility for product or language risk. Risk of responsibility for product comes from the fact that customer can be somehow harmed or damaged by the product. Then the customer can exact the loss incurred. To prevent this company should run control of quality or to be well insured. Language risk means risks coming from bad or no knowledge of foreign language which can result into mistakes in contracts, for example. To prevent this company should have employees with very good knowledge of the language or use foreign professionals (Vojík, 2010).

There can be found more risks, but these are according to authors the most important.

## **3.4 Motivation factors of internationalization**

There can be found more factors that motivate companies to internationalize their business and there is also not one single classification of these factors.

In OECD (2009) study can be found four categories of motives. The most important motives of the internationalization according to the study are:

- **Growth motives.** This is very important motive of internationalization and is connected with new opportunities in the global market. Within this category can be named increase in sales, increase of profit, increase of market share or motive not to be dependent on one market.



- **Knowledge related motives.** Knowledge assets are crucial for SMEs in both cases, whether companies are pushed, or pull into the internationalization process. In this category can be mentioned international experiences of managers, information base, research or language skills.
- **Network/social ties and supply chain links.** These motives are also, according to this and another studies very important, in very beginning of the internationalization as well as during later phases of the internationalization.
- **Domestic/regional market drivers.** Willingness to export is higher when there is higher demand from foreign countries and when demand in domestic market stagnates or is even decreasing (OECD, 2009).

Rodrigues, Barcos and Alvarez (2010) find following motives of companies to internationalize as the most important:

- Opportunities in foreign markets and/or stagnation in home market.
- Internationalization as the way to diversify (eliminate dependency on one market).
- Decrease costs per unit by economies of scale.
- Increase profitability by using cheaper sources in foreign countries (cheaper labour, cheaper or better access to local natural resources, ...).
- Compensation of shorter life cycle of the product by selling it in abroad – in more markets. Having advantage of homogeneity of products.
- By internationalization increase competitiveness, prestige and continue to growth.

Dunning (2008) introduces following four categories of internationalization motives: market seeking, resource seeking, efficiency seeking and strategic resource seeking.

**Market seekers** are those whose intention to go abroad is driven by demand motives in foreign markets. Put differently – market seekers evaluated opportunities in new markets and with aim to grow and sell more goods and services they enter such a market. Problem may be that sometimes adaptation of their products to wants and needs of customers in new market is needed. Then direct presence of company in local market is appropriate. Market seekers may also expand abroad in order to follow their main customers or suppliers (Dunning, 2008).

**Resource seekers** simply enter new markets in order to have access to resources. There may be essentially two reasons for that – first is that company cannot find needed resources in home country and second reason is that needed resources are available in domestic market, but in they can be found for cheaper prices in abroad. Under notion resource can be understood physical resources and labour. Physical resources can be divided into two categories – minerals (oil, metal, aluminium etc.) and agricultural products (rice, sugar, corn etc.). Resource seekers may find in abroad cheaper labour, or skilled labour, or combination of both (Dunning, 2008).

**Efficiency seekers** are usually already experienced grown up multinational companies that. These companies are entering new markets in order to rationalize their entrepreneurship and increase efficiency. Increased efficiency usually comes from economies of scale and economies of scope as well as risk diversification and lowering tax burden when a company is present in more countries (Dunning, 2008).

**Strategic resource seekers** is next category. Strategic resources is common name for core competences of the firm and technology. It can be developed as knowledge, patents, skills of employees of the firm, or strategic supplies crucial for development of comparative advantages. Aim of companies is to develop its competitive position, or weaken the position of its competitors (Dunning, 2008).

On the other hand Bartlett and Bemish (2012) find traditional and emerging motives, or in other words push and pull motives of internationalization.

**Traditional/push motives** are typical for early phases of internationalization. One of traditional motivations of companies to internationalize is to secure crucial resources. The more is organization dependent on supplies of some resources, the more is about to go abroad with the aim to have better access to this resource. Another traditional motivation is in case that company has some comparative advantages, say technology, thanks to which it can be very competitive in foreign markets. Also small home market, seeking for growth opportunities, or lower cost of production in foreign countries can be named in this category (Bartlett and Bemish, 2012)

**Emerging/pull motives** are, on the other hand, typical for later stages of internationalization, when company is already somehow internationally established. In early stages motivation of companies to go abroad is mostly driven by opportunistic factors and are seeking for ways how to use foreign countries to grow sales, decrease costs of production or how to diversify. Gradually, when company is experienced in international market, its motives are changing and sees the world business arena from different point of view. Internationalization of companies is still partly driven by traditional motives, but these are secondary motives. Among emerging motives can be named developing economies of scale, to search and learn new opportunities in foreign markets, or gaining competitive position from the fact that company is multinational (Bartlett and Bemish, 2012).

Important view on what motivates SMEs to internationalize is also given by Czinkota, Ronkainen and Ortiz-Buonafina (2004). The author examines two categories of motives – proactive and reactive. In other terms they can be named as internal and external, or as firm based and environmental based. In general it can be said that proactive motives are offensive and reactive motives are defensive in nature.

**Proactive companies** are those that have comparative advantage comparing to domestic companies in foreign markets, see opportunities in abroad and actively enter new markets. In this case advantage comes from both internal environment as well as external of the company. Proactive motivation factors are for in-

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stance profit growth, technological advantage, exclusive knowledge, lowering of tax burden, or economies of scale (Czinkota, Ronkainen and Ortiz-Buonafina, 2004).

On the other hand, **reactive SMEs** in their internationalization process react to the outer world. Typically they react to movements of their competitors or to insufficient development on domestic market. So motive to internationalize comes as reaction on some changes. Among reactive motives can be mentioned stagnation of domestic market, overproduction, decreasing demand on domestic market caused by the fact that product is in decreasing phase of its life cycle or competitive pressures (Czinkota, Ronkainen and Ortiz-Buonafina, 2004).

### 3.5 Barriers of internationalization

Internationalization is not just about growth and opportunities. Entering new markets is also connected with various barriers which stands in the way of SMEs to expand their business activities. Some of SMEs do not even think of internationalization and some of them do. But not all of those that do think of internationalization do internationalize their business. The reason is that barriers do not allow them to enter new markets (Onkelinx and Sleuwaegen, 2004). In this part of the thesis are examined commonly used barriers classifications of internationalization.

Leonidou (2004) distinguishes between internal and external barriers. Internal barriers are those factors that limit internationalization of a company that are based within the company. Conversely external factors comes from the outer world, from the outside of a company.

#### **Internal factors are divided into four group of barriers:**

**Functional barriers** - managers do not have time to deal with internationalization, firm does not have enough production possibilities to serve new markets, unskilled employees of a company, or not enough finances to finance international activities.

**Informational barriers** – common feature for this group of barriers is lack of information. Here can be named for instance insufficient information about foreign markets, about opportunities in foreign countries or difficulties with searching for and contacting potential business partners in abroad.

**Marketing barriers** – these are further divided into more groups. Product barriers (need of product adaptation to meet needs and wants of customers in foreign markets, need to develop new products, to meet foreign law, regulations and other requirements), price barriers (problems connected with offering satisfactory prices and meeting with prices of competitors), promotion barriers (need to adjust marketing to foreign customer taste), logistic barriers (transportation costs or problems with warehousing facilities in abroad), and distribution barriers (in general inability to control whole distribution process in abroad, problems with accessing foreign distribution channels and problems with gaining good quality foreign representation), (Leonidou, 2004).

**External barriers are following:**

**Governmental barriers** – those can be barriers coming from lack of support from domestic government and unfavourable regulations and rules in foreign countries.

**Procedural barriers** – problems with communication with partners or customers in abroad, administration or specific international procedures with which a company is not familiar.

**Task barriers** – different needs and wants of customer in abroad and tough competition in foreign markets.

**Environmental barriers** – those can be political (legal, political instability, different regulations and rules, tariffs and other – non tariff barriers), economic (exchange rate risks, poor economical situation in foreign countries) and sociocultural barriers (need for knowledge of foreign language, different traditions, needs and wants of customers in new markets), (Leonidou, 2004).

OECD (2009) made big research among SMEs with the aim to examine barriers of internationalization. The most important barriers for SMEs to internationalize are: 1) Shortage of working capital to finance exports, 2) Identifying foreign business opportunities, 3) Limited information to locate/analyse markets and 4) Inability to contact potential overseas customers. List of top ten barriers can be found in the table below (OECD, 2009, p. 8).

**Shortage of working capital to finance exports** - especially in early stages of internationalization this process can be very money consuming. In a lot of cases companies need external financing to internationalize, but not always they can find accessible solution.

**Identifying foreign business opportunities** - it is obvious from the study, that to gain relevant information about foreign countries and foreign markets can be very difficult, time and money consuming.

**Limited information to locate/analyse markets** – very important here is the position of managers. The more managers are experienced in international environment, the easier and less risky it is for SMEs to enter new markets.

**Inability to contact potential overseas customers** – to find customers is one of crucial factors of success of internationalization process. Difficulties are also when searching for business partners and representatives (OECD, 2009).

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

Tab. 1 Top 10 barriers ranked by SMEs, OECD 2009, p. 8

### 3.6 Foreign market entry modes

To pick up the right strategy is crucial for SMEs that are about to internationalize. There is more ways how to classify strategies to enter foreign markets. Commonly acknowledged is the one described by Machková (2007). The author derives three categories foreign market enter strategies importing and exporting operations, capital non-intense strategies to enter foreign market and capital intense strategies to enter foreign market.

#### **Importing and exporting operations:**

- intermediary,
- exclusive distribution contracts,
- commercial agency,
- mandate and commission relations,
- piggyback,
- export alliance (association of exporters),
- direct export.

#### **Capital non-intense strategies to enter foreign market:**

- licences,
- franchising,
- management contract,
- refinement operations,
- international production cooperation.

**Capital intense strategies to enter foreign market:**

- takeover,
- merger,
- green field investment,
- joint ventures,
- strategic alliance.

**3.6.1 Importing and exporting operations**

Importing and exporting operations are the simplest ways to internationalize. This is traditional way to internationalize and choice number one for most of Czech companies when internationalizing their business for the first time. Crucial here is to choose right business partners and to sign good quality contracts (Machková, 2014).

**Intermediator.** If companies use intermediary to export their products it is called indirect export. Mediators buy goods which then sell to customers in foreign market. Their earnings is called price margin, which is the difference between the selling and purchase price. Mainly small and medium-sized companies use the services of intermediaries to focus on core business activities and ancillary activities, such as for instance export goods abroad, abandoning other entities that specialize in these activities. The main advantages for companies that use intermediators include reducing costs and eliminating the risks associated with international trade. The disadvantage is the loss of contact with customers and loss of control over the prices that are charged to customers in foreign markets (Machková, 2014).

**Exclusive distribution contracts.** In this case a company chooses distributor that is the only one in particular country that is allowed to sell its products. Advantage of exclusive distribution contract is that – if the contract is signed with established and solid company - it may be a good distribution of the products in well-established distribution chain including necessary services. Producer can expand to geographically distanced markets or to markets where is not expecting huge sales but want to be present on these markets. Risk of insolvency is limited, because intermediary is buying and paying for products on his own. One of disadvantages of signing exclusive distribution contract is that distributor may not be able to meet the contract – to sell given number of products – and then, because of the exclusivity, gates to new market may be closed for the company. That's why it is usual to have clause in the contract that says concrete number of products that is the minimum that distributor has to buy. Another disadvantage here is also the fact that company loses contact with its customers, with the market (Machková, 2014).

**Commercial agency.** Commercial agency performs activities on behalf of the represented and on his account. Negotiates and concludes transactions with third parties and representative pays for it agreed commission. The agency contract can be of two types: exclusive and non-exclusive dealership. When represented using the services and other business representatives, it is a non-exclusive dealership.

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Likewise, a commercial agency can represent other persons. Here it is necessary to examine the agent and its relationship to our rival firms. So in this case commercial agencies do not buy products, but are searching and dealing with customers. In other words – commercial agencies are providing customers that are ready to buy (Machková, 2014).

**Mandate and commission relations.** Mandate is an agreement between the client and an agent. The agent undertakes to carry out the instructions of a client for a specific business issue. Mandatary acts on behalf of its principal and a principal mandatary is obliged to pay a fee for it. When it comes to legal matters, exposing a principal written power of attorney. Consignment agreement differs from a contract of mandate that acts here as a broker, who acts on its own behalf and perform certain activities for the principal and at his expense. Consignor he has to pay for the so-called Commission and costs incurred by the commission in carrying out the task. According to the law may be drafted written agreement. Supervision of prices carries out committer who also determines the price at which the broker sells the goods to third parties (Machková, 2014).

**Piggybacking.** Piggybacking is a case where small businesses use the name and experience of large companies and use their distribution channels. It is a cooperation between companies. Experienced firms provide their partner for consideration a range of services (orders, providing transport services, insurance, customs clearance, collection, etc.). The advantage for big firms is that they can offer to their customers more complex portfolio of goods and services. On the other hand piggybacking may be dangerous for big companies when those small ones are not able to meet the deals. Small companies have exploited this, because they do not have sufficient experience to export goods to foreign markets, they do not know enough other options and do not assume any of the risks associated with international trade. Of course, it also saves frequently on costs associated with the export of goods (Machková, 2014).

**Export Alliance (Association of Exporters).** The ultimate aim of the alliance is common enter to foreign market and to operate on this market jointly. This represents a concentration that perform the same, similar or complementary activities in order to cooperate. Highlights include reduced costs, elimination of export risks, better bargaining available competencies in dealing not only on prices, et al. Association of Exporters usually takes over the function of the export department, and conducts research on foreign markets, negotiating offers, fulfill orders, transport and represents its members abroad. For SMEs to participate in export alliance can be very beneficial (Machková, 2014).

**Direct exports.** Direct exports are usually used in complicated deliveries where it is required the presence of manufacturers in foreign markets. These include industrial products, production facilities and investment units, which are providing a wide range of additional services, so direct presence in abroad is necessary. Positive about direct export is that company has full control over the whole chain and has direct contact with customers abroad. Company is able to fully control prices, product, or conditions. On the other hand a firm has to know technolog-

ical as well as business operations very well to be able to compete on foreign market (Machková, 2014).

### 3.6.2 Capital non-intense strategies to enter foreign market

Next possibility how to internationalize for SMEs is one of so called capital non-intense strategies to enter foreign market. It can be said that if a company does not have sufficient capital resources but still wants to succeed abroad, may choose one of the options to enter foreign markets without taking a big financial resources and utilized other than the classic export operations (Machková, 2014).

**Licensing.** Licensing is often used form of entry into foreign markets. It means that a company sells the right to use the invention, utility or industrial design, trade name of the company, copyrights or trademarks. The license grants to a company that is the one who has the absolute right to use intangible assets. Firms use licensing for instance when they are not able to produce products on their own, they are able to produce but just in limited amounts, they can produce, but regulations or tariffs do not allow them to export it to particular countries, or by selling licence they may gain strategic partner that is important to grow their business (Machková, 2014).

**Franchising.** Franchising has similar basis as licensing, but franchising has tighter connection between partners evolved. Franchising is defined as an agreement between at least two partners, where the franchisor provides franchisee right to perform services or sell products. Franchisees use the same brand, products, services, trade names, advertising and business symbols as franchisor. Franchisee agrees to, directly or indirectly, to pay the agreed amount for the provision of franchising. In other words – franchising is giving a right to do the business that someone has created in exchange for money. Franchisor has the authority to check whether the contractor complies with all the agreed requirements and helps him in his business, conducted training, promotion and marketing. This type of business is used in various sectors, but particularly in the retail, fast food, hospitality, service petrol stations and others. Advantage for franchisee are lower operating costs, rapid access to market, reduce business risk, proven business concept, little administrative effort, unified promotion, and others. Benefits for the Franchisor are a direct extension of the market share, the fast realization of one idea, increase in sales and others (Machková, 2014).

**Management contract.** Management contract is similar to franchising. Subject of this agreement is to provide for a certain period of time managerial expertise through management executives. This type of agreement is often used by companies from developed countries, which have a certain know-how. The subject of the contract may be the company's management or advisory services. The reward is usually a percentage of turnover, profit or opportunity of acquiring shares in the company (Machková, 2014).

**Refinement operations.** The essence of refinement operations is processing of raw materials or semi-finished products to a higher level finality. Alternatively, in the finished product. Positive about refinement operations is lowering transpor-



tation cost as well as decreasing energy, materials, or overhead costs. Refinement operations can be divided into active or passive. Active is when a foreign company ships raw materials or semi-finished products to Czech company in order to refine them. Passive is, on the other hand, when Czech company ships raw materials or semi-finished products to foreign company that is going to make a products of higher level finality (Machková, 2014).

**International production cooperation.** It is based on the division of the production process among more companies based in more countries. Final product is then finalized by one or more partners. Cooperation does not need to take place just in production process. But also in research and development (Machková, 2014).

### 3.6.3 Capital intense strategies to enter foreign market

Capital intense ways to enter foreign markets are used usually by bigger, more experienced a financially stronger companies. Here can be found two fundamental categories – portfolio investments and direct investments. Portfolio investments are typically buying shares and direct investments can be capital injections, inter-company loans or re-invested profit (Šimková, 2005).

**Takeover.** Takeovers can be in a friendly spirit, aimed at strengthening the company's position in the market thanks to the so-called synergistic effect. If it is a takeover for the purpose of disposing of competition, it is a hostile acquisition. In general there can be takeover of the whole or part of an existing business (Šimková, 2005).

**Merger.** There can be two types of mergers. When two or more companies are about to merge at least one of the companies wound up without liquidation and assets of all the companies are transferred to the company without liquidation. For fusion extinguish all companies and a new legal entity. Furthermore, there can be identified three types of mergers: horizontal, vertical, conglomerate. In horizontal mergers combine firms in the same business. In the vertical merger combines companies with various business sectors, but activities are dependent on each other. Conglomerate mergers then combines companies that have virtually nothing in common with an effort to diversify business risk and take advantage of free financial resources (Šimková, 2005).

**Green field investment.** These may be very time and money consuming. As well as it can be very risky. Simply said green field investment is funding brand new company (Šimková, 2005).

**Joint venture.** Joint venture means that domestic company venture with another foreign company or organization and create together a new joint business and legal entity. The aim is to combine the strengths and expertise of both partners. For instance foreign entity may offer money or a proven brand, home again has a better knowledge of the local market. These entities have the same business idea and together they want to bring more profit than they would have received separately (Šimková, 2005).

**Strategic alliance.** Strategic alliance is similar to previous capital intense strategy to enter foreign country – to joint venture. In general there can be said that strategic alliances are more common for huge corporations (Šimková, 2005).

## 4 Methodology

This thesis is divided into two parts - theoretical and empirical. In the thesis will be used the standard scientific methods and will be used both primary and secondary data.

In the review of literature will be used secondary data from mostly foreign literature, publications, scientific articles and journals. For this purpose will be used both – printed and electronic sources. In this part of the diploma thesis will be applied method of comparison which consists in comparing the perspectives and opinions on various phenomena and facts. This approach will help to achieve the complexity of interpretation. The knowledge gained in this early part of the work will later be compared with the results of primary research.

In next part of the thesis will be used standard theoretical methods, like analysis, synthesis, deduction and induction. The method of analysis will be used especially to make a research of situation of SMEs in European Union as well as in Czech Republic and ICT industry in EU, but mainly in Czech Republic. Analysis will be used in order to decompose the phenomena studied on smaller parts which will be then researched. On the other hand synthesis, which is the opposite of analysis, will be used in order to unifying the various partial knowledge into a single unit. Synthesis will be used in the conclusion to summarize the results obtained. Other methods used at the thesis are methods of induction and deduction. With induction of regularity is examined events derived general patterns of a certain regularity valid for another event at another location or at another time. Deduction consists in deriving the conclusion of a plurality of other statements that are considered as true.

To gain primary data questionnaire survey in electronic form will be used. The links to questionnaire will be send via e-mail to e-mail addresses of Czech SMEs operating in ICT industry. There will be created two questionnaires – one for companies have not started internationalization process but are about to do that in ten years and second one for companies that are already somehow present in at least one foreign country.

The questionnaire survey is designed in order to obtain not as much qualitative, but quantitative data. To appraise data gained will be basically used two formulas – formula for absolute and relative frequencies.

Formula for absolute frequencies:

$$\sum_{i=1}^k n_i = n$$

Formula for relative frequencies:

$$p_i = \frac{n_i}{n}$$

Where “n” stands for size of the examined set, k expresses number of groups and  $n_i$  is absolute frequency within the group.

Next step is to choose hypothesis and to test them. Hypothesis means the assumption of certain properties of a random variable pronounced independently on possible information about it. The hypothesis explains the phenomena studied independence. Against this hypothesis is build an alternative hypothesis, as its opposite. The purpose of hypothesis testing is a rejection of the null hypothesis and the adoption of alternative hypotheses.

The most common significance level is  $\alpha = 0.05$  or  $\alpha = 0.01$ . In the thesis was chosen significance level  $\alpha = 0.05$ . Significance level is necessary when testing hypothesis. It is a choice of confidence level, which indicates probability of a false rejection of the null hypothesis is true. Whether the null hypothesis is rejected or not determines the value of p-value, a minimum level of significance.

$H_0$  is not rejected if:  $p > \alpha$ , respectively if  $p > 0,05$

$H_0$  is rejected if:  $p \leq \alpha$ , respectively if  $p \leq 0,05$

For the testing of hypotheses and to determine dependencies are used pivot tables. For measuring the intensity of the interdependence of the two verbal signs in the pivot table uses a square contingency  $\chi^2$ , which may take any non-negative values.

$$\chi^2 = \sum_{i=1}^r \sum_{j=1}^s \frac{(n_{ij} - n'_{ij})^2}{n'_{ij}}$$

Where:  $n'_{ij}$  is theoretical frequency and  $n_{ij}$  is calculated, conditional frequency.

Chi - square test is based on a comparison of actual (observed) values with the theoretical values (expected). The more the theoretical frequency differs from the actual, the stronger the correlation between both characters is. Theoretical frequency is calculated according to the formula:

$$n'_{ij} = \frac{n_i n_j}{n}$$

Where:  $n'_{ij}$  is theoretical frequency,  $n_i$  and  $n_j$  are appropriate boundary frequencies and  $n$  is sample size. Where  $i$  = row index and  $j$  = column index.

From the square contingency coefficients are derived as follows: The average square contingency  $\phi^2$ :

$$\phi^2 = \frac{\chi^2}{n}$$

The average square contingency may also take any non-negative values, with regard to the size pivot table. Pearson's contingency coefficient P:

$$P = \sqrt{\frac{\phi^2}{1 + \phi^2}} = \sqrt{\frac{\chi^2}{\chi^2 + n}}$$

It takes values from the interval  $0 \leq P < 1$ , while a value of 1 can never achieve. Dependency is stronger, the more the value of the coefficient is getting closer to one. The value of Pearson coefficient is also dependent on the size of the pivot table.

## 5 Internationalization of Czech ICT SMEs within the EU

### 5.1 SMEs in European Union

As is discovered in this part of the thesis, it is obvious that SMEs play very important role within EU. In fact – from all the businesses in EU more than 99% of them fall into the category of SMEs (European Commission, 2014a). More approaches how to define SMEs can be found. For the thesis is the most relevant definition provided by European Commission: *“The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million.”* (European Commission, 2003, p. 39). More detailed information is given by the table below.

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

Tab. 2 Categorization of SMEs, source: [http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index_en.htm)

From table above can be seen that SMEs are all the enterprises employing 250 employees or less with turnover not bigger than 50 million euro or total balance sheet not bigger than 43million euro.

The biggest sector of SMEs within EU28 is “wholesale and retail trade sector” following by “manufacturing”, “construction”, “professional, scientific and technical activities”, and “accommodation and food”. Within the EU28, these five sectors combined sums almost 4/5 of all small and medium sized enterprises (European Commission 2014b).

Importance of SMEs within EU can be seen also from another perspective: *“Across the EU28, there were 21.2 million SMEs in the non-financial business sector in 2013. SMEs account for 99.8% of all enterprises in this particular sector, 66.8% of total employment and 57.9% of total value added generated by the non-financial business sector.”* (European Commission 2014b). Importance of SMEs is also given by the fact, that in 2013 all SMEs generated 3,666 trillion euro in value added, which is 28% of EU GDP (European Commission 2014b).

More detail numbers can be seen in table below. Almost 100%, concretely 99,8% of all businesses are SMEs. It is obvious that the biggest fraction from SMEs

are micro businesses. On the other hand this proportion does not count when looking at number of employees and value added at factor costs.

Table: SMEs and large enterprises: number of enterprises, value added and employment in the EU28 in 2013

|                             | Micro      | Small      | Medium     | SMEs       | Large      | Total       |
|-----------------------------|------------|------------|------------|------------|------------|-------------|
| Number of enterprises       |            |            |            |            |            |             |
| Number                      | 19,969,338 | 1,378,374  | 223,648    | 21,571,360 | 43,517     | 21,614,908  |
| %                           | 92.4%      | 6.4%       | 1.0%       | 99.8%      | 0.2%       | 100%        |
| Employment                  |            |            |            |            |            |             |
| Number                      | 38,629,012 | 27,353,660 | 22,860,792 | 88,843,464 | 44,053,576 | 132,897,040 |
| %                           | 29.1%      | 20.6%      | 17.2%      | 66.9%      | 33.1%      | 100%        |
| Value added at factor costs |            |            |            |            |            |             |
| Million Euros               | 1,362,336  | 1,147,885  | 1,156,558  | 3,666,779  | 2,643,795  | 6,310,557   |
| %                           | 21.6%      | 18.2%      | 18.3%      | 58.1%      | 41.9%      | 100%        |

Tab. 3 Source: European Commission, 2014b, p. 15)

On graphs below can be seen performance of three key indicators of SMEs during the time period 2008-2009 to 2012-2013. What can be seen is that micro, small and medium sized businesses follow very similar pattern. The worst development in employment question had micro businesses – comparing to small and medium sized – over the given period. In overall it can be said that in the given time period observed indicators has barely changed. Concretely there was increase by 354,308 in number of SME comparing 2013 to 2008, increase of 44,313.75 million Euros and decrease by 1,962,808 of jobs provided by SMEs in EU28 (European Commission 2014b).

What can be said is that there is quite close relationship between value added and employment indicators. The correlation between the two indicators is 0,79 (European Commission 2014b).

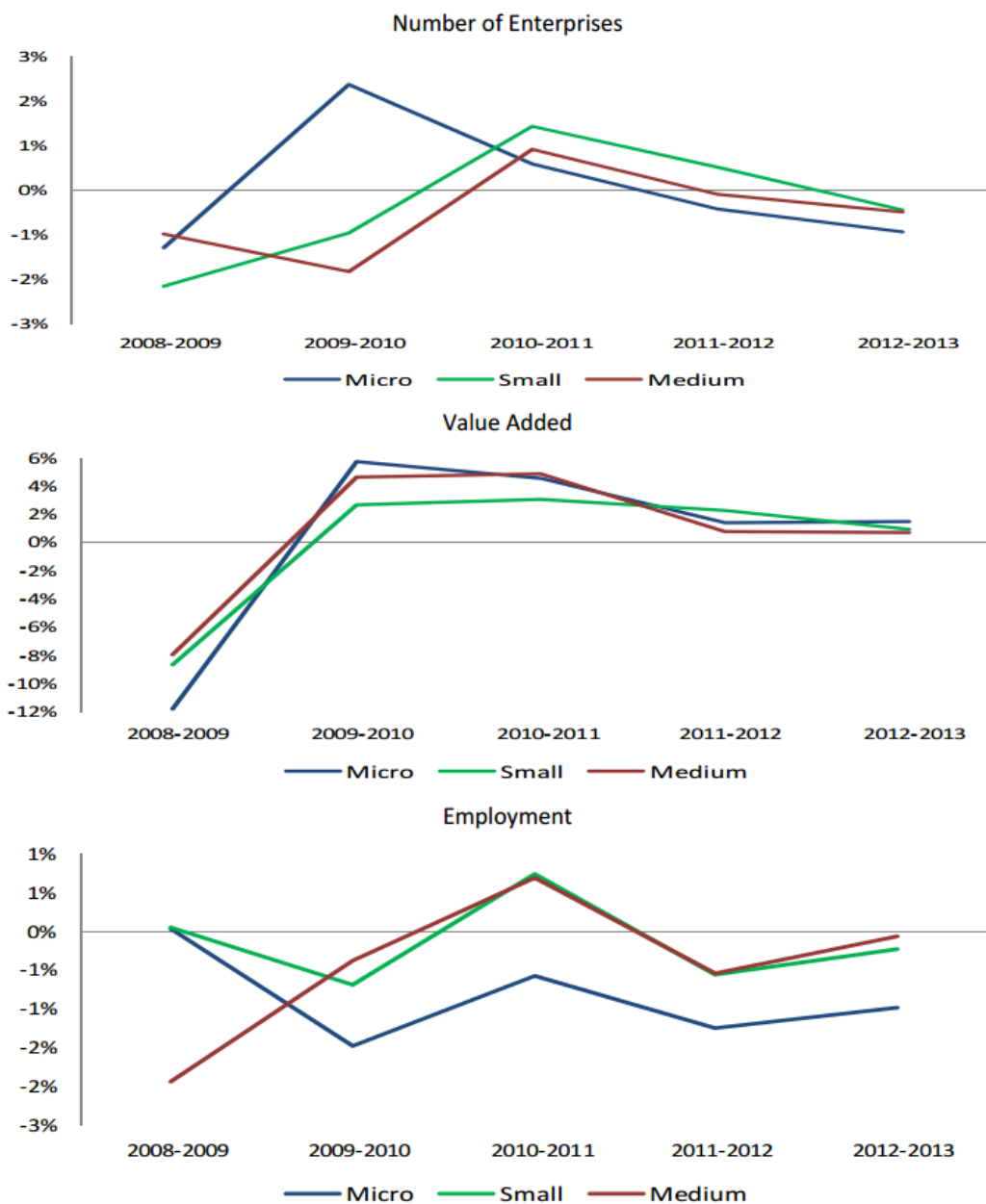


Figure. 5 Annual growth in different performance indicators by SME size – EU28. Source: European Commission 2014b

In the group called “front runner group” of SMEs in non-financial sector in EU28 were countries like Austria, Belgium, Germany, Estonia, Malta, Sweden and Slovakia. These countries provided value added creation higher than 10% in 2008. On the other hand Czech Republic, together with Croatia, Cyprus, Hungary, Greece, Ireland, Portugal, Romania, Slovenia and Spain were in the group providing very weak performance in this indicator (European Commission 2014b).



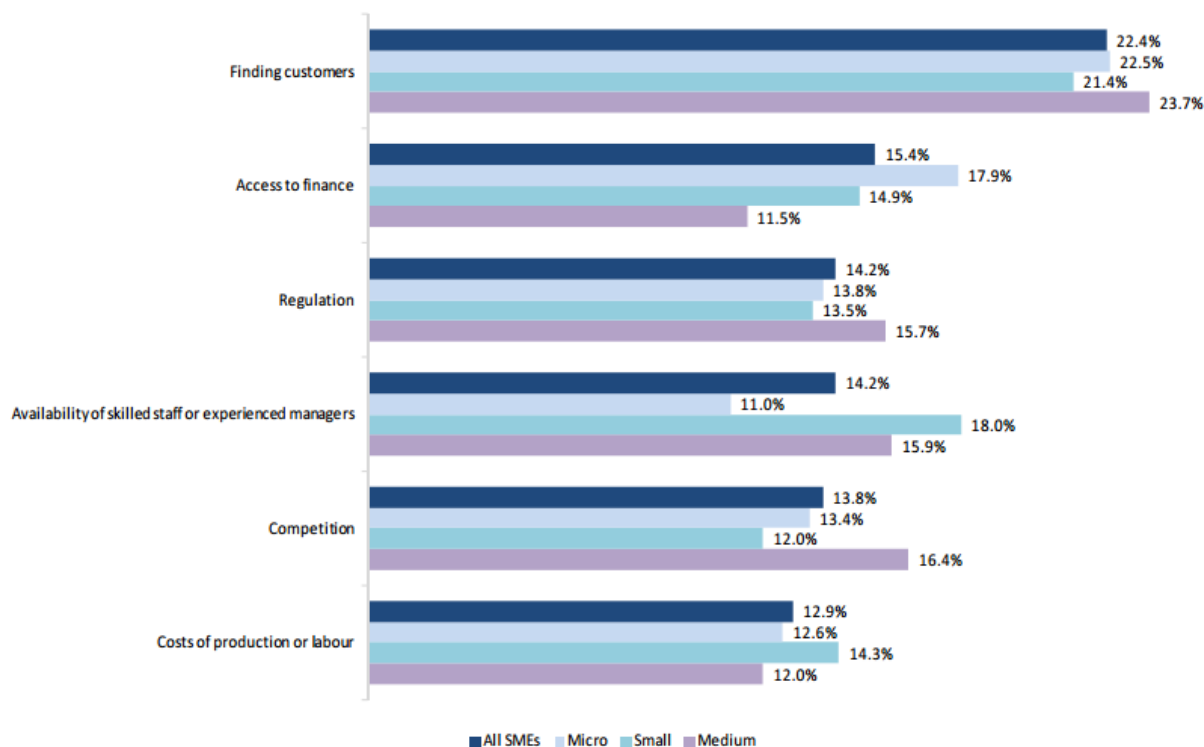


Figure. 6 Most pressing problems facing SMEs in the EU28 in 2013, source: (European Commission 2014b).

In graph abovementioned can be seen list of 6 most pressing problems that were SMEs facing in year 2013. The first line represents all categories of SMEs, the second line represents micro enterprises, the second line stands for small and the fourth line stands for medium enterprises. SMEs across the EU28 responded, that the biggest problem for them is to find customers. 52% SMEs in the EU responded that finding customer is pressing, or extremely pressing.

This graph shows that differences among micro, small and medium sized companies are not huge. But in some cases there can be seen differences among class size SMEs. As relatively more pressing problem is perceived access to finances by micro enterprises. On the other hand availability of skilled staff or experienced managers is relatively the most pressuring problem for small enterprises – conversely for micro businesses, which is under the average in this problem. When looking at the supply side – relatively the most pressuring problem for medium sized enterprises is competition.

In the two graphs below is compared domestic demand and export of EU28. The percentage change is between 2008 and 2013. Graphs shows that there is decline in domestic demand in most of the EU countries and increase in exports. This

is also the case for Czech Republic. From this point of view is obvious, that foreign markets are becoming more and more important for Czech SMEs. So after 2008 not domestic demand, but exports were crucial for growth in most of the EU countries, including Czech Republic.

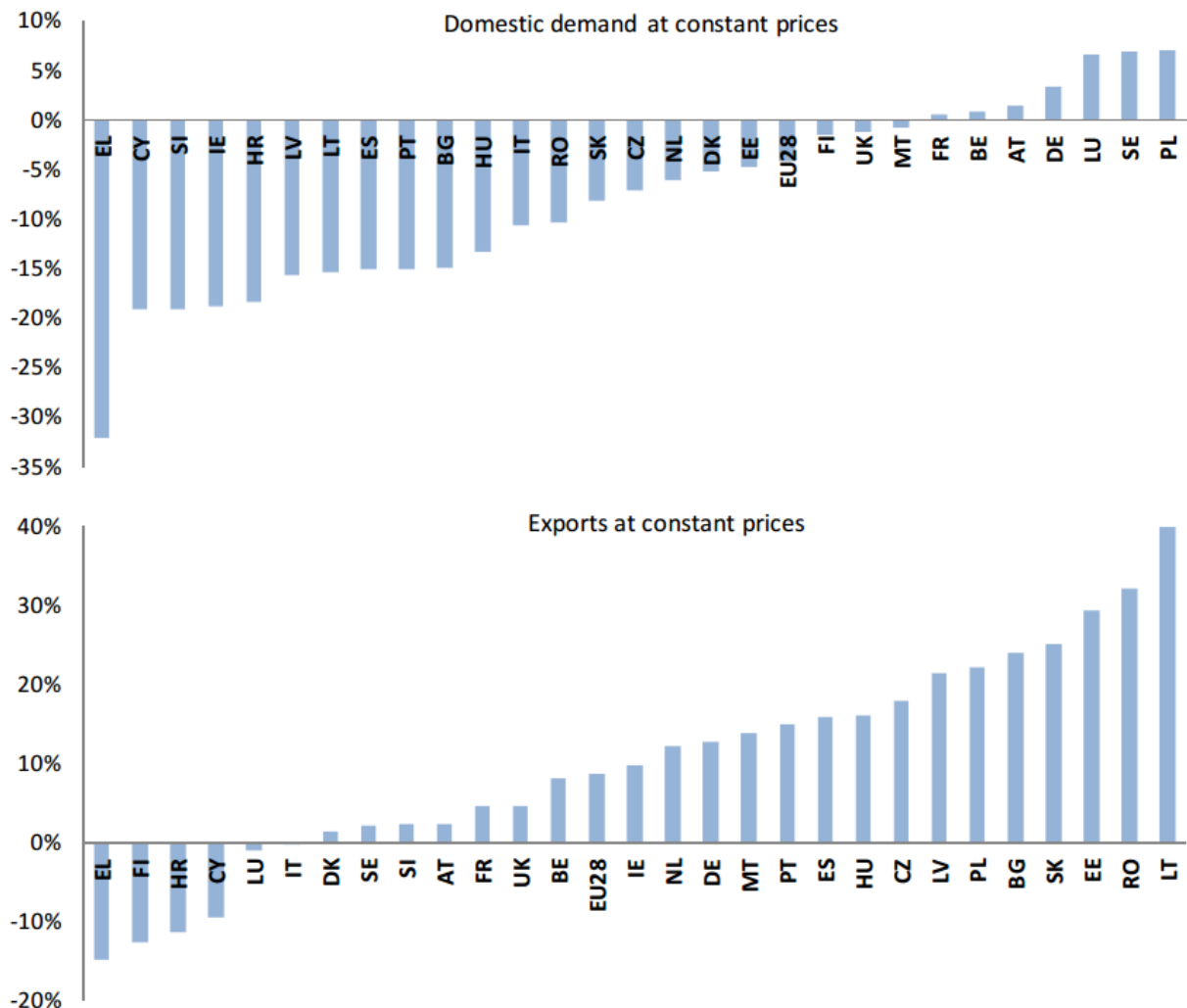


Figure. 7 Domestic demand and exports by Member State, % change 2008-2013 (constant prices), source (European Commission 2014b).

From survey by organized by European Commission among EU28 SMEs are obvious following data concerning internationalization:

- 25% of SMEs export and approximately 50% export to countries outside the EU, and 50% to countries within the EU,
- 29% of SMEs imports, and approximately 50% imports from countries outside the EU, and 50% from countries within the EU,
- 2% of SMEs realized foreign direct investment (European Commission 2014c).

There is a relationship between the size of the company and internationalization. What can be said is that the bigger the company, the higher propensity to internationalize. Medium sized companies have a greater tendency towards internationalization than small and micro enterprises. Concretely: expertly active is 24% of micro, small 38% and 53% of medium sized enterprises. When it comes to imports numbers are following: 28% of micro, small 39% and 55% of medium enterprises do import. In contrast among the size of the domestic population and the level of internationalization of SMEs is an indirect relationship. Countries like the Estonia, Denmark, Sweden, Slovenia and Czech Republic recorded higher percentage of exporters among SMEs than 25% of the European average.

## 5.2 SMEs in Czech Republic

SMEs have specific features that distinguish them from large enterprises. These businesses play an irreplaceable role and are very important for the whole economy of the country (MPO, 2014a). There can be found some positives and negatives about SMEs:

### **Positives:**

- the relative flexibility and speed of response to changing conditions,
- relatively high absorption capacity thanks to the flexibility of the workforce,
- the ability to fill a gap in the structure of trade relations among large firms.

### **Negatives:**

- complicated and costly raising capital, more difficult access to new markets, information, technologies and knowledge,
- worse ability to mitigate the effects of changes in external factors at the beginning (MPO, 2014a).

When it comes to numbers. The share of small and medium enterprises in the total number of active enterprises in 2012 was 99.88% (MPO, 2014a) and in 2013 99.83%. On 31. 12. 2013 there was 1 124 910 small and medium sized enterprises with 0 – 249 employees from which 869 279 were entrepreneurs and the rest – 255 631 were companies (MPO, 2014b). In graph below can be seen development of numbers of Czech SMEs during the time period 2009 – 2013. From 2008 to 2012 numbers of enterprises with less than 249 employees are slightly growing. Just in 2013 there is slight decrease by 18 023 SMEs, caused by decrease of entrepreneurs (MPO, 2014b).

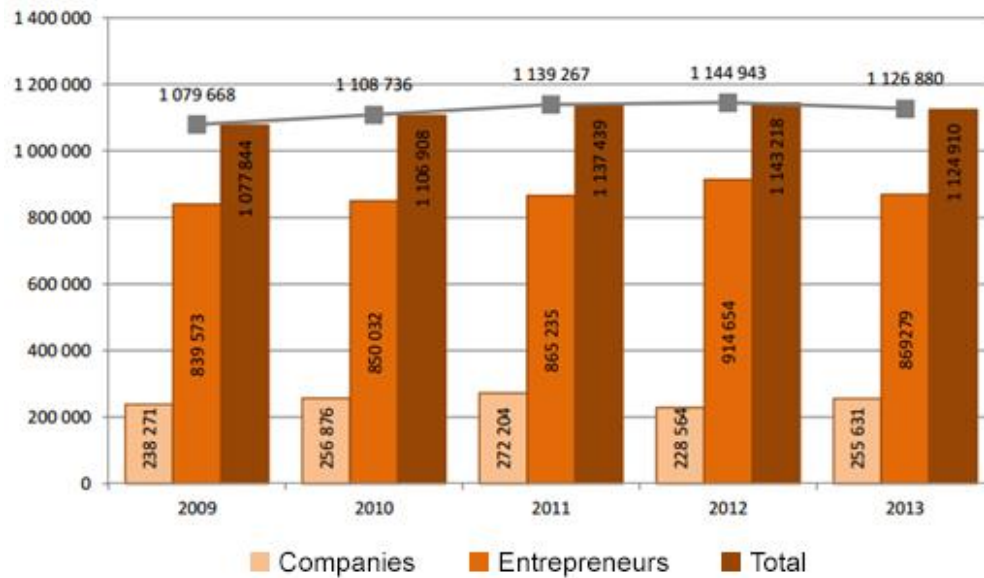


Figure. 8 Development of active SME entities in the Czech Republic in 2009-2013, source MPO 2014b

In 2013 Czech SMEs were employing 60% from all employees in Czech Republic and their share on added value was 54,8%. The total number of employees of Czech SMEs in 2013 decreased compared to 2012 by 93 000, by 4.96% of total 1,782,000 employees. Small and medium sized enterprises in Czech were employing in 2013. There can be seen decreasing trend in over the 2009 – 2013 time period when it comes to numbers of employees of Czech SMEs. But important is to mention that this goes with the trend of increasing unemployment in overall Czech Republic (MPO, 2014b).

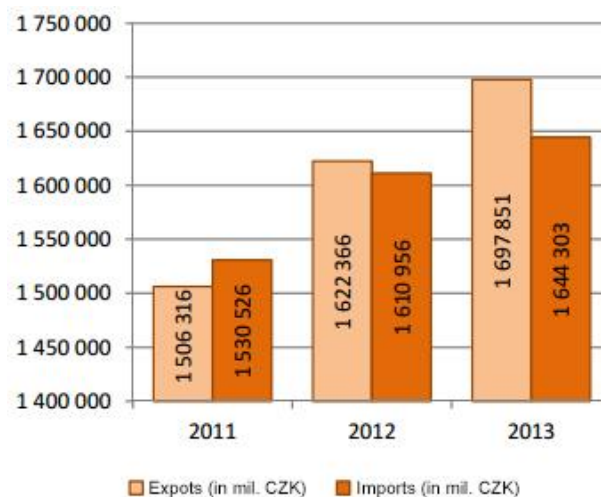


Figure. 9 Imports and exports of Czech SMEs, source MPO 2014b

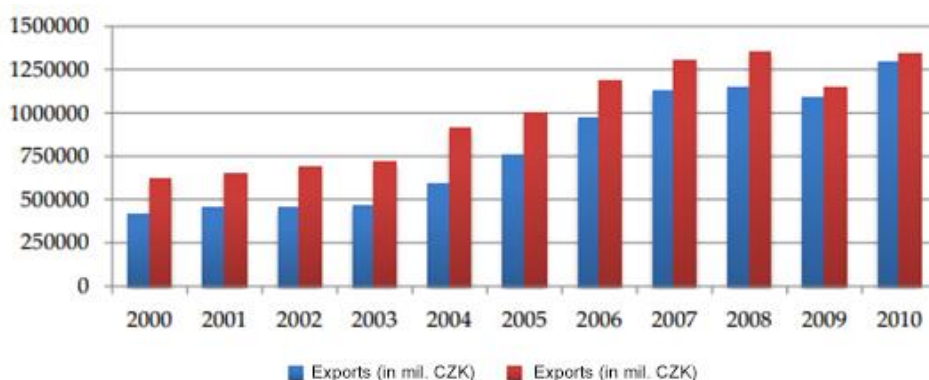


Figure. 10 Imports and exports of Czech SMEs, source: MPO, 2014c

When it comes to international trade, exports and imports of Czech SMEs in the period 2009 – 2013, as seen on graph above, had sustained growth. In 2013, increase in exports were by 75,485 millions of CZK, which stands for 4.7%, and imports by 33,347 millions of CZK, which stands for 2.1% increase comparing to 2012. The share of SMEs in total imports in 2013 was 58.4% and the share of SMEs in total exports was 53.6% (MPO, 2014c).

Division of Czech SMEs according to NACE classification provides following graph. It is obvious that wholesale and retail trade, construction, accommodation and transportation and storage do dominate significantly and together represent 75%. Information and communication sector represents 4%.

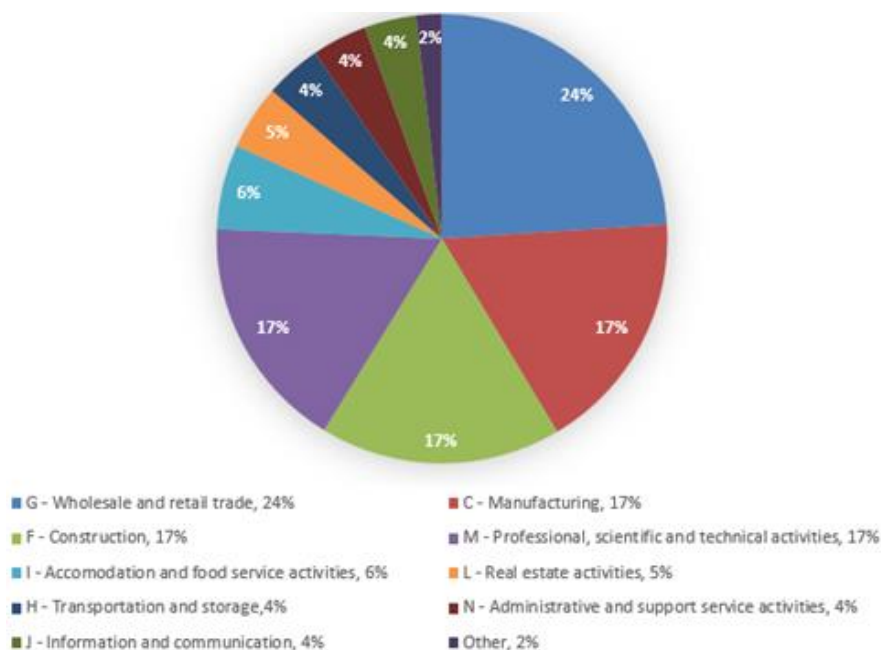


Figure. 11 Division of Czech SMEs according to the NACE classification, source CSU 2014

## 5.3 ICT sector

ICT stands for information and communication technology. ICT industry is crucial for improvement of competitiveness of EU industry and is called the industry of the future. According to European Commission SMEs play very important role – “SMEs are at the heart of innovation in ICT. They play a vital role with their capacities to generate new ideas and quickly transform these into business assets.” (European Commission, 2013).

According to the European Commission (European Commission, 2013) the ICT sector is one of the leading sectors of the European Union. ICT sector to stimulate economic growth in EU in three ways:

- For the EU as a whole has brought the ICT sector value added growth of 8% and is helping to maintain overall employment levels.
- One of the main benefits of information and communication technologies is its efficient use - investment in ICT help to increase productivity.
- Use of ICT enables businesses across industries to increase their overall efficiency and competitiveness.

It is actually estimated that half of the productivity growth in the EU achieved through ICT and quarter thanks to investment in research and development.

### 5.3.1 Definition of ICT

When defining ICT sector, in this thesis is followed NACE (*Nomenclature générale des Activités économiques dans les Communautés Européennes*) (Business Info, 2009) classification. NACE is a statistical classification that has been used by EU since 1970. This classification has to use all the Members. Thus statistical data are comparable across the EU. Czech Republic has been using NACE classification (instead of OKEČ) since 2008 (Business Info, 2009).

Business entities are assigned to ICT based on predominant activity according to the CZ-NACE. Following this classification is Czech Statistical Office dividing ICT sector into four main categories (exact list of economic activities in the ICT sector by CZ-NACE can be found in appendix):

- production of ICT (ICT manufacturing),
- trade in ICT,
- telecommunications,
- services in the field of information technology (IT services).

**Production of ICT** includes the manufacture of computers, peripheral equipment, telecommunications equipment, consumer electronics and their components and parts, including electronic components (semiconductor components), magnetic and optical media, design and use of integrated circuits and highly specialized miniature technology.

**Trade in ICT** includes the wholesale of information and communications technology. Which stays for computers, telecommunications equipment and parts.

**Telecommunications** activities including activities related to the provision of telecommunication services, i.e. voice, data, text, sound and images. This includes providing access to the Internet providers of telecommunication networks. Transmission equipment performing these activities may be based on one or a combination of several technologies.

**Services in ICT** mainly include publishing software, development, modification and testing (programming) software, databases or websites on the contract; planning and designing computer systems, management, operation and repair of computer systems and/or data processing facilities, activities related to the processing of data and the provision of infrastructure for hosting and accessing search engines and other web portals (CSU, 2013).

### 5.3.2 Importance of ICT sector in Czech Republic

ICT industry has over the past few years transformed from an industry on the outskirts in one of the most important sectors of the Czech economy. In 2012 was in ICT industry employed more than 140 000 people which is 2,8% of all employees in Czech Republic. In 1995 in ICT industry was employed 81 000 people with 1,6% share on all employees. It is obvious that number of employees in ICT industry has almost doubled since 1995 till 2012. More and more people is employed in IT services – in 1995 in IT services was employed 37% and in 2012 59% from all people employed in ICT industry. In 2012 was in ICT industry working 21% employees in small ICT companies, 19% employees in medium sized companies and 60% in big companies. This number changes in ICT sub-category IT services a lot. In IT services sub-category was in 2012 employed 49% in small, 24% in medium and 27% in big sized companies.

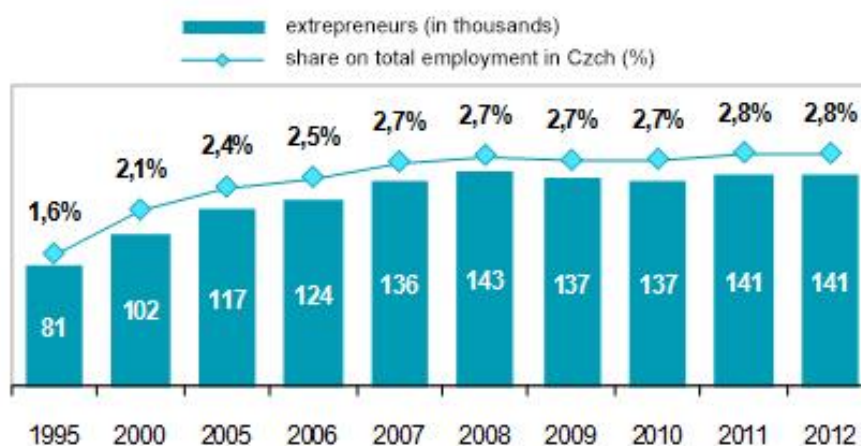


Figure. 12 Employees in ICT industry, source: CSU 2014

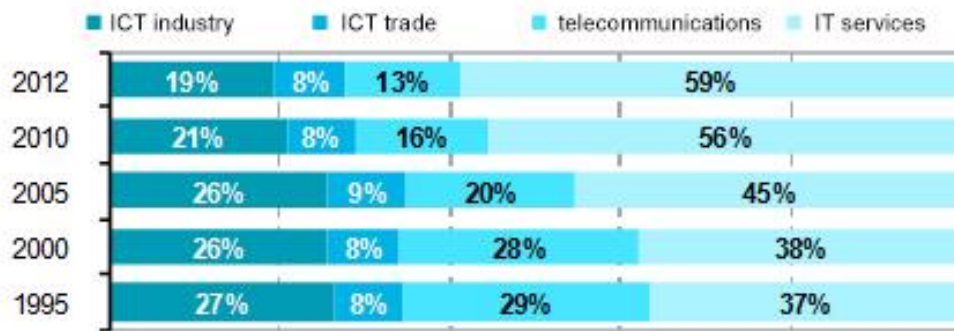


Figure. 13 Employees in ICT industry according to sub-categories, source: CSU 2014

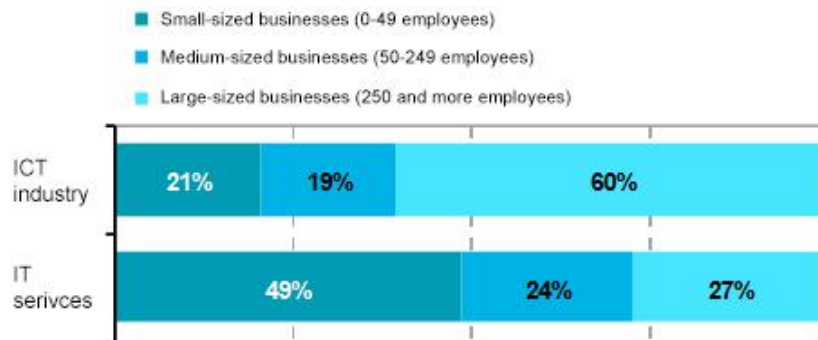


Figure. 14 Employees in ICT industry according to size of company, source CSU

The value of production provided by ICT companies in Czech Republic was 505 305 million CZK. Which is 7 times more than in 1995. Share of particular ICT categories on whole ICT production in 2012 are following: production of ICT 42%, trade in ICT 4%, telecommunications 22% and IT services 33%.

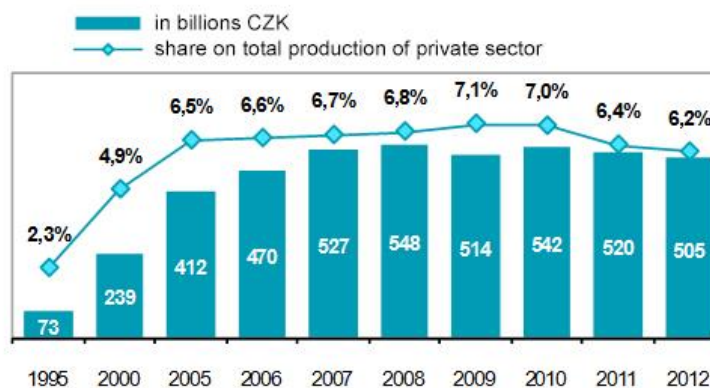


Figure. 15 Value of production created by ICT industry, source CSU



From the following graph is obvious, that in whole ICT industry are crucial players big companies that had 90% share on ICT in terms of value of production. But it is obvious that when it comes to ICT services, SMEs have marginal share. There can be also pointed out that more than 70% of production value is provided by companies that are under control of foreign companies. This high number is given by the fact that Czech Republic has become important locality for outsourcing and offshoring in ICT services (Czechinvest, 2005).

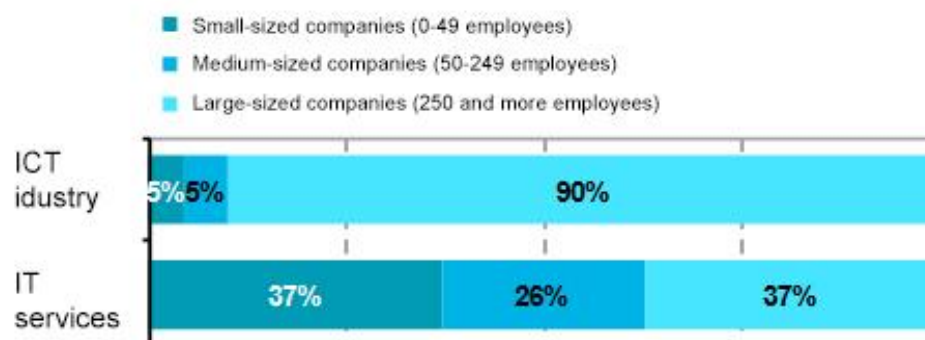


Figure. 16 Production in ICT industry according to size of companies, source CSU

Added value in ICT industry in Czech Republic was 159 422 million CZK in 2012, which is 4,5 times more than in 1995 with the 4,1% share on Czech GDP.

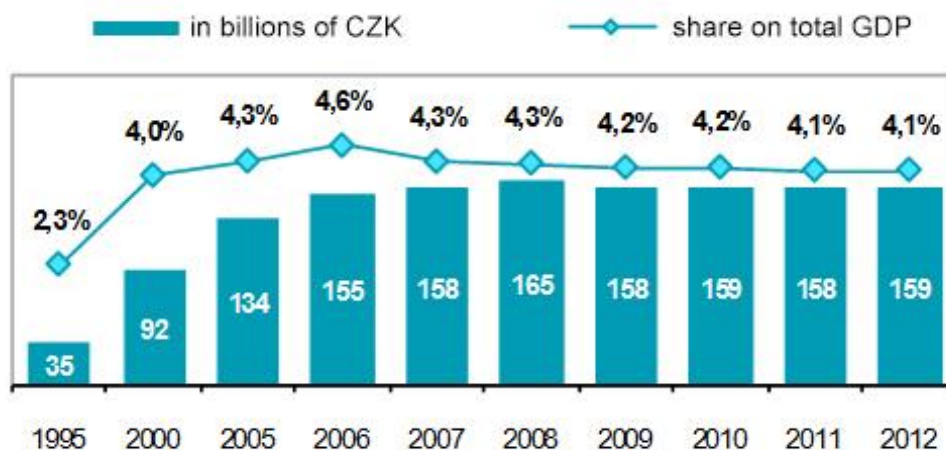


Figure. 17 Added value created in ICT industry, source: CSU

In following graph can be seen that in 2012 was 18% added value created by small, 19% by medium and 63% by big companies. When looking just on the IT services, it is obvious that the numbers are covers. 63% of added value was created by SMEs and 37% by big companies in ICT industry.

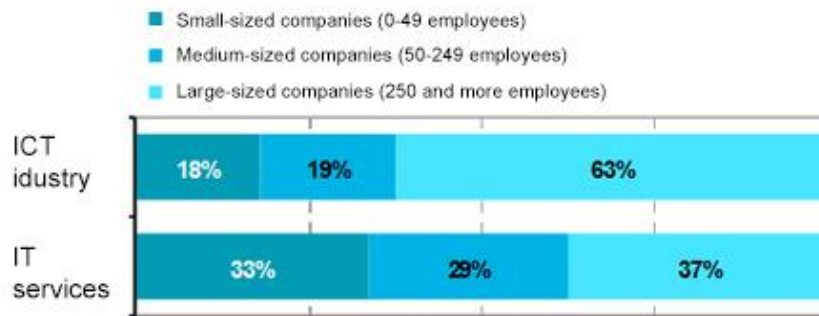


Figure. 18 Value added in ICT industry according to size of companies, source: CSU

Imports and exports of ICT products during 1993 and 2012 time period and their share on total imports to and exports from Czech Republic can be seen in following graph. It is clear that importance of ICT sector is almost constantly growing. It shows that foreign trade in ICT goods in 1993 rose significantly, even in absolute terms and in terms of share of total imports and exports.

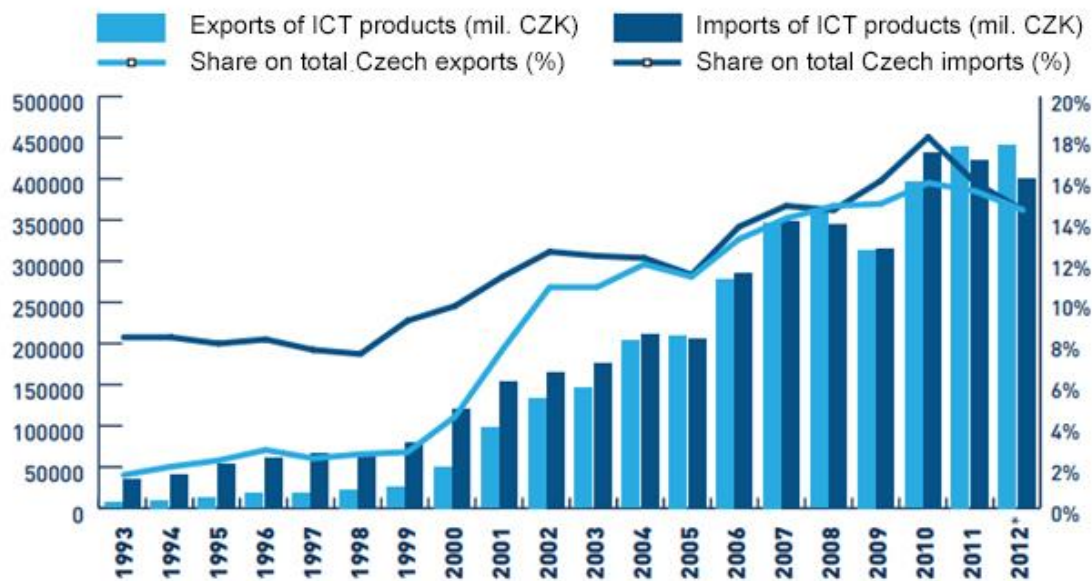


Figure. 19 Development of foreign trade of ICT goods in the Czech Republic (1993 - 2011), Source: SPIR, 2013

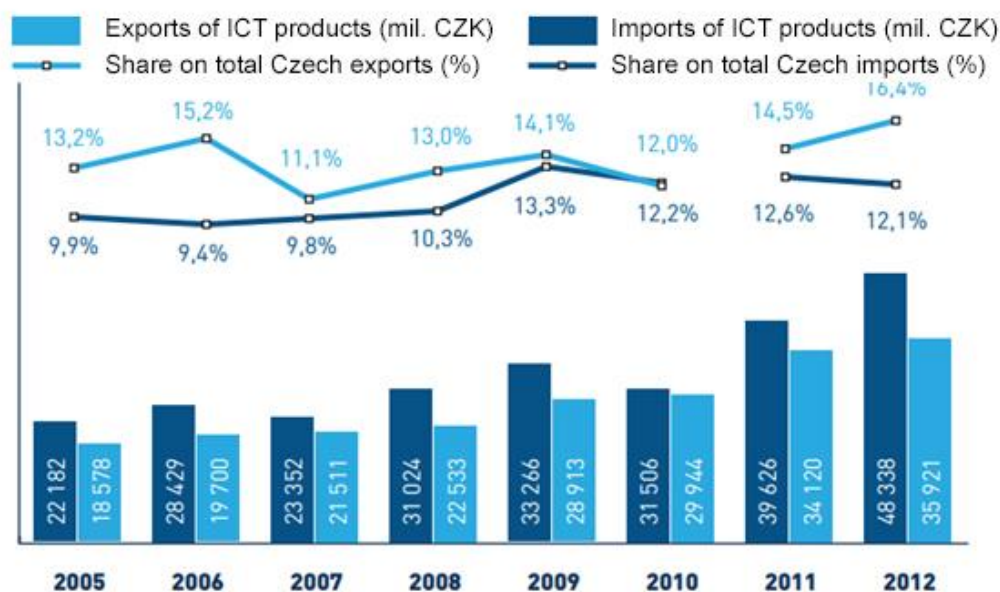


Figure. 20 Development of foreign trade of ICT services in the Czech Republic (1993 - 2011),  
Source: SPIR, 2013

### 5.3.3 Summary analysis of the ICT sector

It is obvious from analysis in this chapter that the importance of ICT sector is increasing. ICT sector is divided into four sub-categories – production of ICT, trade in ICT, telecommunications and IT services. From more detailed data of these sub-categories can be seen that telecommunications sub-category has decreasing trend. Which is caused by the fact that firms and households do not use landlines as much as in the past. Similar development is observed in production of ICT, which is mainly caused by the fact that production (manufacturing) is being moved to countries like China or India, where the cost of production are cheaper. Trade in ICT is the least important sub-category and has never been very important. For instance in terms of employment is almost two times smaller than telecommunications, almost three times smaller than production of ICT and more seven times smaller than ICT services sub-sector.

The most important sub-category is ICT services. This sub-category is also the fastest growing one. In ICT services is employed the most people, is top in terms of added value and this category is top also when it comes to investments into research and development and average wages. Then only observed indicator in which is ICT services sub-sector is not the biggest is value of production created in ICT sector in Czech Republic, but has the highest growth.

## 5.4 Primary data collection, processing and evaluation

### 5.5 Data collection

For the purposes of the thesis and in order to meet goals was chosen electronic questionnaire to collect the primary data. For compiling the questionnaire the emphasis was put on brevity, clarity and aptness of the questions. After compiling the questionnaire was checked whether the questions correspond to the objectives and hypotheses of the thesis. On the basis of the audit were some of the questions and possible answers repaired, removed or, conversely setup. The questionnaire was drawn up on the basis of theoretical knowledge based on scientific literature. The overall goal of the research was to find out influence of the EU on the internationalization process of Czech SMEs operating in the ICT industry and to find out barriers, motives and risks of internationalization that are perceived by Czech ICT SMEs when internationalizing within the EU. This questionnaire can be found in annex.

There were created two questionnaires. One for companies that have not started their internationalization process, but are about internationalize within next 10 years (this one had 11 questions) and second one for companies that are already operating in abroad (this one had 16 questions). Questionnaires were send by e-mail to e-mail addresses of approximately 10 000 Czech SMEs operating in ICT industry (but not all the e-mail addresses were still active. Actually approximately 2 000 e-mail addresses were incorrect or not active anymore). These contacts were found in Amadeus and Albertina databases that are available for PEF Mendelu students. Also Czech organizations, like start-up accelerators and entrepreneurial incubators that do support small ICT companies, were asked to help with the research. Together it was 16 institutions of this kind, but responded just two of them – Node5 based in Prague and South Moravian Innovation Centre based in Brno. These two institutions promised to re-send the e-mail with links to questionnaire to e-mail addresses of their members/participants.

At the whole was collected 114 completed questionnaires from which 63 (55%) was filled by SMEs that are already abroad and 51 (45%) by SMEs that are not abroad yet, bur are about to internationalize in 10 years. Data were collecting during March, April and May 2015. The reason why data were collecting in such a long time period is that it was not possible to send such a big amount of e-mails at one time (without paying for some e-mailing software).

As part of a marketing survey five hypotheses were set and examined their accuracy using statistical methods. Hypotheses were primarily focused on risk factors and barriers to internationalization process and on influence of EU on internationalization of Czech ICT SMEs. Hypothesis are following:

**H1:** The perception of a greater number of risks of internationalization is not depend on whether the company enters markets within the EU.

**H2:** The perception of a greater number of barriers of internationalization is not depend on whether the company enters markets within the EU.

**H3:** Number of foreign markets that is company operating in is not dependent on the size of the company.

**H4:** The perception that the integration of the Czech Republic to the EU has brought new opportunities for expansion and made expansion into the EU easier is not dependent on the share of revenue from the EU on total revenue from abroad.

## **5.6 Data processing and evaluation**

As mentioned earlier, 114 Czech SMEs operating in ICT industry and planning to internationalize or already internationally operating took part. The first group of companies were answering to 11 questions and second part of companies were answering to 16 questions. This part of the thesis will be divided into following parts:

- General information about companies
- General information about internationalization
- Motives of internationalization within the EU
- Barriers of internationalization within the EU
- Risks of internationalization within the EU
- Internationalization within the EU

### **5.6.1 General information about internationalization**

#### **Presence of companies in foreign markets**

Most of the companies, that are already present internationally, entered international market 5-6 years ago (24% of companies). Second big group of companies are internationally present 3-4 years (22%) and the third biggest group are companies internationally present 1-2 years (15%). So 61% companies are internationally present 6 years at maximum. Only 2% are present more than 16 years.

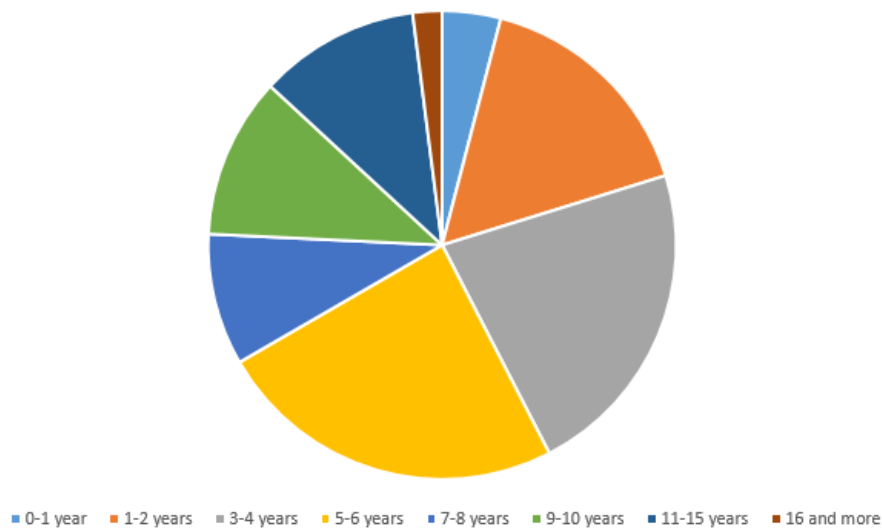


Figure. 21 Number of years that are companies present in international market

Here can be mentioned answers provided by ICT SMEs that are not yet internationally active. Most of these companies plan to internationalize within 2 years. There is 53% companies with this plan. 28% companies are about to internationalize in 5 years, 13% in 10 years and 6% later. From this perspective it is obvious that if company is planning to internationalize, it is about to do that quite soon.

Another statistics in this sub-chapter will be mention. It is division of companies according to number of foreign countries that have some international activities with. 51% SMEs are present in one or two countries. 20% are present in 3-4 countries and 9% in 5-6 countries. Together it gives that 80% companies are present in 6 countries at maximum. 4% SMEs are operating in 21 countries and more.

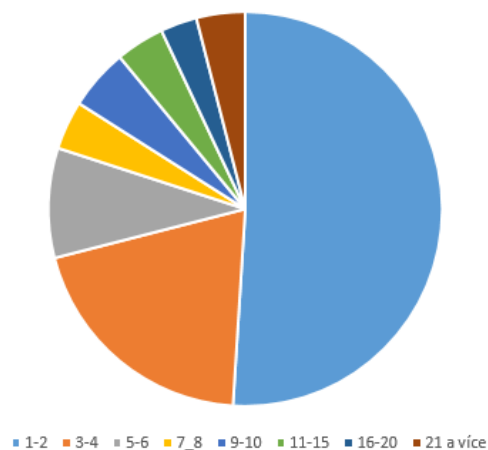


Figure. 22 Number of foreign countries that are companies present in

### Entry mode

This question is concerned with the way how companies entered foreign market when internationalizing for the first time. In other words what was their entry mode when entering their first foreign market. There was more options based on the literature research and each company could choose just one option. Compete results can be found in following table in the same order as it was published in questionnaire. It is clear that 60% SMEs chosen direct export when entering foreign market for the first time. Direct export is followed by indirect export (13%) and licencing (7%).

| <b>Entry mode</b>                              | <b>Not-internationalized</b> | <b>Internationalized</b> |
|--|------------------------------|--------------------------|
| Direct export                                  | <b>28%</b>                   | <b>60%</b>               |
| Indirect export                                | 19%                          | 13%                      |
| Establishing a branch in foreign market        | 19%                          | 5%                       |
| Takeover or fusion                             | 0%                           | 0%                       |
| Establishing a new company in a foreign market | 0%                           | 4%                       |
| Licensing                                      | 19%                          | 7%                       |
| Franchising                                    | 3%                           | 2%                       |
| Joint venture                                  | 3%                           | 2%                       |
| Others   | 9%                           | 7%                       |

Tab. 4 Entry modes

Numbers are quite changed when it comes to companies that have no internationalized yet, but are about to do that. Number one choice how to enter foreign market for the first time still remains direct export. But percentage of companies that chosen this answer dropped from 60% to 28%. With the very same percentage are indirect export, establishing a branch in foreign market and licensing on the second place as the second most common option. Absolutely no company chosen takeover or fusion as a foreign market entry mode for the first time. This fact, that takeover or fusion with foreign company is not so common for SMEs is also covered in literature. Similar counts for establishing a new company in a foreign country (0% for not-internationalized and only 4% for internationalized companies) or franchising (3 and 2%) and joint venture (3 and 2%).

In this part of the thesis will be also mentioned question asking how, or how fast want companies, that are not present in any foreign market yet, internationalize. Interesting here is that two extreme options gained the most votes. First extreme is option that company planes to enter only countries that are geographicaly or culturally close to Czech Republic (for instance Slovakia, Poland, Austria or Germany). This option gained 28%. Another extreme is option that company wants to enter directly global market and this option gained 25%.

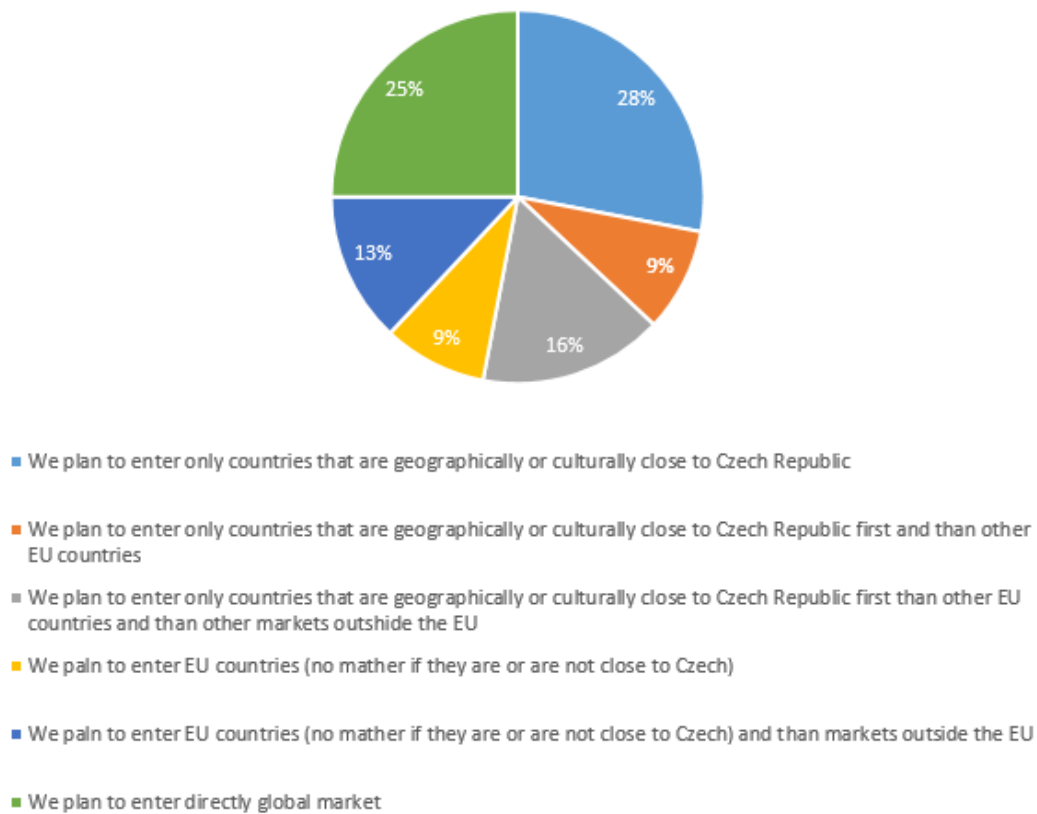


Figure. 23 How fast plan companies to internationalize

### Foreign presence

This question was only for companies that already have some international business activities. More than one half of companies answered that they are present in Slovakia. It is exactly 56% from all the companies. Next single country that have Czech companies foreign relations with is German (31%). When it comes to other two neighbouring countries of Czech Republic, companies are in both present equally – in Austria as well as in Poland is present 13% of them. In South America has no company any international business activities from respondents.



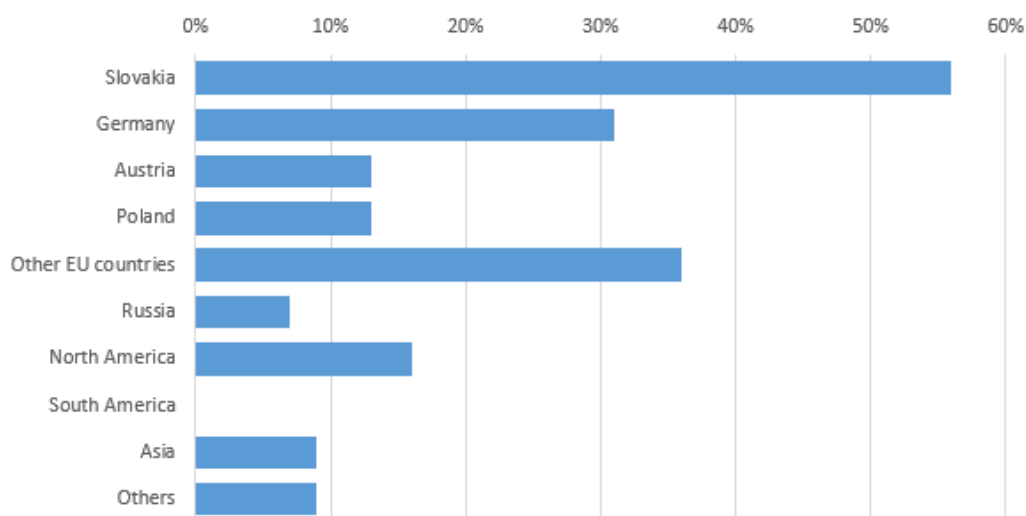


Figure. 24 Division of presence in foreign countries

Next question worth mentioning in this sub-chapter is whether companies, that already had internationalized, are planning to enter more countries. 71% of them answered that they want to expand their international activities into more countries. More specifically – to do that in two years answered 44% of them, in 5 years 20% and in 10 years 7% of respondents want to enter more countries. On the other hand 22% companies do not want to increase international activities and 7% are not sure about this question and answered that they do not know.

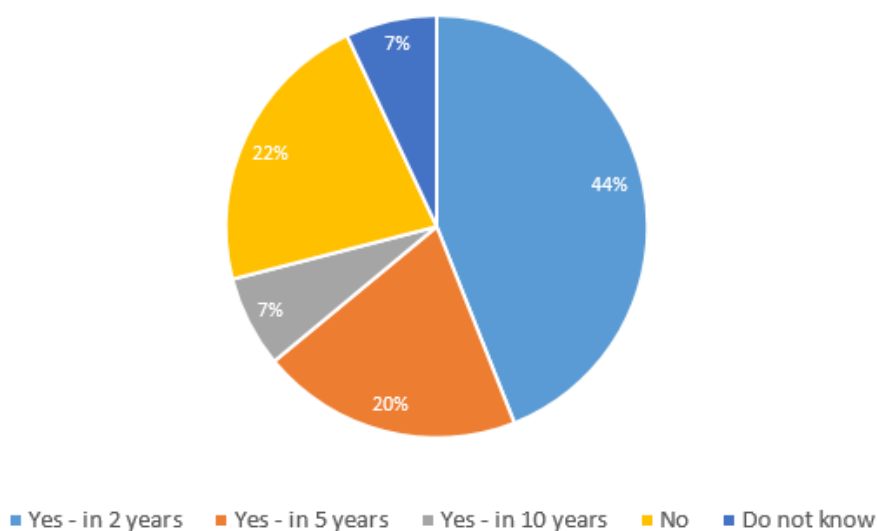


Figure. 25 Expansion of international activities

Question related with the previous one is to which foreign countries exactly are do companies plan to extend their international activities. This question was

available only for companies that are already internationally active. Most of the countries plan to enter EU countries, except those that are direct neighbours with Czech Republic. Specifically it is 51% of companies. It is obvious from the first graph of this sub-chapter that majority of respondents are already present in Slovakia. But still 9% companies do plan to increase international activities into this country. Also another Czech neighbours gained quite big attention from which the biggest gained Poland (21%), Germany (14%) and Austria (14%). From this point of view is obvious that EU countries and their markets are very important for Czech SMEs and majority of them are already present in EU markets and/or are planning to extend their international activities into even more EU countries. So EU countries are crucial for Czech SMEs.

When it comes to countries that are outside the EU, Russia and South America gained the same interest – 9% both. 12% of companies plan to expand their international activities into Asia, 7% to North America and 7% to other countries. These numbers shows that EU is for Czech ICT SMEs crucial, but expansion to other than EU countries is not negligible. In the following graph are compared answers by companies that are already present in international market. There is comparison between countries that are already present in and countries that they plan to enter.

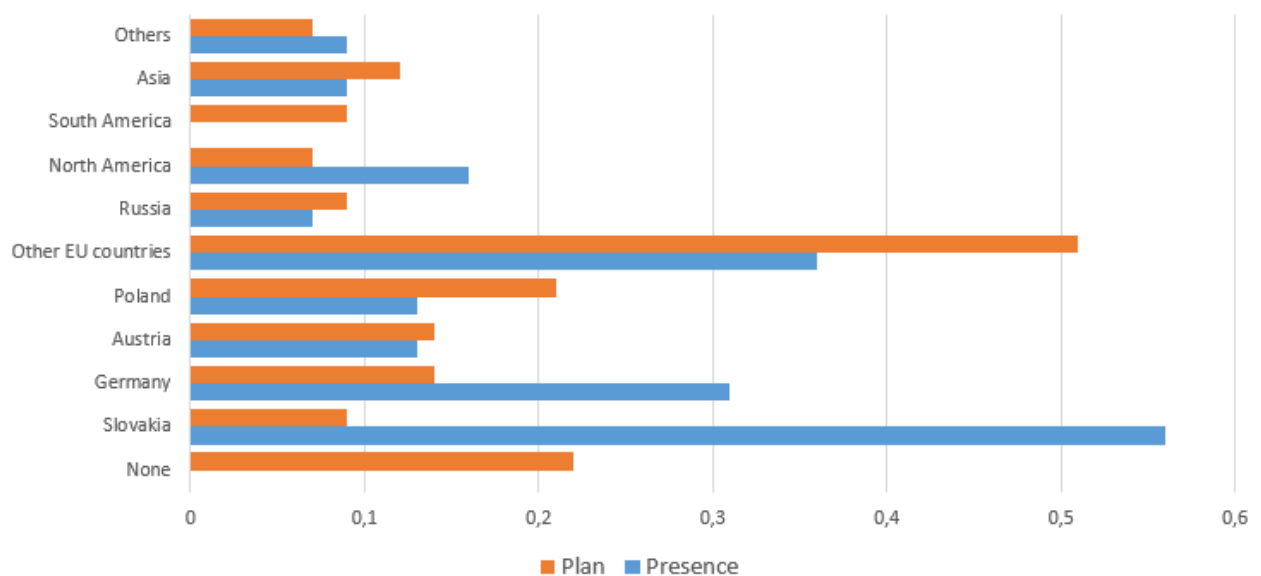


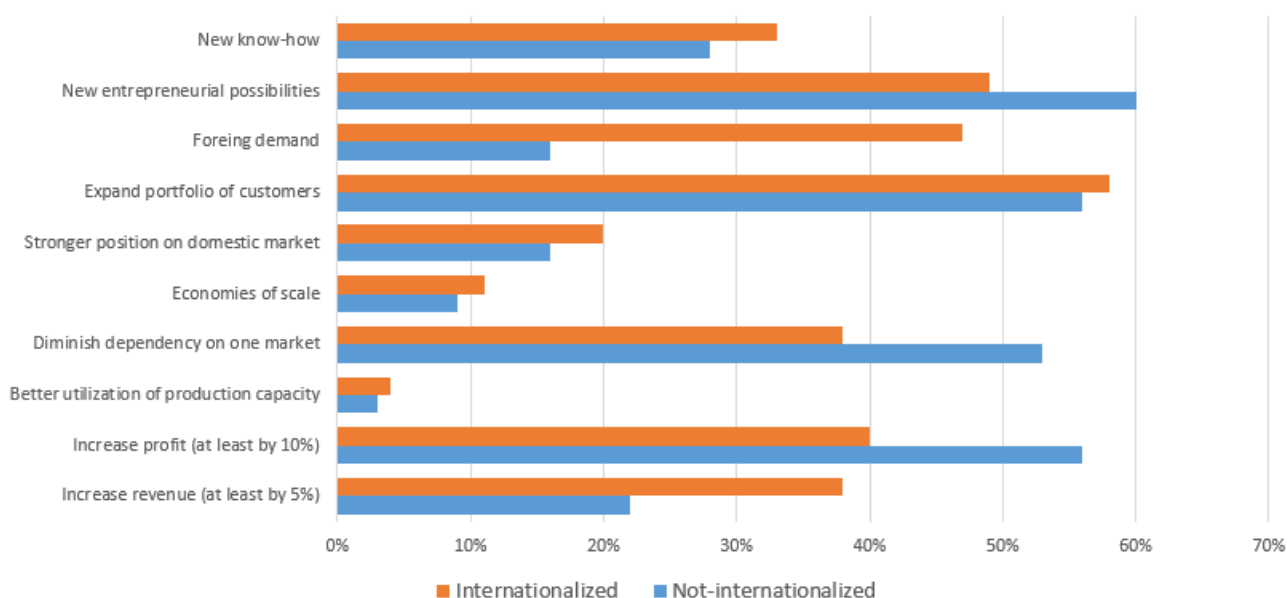
Figure. 26 Division of countries that are companies already present in and countries that plan to enter in the future

### 5.6.2 Motives of internationalization within the EU

Till now there was described general information about companies that took part in this research. There is a picture of how the companies are big and information about their internationalization process. Important question is what are their mo-

tives of internationalization. Both groups of respondents were asked this question. In following graph will be these two groups compared.

Three most important motives of internationalization within the EU for companies that are already internationally active are: expand portfolio of customers (58%), new entrepreneurial possibilities (49%), and foreign demand (47%). Three most important motives for companies that are not internationally active yet are: new entrepreneurial possibilities (60%), and increase profit and expand portfolio of customers (both with 56%). Very important motive for these respondents is also to diminish dependency on one market (53%). It is obvious that two of top three motives are for both groups the same. To expand portfolio of customers and new entrepreneurial possibilities are very important motives for SMEs no matter if they are or are not internationally active. On the other hand the biggest difference is in foreign demand motive. For internationally active companies this is the third most important motive. On the other hand for not-internationally active SMEs it is the third least important motive. For both groups of companies the least important



motives of internationalization are economies of scale and better utilization of production capacity.

Figure. 27 Graph: motives of internationalization within the EU

### 5.6.3 Barriers of internationalization within the EU

In the survey there was 22 barriers chosen according to literature and companies could decide how serious they are/were as a barrier of internationalization. Due to the scale will be in this part of the work selected only the most important of them.

Most serious barriers for internationally active companies are: difficulties with reaching potential customers abroad, difficulties in obtaining reliable representation abroad and strong competition in abroad.

On the other hand the least serious barriers for this group of companies are: inability to offer satisfactory price, tariff barriers and worse/more difficult collection of payments from abroad. There was actually more barriers that were not also so much important for companies. For instance social and cultural differences, unknown foreign trade practices, unequal tax burden compared with domestic enterprises, inadequate protection of rights or excessive transportation costs.

Most serious barriers for internationally not yet active companies are: difficulties in obtaining reliable representation abroad, the need to adapt products and services to the requirements of foreign markets, and difficult to reach potential customers abroad.

The least serious barriers for this group of companies are: inability to offer satisfactory price, insufficient protection of rights and different or different safety and technical standards. Also another barriers falling into the category of the least serious barriers can be mentioned. They are: worse/more difficult collection of payments from abroad, tariff barriers and insufficient quantity and qualifications of employees of the company.

There can be found some similarities among the two groups of companies. Difficulties in obtaining reliable representation abroad and difficulties with reaching potential customers abroad are the biggest issues for both of the groups. No matter whether the company is or is not internationally active. On the other hand the least serious barriers for companies from both groups are: tariff barriers and insufficient protection of rights.

#### **5.6.4 Risks of internationalization within the EU**

In the questionnaire were both groups of respondents asked to evaluate 9 risks, that were chosen based on the literature review, in order to find out which are the most and which are the least serious risks according to the companies.

Answers of internationally active companies are interesting from the point of view that most risk are according to them not so serious. Put differently – most of the risks were evaluated by more than 50% of respondents that they have perceived those risks as not serious or absolutely not serious. Some risks even had no positive vote saying “Yes, our company had to face this risk when entering foreign market”. So the least serious risks according to SMEs that are internationally active are: risk of natural disaster, risk of changes in the political situation on foreign markets and risks connected with the transportation to foreign countries.

On the other hand the most serious risks are according to respondents following: the risk of a wrong choice of foreign trade partners, exchange rate risk and risk of unsaleable or low sales of the products.

The least serious risks perceived by not-internationalized companies are: risk of natural disaster, risks connected with the transportation to foreign countries and the risk of seasonal fluctuations and changes in the economic situation abroad.

The most serious risks perceived by not-internationalized companies are: the risk of a wrong choice of foreign trade partners, exchange rate risk and risk of unsaleable or low sales of the products.

When comparing data in this sub-chapter it is obvious that there are not so big differences between internationalized and not-internationalized companies. Two out of three least serious risks are the same for the two groups of companies. Those are risk of natural disaster and risks connected with the transportation to foreign countries. And the most serious risks are totally the same for both groups.

### 5.6.5 Internationalization within the EU

Previous sub-chapters were concerned with barriers, risks and motives of internationalization within the EU. This sub-chapter is concerned with more general topics – how do companies perceive EU in terms of their internationalization.

#### Comparison of internationalization within the EU and outside the EU

Aim of this sub-chapter is to summarize overall benefit of EU for Czech ICT SMEs. Internationally active as well as internationally not active companies were asked 10 specific question where they should compare internationalization on internal market within EU and internationalization outside the EU. In following graph are compared answers of both groups. The higher the percentage, the more companies agrees with particular opinion.

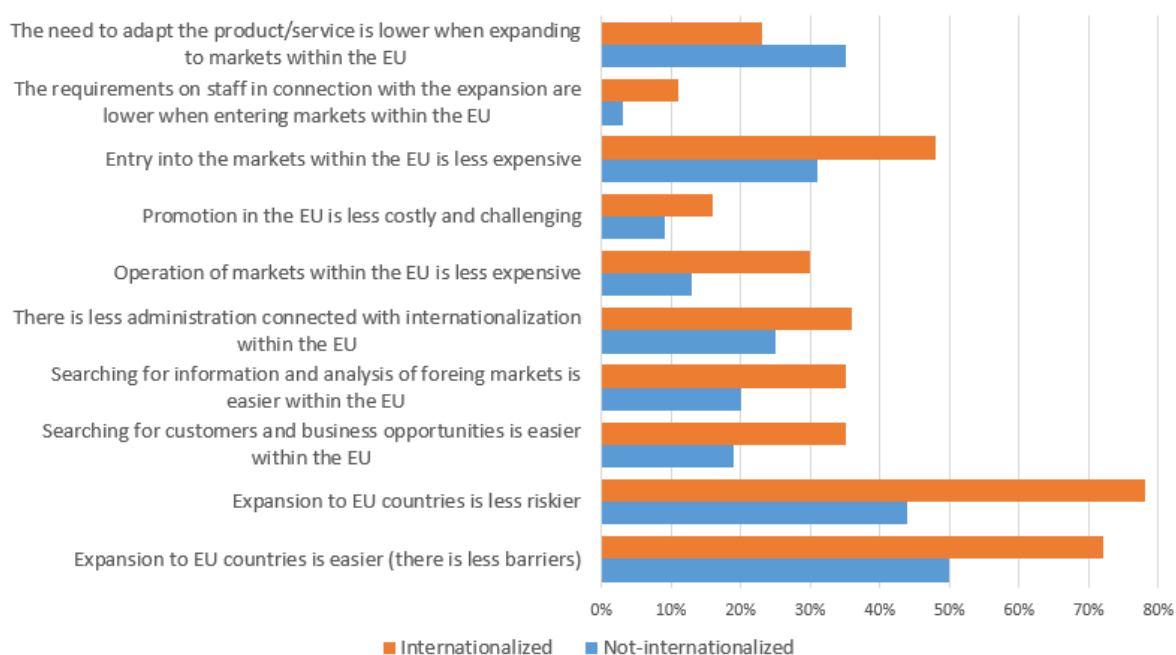


Figure. 28 Comparison of internationalization within the EU and outside the EU

It is obvious from previous graph that that companies that are already internationally active perceive role of the EU in 9 out of 10 cases more positive than companies operating only on domestic market so far. The only question where this relation is reversed is the need to adapt product/service is lower when expanding

to markets within the EU. This is actually top third question about which are not-internationalized companies most optimistic when it comes to role of the EU. The most beneficial is the EU according to not-internationalized companies in the area of risks and barriers. 50% of not-internationalized companies believe that expansion to foreign markets within the EU is connected with less barriers and 44% believe that it is less risky than expansion outside the EU.

These two benefits of the EU appears on the first places of internationally active companies as well. But the number are almost doubled. 78% of internationally active companies believe that internationalization within the EU is less risky and according to 72% of companies is connected with less barriers. The third top benefit of the EU is according to 48% companies in this group fact that entry into the markets within the EU is less expensive than expansion to foreign countries outside the EU. European Union is not so beneficial when it comes to staff requirements, promotion and operation of foreign markets.

### Internationalization according to closeness of the markets

In previous sub-chapter were introduced results from important question, where companies were comparing expansion within the EU and outside the EU. In this sub-chapter will be compared internationalization to countries that are geographically or culturally close to Czech Republic with foreign markets outside the EU.

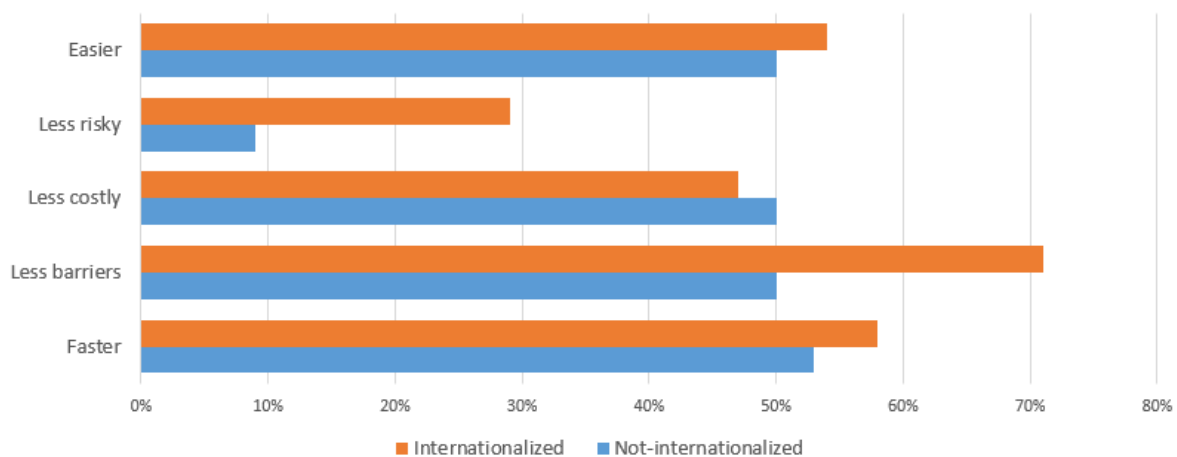


Figure. 29 Internationalization according to closeness of the markets

Also here can be observed the trend that more optimistic are internationally experienced companies. 71% of them believe that there is less barrier when entering countries that are close or similar to the Czech Republic and more than a half of them believe that internationalization to such a countries is faster and easier than internationalization to other countries of the EU. The least optimistic in this question are both groups of companies when it comes to question of risks.

### Overall influence of the EU on internationalization of Czech SMEs

Companies in the survey were also asked very simple question: “Do you think that the inclusion of the Czech Republic to the EU has brought to your enterprise new opportunities for expansion and made expansion into the EU easier?” Companies could answer to this question on scale from Absolutely yes to Absolutely no. Division of the answers can be seen on following graph.

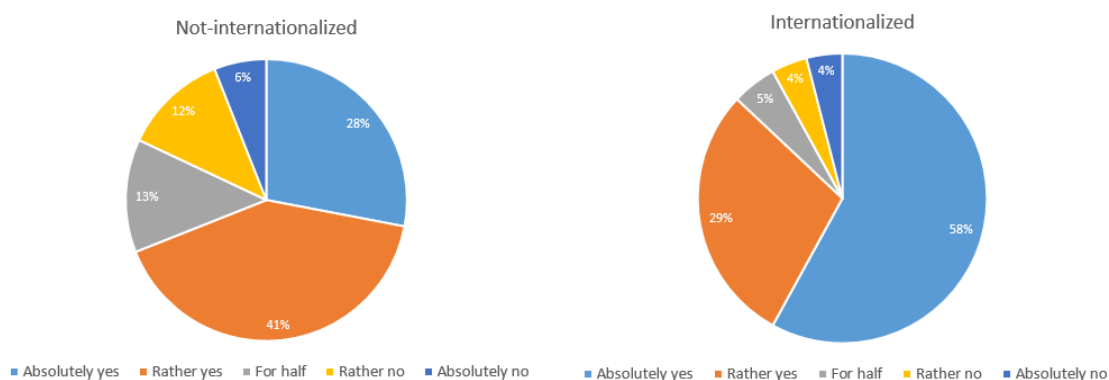


Figure. 30 Overall influence of the EU on internationalization of Czech SMEs

It is obvious from graph that also in this case are internationally active companies more positive about the role of the EU than domestically operating companies. Exactly 87% of internationally active companies believe that the fact that Czech Republic is a Member of the EU has positive effect on their internationalization. On the other hand “only” 54% companies from the second group believe in that.

#### 5.6.6 Hypothesis testing

Before elaborating this chapter five hypothesis was set and in this chapter will be, based on data collected from survey, tested. For each hypothesis was first established null hypothesis (tested hypothesis  $H_0$ ), and then the alternative hypothesis ( $H_1$ ), which can be taken in case of rejection of the null hypothesis. Null hypothesis expresses independence between the characters and the alternative hypothesis expresses the opposite – dependence. P-value was chosen to decide whether null hypothesis will or will not be rejected that was compared with  $\alpha$  value. For a decision on the null hypothesis was used 5% level significant ( $\alpha = 0.05$ ).

If the p-value has reached a higher value than the specified level of significance, the null hypothesis ( $H_0$ ) could not be dismissed. Conversely in opposite case when p-value reached less than or equal to the set level of significance  $\alpha$ , the null hypothesis ( $H_0$ ) of the independence of both characters was rejected and accepted alternative hypothesis ( $H_1$ ) of the dependence of the two characters.

**Hypothesis 1:**

*H<sub>0</sub>*: The perception of a greater number of risks of internationalization is not depend on whether the company enters markets within the EU.

*H<sub>1</sub>*: The perception of a greater number of risks of internationalization is depend on whether the company enters markets within the EU.

At a significance level of  $\alpha = 0.05$  can be rejected the null hypothesis because the p-value of 0.03115 came out and thus applies that  $p \leq \alpha$ . It can be therefore accepted the alternative hypothesis (H1). So it can be said that perception of a greater number of risks of internationalization is depend on whether the company enters markets within the EU. Rejection of *H<sub>0</sub>* hypothesis and acceptance of alternative hypothesis refers to the fact that SMEs that took part in the survey believe that internationalization within the EU is less risky than internationalization outside the EU.

**Hypothesis 2:**

*H<sub>0</sub>*: The perception of a greater number of barriers of internationalization is not depend on whether the company enters markets within the EU.

*H<sub>1</sub>*: The perception of a greater number of barriers of internationalization is depend on whether the company enters markets within the EU.

At a significance level of  $\alpha = 0.05$  cannot be rejected the null hypothesis because the p-value of 0.13888 came out and thus applies that  $p > \alpha$ . It cannot be therefore accepted the alternative hypothesis (H1) that perception of a greater number of barriers of internationalization is depend on whether the company enters markets within the EU. In other words it cannot be said that SMEs that took part in the survey believe that internationalization within the EU is companied with smaller number of barriers than internationalization outside the EU.

**Hypothesis 3:**

*H<sub>0</sub>*: Number of foreign markets that is company operating in is not dependent on the size of the company.

*H<sub>1</sub>*: Number of foreign markets that is company operating in is dependent on the size of the company.

At a significance level of  $\alpha = 0.05$  can be rejected the null hypothesis because the p-value of 0.0075 came out and thus applies that  $p \leq \alpha$ . Therefore the alternative hypothesis (H1) can be accepted. So it can be said that there is relationship between size of the company and its international activities. Bigger companies are operating in more foreign markets than smaller companies.



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**Hypothesis 4:**

*H<sub>0</sub>*: The perception that the integration of the Czech Republic to the EU has brought new opportunities for expansion and made expansion into the EU easier is not dependent on the share of revenue from the EU on total revenue from abroad.

*H<sub>1</sub>*: The perception that the integration of the Czech Republic to the EU has brought new opportunities for expansion and made expansion into the EU easier is dependent on the share of revenue from the EU on total revenue from abroad.

At a significance level of  $\alpha = 0.05$  can be rejected the null hypothesis because the p-value of 1.19783E-30 came out and thus applies that  $p \leq \alpha$ . Therefore the alternative hypothesis (H1) can be accepted. So it can be said that with increasing engagement in EU foreign markets is increasing positive opinion on European Union. The more is company involved in foreign markets, the more believes that EU has brought new opportunities for expansion and made expansion into the EU easier.

The result of hypothesis testing is that only one out of four null hypothesis was not rejected. In three cases null hypothesis was rejected and alternative hypothesis were accepted. Result of the testing shows that according to respondents, membership of Czech Republic in the EU has decreased perceived barriers of internationalization within the Union (which is not the case for risks) and believe that European Union has opened new international opportunities and made internationalization within the EU easier. The results also showed that there is relationship between size of the company and its international involvement.

## 6 Discussion

Crucial part of the thesis was primary data collection. Data needed for the purpose and to meet the goal of the thesis were collected by questionnaire survey. Companies were contacted via e-mail with enclosed links to electronic questionnaire. E-mail addresses of Czech SMEs operating in ICT industry were found mainly in Amadeus and Albertina databases available for PEF Mendelu students, but also Czech major institutions (both private and public) supporting start-ups and new businesses were asked to help in research. Together 16 of them were asked and only 2 of them responded positively (Node5 and South Moravian Innovation Centre).

There is more problems with such a way of research. About 10 000 e-mail addresses were found in mentioned databases and e-mail with links to questionnaires and providing letter was send to each of them. But about 2 000 e-mail addresses were not active anymore and it was not possible to reach them. Electronic questionnaire was filled only by 114 firms. E-mails might be also caught by spam filters, questionnaire might be too long or respondents did not have time or were not willing to fill the questionnaire. These and other reasons may explains such a low return of completed questionnaires.

Two questionnaires were needed – one for companies that are not internationally active and second one for companies that are internationally active. By the first mentioned group of companies was filled 51 questionnaires and by the second group of firms 63 of them. Number of completed questionnaires is not a sufficient sample of Czech SMEs in ICT industry so findings cannot and will not be generalized to all Czech SMEs in ICT industry. This thesis focuses primarily on the presentation of specific findings from the evaluation of the respondents' answers.

Based on primary data from research were described and evaluated motives, barriers and risks of internationalization within the EU as well as overall opinion of respondents on the role of the EU on internationalization. It should be mentioned here that every company as well as every person has its specifics and so perceiving of above mentioned phenomena might be very subjective.

From results of testing of hypotheses is particularly surprising null hypothesis of the first tested hypotheses was rejected and null hypothesis of the second tested hypothesis was not rejected. First hypothesis was concerned with risks and the second one with barriers. It was expected to reject both hypothesis. So companies that took part in the survey do believe that the EU has positive role in decreasing risks of internationalization within the EU but cannot be said that has positive role when it comes to barriers question.

Interesting finding was that companies internationally active do generally perceive role of the EU on internationalization more optimistically than companies that are operating only on domestic market. Not only one but results from more questions do support this finding. Higher percentage of internationally active companies than internationally not-active companies do believe that internationalization within the EU is connected with less risks, smaller number of barriers, reach-

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ing of customers is easier, entry into the markets within the EU is less expensive or that searching for information and analysis of foreign markets is easier within the EU than outside the EU. From reached data is not possible to say why is it like that and this topic can be inspiration for single research.

Results of the primary research can be compared with other studies dealing with similar topic. For instance large research by OECD (2009) among SMEs (among SMEs from all the industries, not only from ICT industry) had very similar results when indicating barriers of internationalization. These were divided into four groups: shortage of working capital to finance exports, identifying foreign business opportunities, limited information to locate/analyse markets and inability to contact potential overseas customers. Also motives of internationalization can be compared with this major study. OECD (2009) study identifies four most important group of motives: growth motives, knowledge related motives, network/social ties and supply chain links, domestic/regional market drivers. Also here can be found similarities, especially when it comes to growth motives and domestic/regional market drivers. From findings of the survey made for purposes of this thesis is clear that among most important motives of internationalization of respondents are profit increase, increase of customers portfolio, new business opportunities abroad and decrease of dependency on one market.

Also in Toulová (2012) can be found similarities in this field. Among others – both researches shows that one of the least important motives of internationalization is economies of scale. Interesting is that in Toulvás' research increase in revenue is more important than increase in profit. This order is opposite in this thesis primary research. Difference also is that better utilization of production capacities is the very least important motive according to respondents of research for this thesis (only 4,4 perceive this as an important motive of internationalization). On the other hand in Toulvás' research more than 50% of respondents perceive this as an important motive.

Respondents of Toulovás' research were Czech SMEs in all the industries. Since this thesis is concerned with Czech SMEs operating in ICT industry it is appropriate to compare results with primary research by Starnovský (2014) that was also concerned with internationalization of Czech ICT SMEs. Result of both researches was that most of the companies (around 60%) chosen direct export as the way to enter foreign market when internationalizing for the first time. Both researches also showed that most important foreign markets for respondents is Slovakia followed by Germany Austria and Poland (so countries that are geographically or culturally close to Czech) and other EU countries.

It was not possible to compare results of the thesis with results of any other research that would be concerned with the very same topic (which is impact of the EU on the internationalization of Czech SMEs in ICT industry) because there was not found research of this kind. But it might be interesting and helpful to compare results of this thesis that is concerned with internationalization of ICT SMEs with researches among SMEs from different industries.

Comparison can be made between Czech SMEs in ICT industry that took a part in the survey and Czech SMEs in engineering industry (research by Vítová, 2013). One of the similarities among abovementioned researches is that according to both companies choose direct export as a way to enter foreign market when internationalizing for the first time. Another similarity is that companies in both industries perceive natural disaster risk as the least serious. Also the need to adapt prices for foreign customers and different norms and regulations in abroad are not according to respondents in both surveys very serious. On the other hand economical and business risks as the most serious according to them as well as strong foreign competition. On the other hand the risk of unsaleability or low saleability of products or services in abroad is perceived by engineering companies as much more serious than by ICT companies. The same counts for the risk of insolvency or payment unwillingness of foreign customers. Only 11% of ICT respondents believe that this is serious risk comparing with 39% respondents from engineering industry.

The results of primary research presented in this thesis can be also compared with results of research among SMEs in textile industry (Votoupalová, 2012). It can be said that respondents that operate in textile industry are more internationally active, because in 5 and more countries operate 42% of them. Comparing with 29% of ICT companies. And in 1-2 foreign markets operate 35% of textile companies and 51% of ICT companies. For both groups of companies the most important markets are countries neighbouring with Czech Republic. But the division of their importance is different. While for ICT respondents the very most important market is Slovakia for companies in textile industry the most important market is Germany. Similarities can be also found when it comes to question of barriers of internationalization. Least serious barrier for textile companies is cultural barrier which is also for ICT companies one of the least serious barrier. In the research can be found that also for SMEs in textile industry the most common way of internationalization is direct exporting.

Interesting may be also to compare ICT and food industry (research made by Sedláková, 2014). This research confirms importance of neighbouring countries for internationalization of Czech SMEs. Slovakia, Germany, Poland and Austria (in this order) are the most important markets for Czech SMEs in food industry. Interesting here is that Hungary is the fifth most important foreign market for SMEs in food industry. The most important motives for food companies are increase of profit (one of the most important motive for ICT companies) and extension of portfolio of customers (the most important motive for ICT companies). One of the most serious barriers of internationalization is according to both surveys the problem with obtaining reliable foreign business partners. On the other hand surveys diverge in the perception of barriers connected enormous costs of transportation. More than 70% of ICT respondents do not perceive this as serious barrier. On the other hand for SMEs in food industry this is the fifth most serious barrier. This big difference is probably given by fact that a portion of ICT products and services can

be traded and sold online. So in many cases ICT companies do not even need a transportation.

Although the research was done on a very small sample of businesses, we can see a general trend, if we compare the results with the findings of other investigations. Also some differences between particular industries can be found.

## 7 Conclusion

Most of the companies in the world fall into the SME category. More than 98% of companies are SMEs worldwide and EU as well as Czech Republic are not exceptions. SMEs are crucial for the economy by creating employment possibilities, taking part in international operations, and among others by developing innovations.

In the EU there is more than 21 million small and medium sized companies (which is 99.8% share on total number of companies), employing more than 88 million people (with 66,9% share on total employment) and creating 3,666,779 million euros value added in 2013 (with 58,1% share on total value added).

There is more than one million SMEs in Czech Republic and their international activities are almost constantly growing. Share of SMEs on total Czech exports was in 2013 53.6% and share on imports was 58.4%. In 2013 there was exactly 1,124,910 SMEs in Czech (with 99.88 share on total number of companies). Czech SMEs were in 2013 employing 1,782,000 people (60% share) and their share on total value added was 54.8%.

Importance of ICT sector is increasing in Czech as well as in the European Union. It is estimated that 50% of productivity growth within the EU is achieved through ICT. ICT sector is not stimulating economies and firms in European Union only by increasing productivity, but also by increasing employment and use of ICT improves efficiency and competitiveness of companies across industries.

More than 140 000 people is employed in ICT industry in Czech Republic. This number has almost doubled during the last decade. Value of production of ICT companies in Czech is more than 500 000 million CZK which is 7 times more than in 1995 and value added of companies in this industry exceeds 150 000 million CZK which is 4.5 times more than in 1995. Share of ICT products and services on imports is 16% and share on exports is 18% (and growing – in 1995 share on imports was around 2.5% and share on exports was not even 1%).

The main goal of the thesis was to find out how is the fact, that Czech Republic is a member of the EU is influencing internationalization of Czech SMEs operating in ICT industry. Partial goal of the thesis was to find out barriers, risks and motives of internationalization of Czech ICT SMEs within the EU.

Primary and secondary data were analysed to fulfil both the main and partial objectives. Characteristics and development of SMEs and ICT sector within Czech Republic as well as within the EU were described using secondary data. In order to collect and analyse primary data was used an electronic questionnaire survey. Actually two questionnaires were needed. One for Czech ICT SMEs that are internationally active and one for companies that are not internationally active yet but do plan to internationalize.

According to the data gained by questionnaire it can be summarized that most important foreign market for companies that took part in the survey is Slovakia (for more than 56% of them) followed by Germany (31%). Other than neighbouring EU countries are important for 36% companies. North America (16%) is the most important foreign market outside the EU but it can be said that EU market is

crucial for SMEs who participated the questionnaire survey. The answer to the question why are neighbouring countries so important in terms of sales for companies that took part in the survey might be that according to 50% or more internationally active as well as internationally not-active companies internationalization to countries that are geographically or culturally close to Czech Republic is faster, easier, less costly and is connected with less barriers.

Another finding is that there is a positive relationship between the size of the company and extension of its international activities and that most of the companies entered foreign market (60% of internationally active companies) through direct exports when internationalizing for the first time and 28% of not-internationalized companies plan to use direct export as their entry mode. No company internationalized or plans to internationalize by takeover of fusion entry mode for the first time. Interesting is the most common answers to question how, or how fast company wants to internationalize were the two extreme questions. Most of the companies (28%) want to enter country that are geographically or culturally close to Czech Republic only and second most common answer (25%) was that companies plan to enter directly global market.

Three most important motives of internationalization within the EU for companies that are internationally active are:

- expand portfolio of customers (58%),
- new entrepreneurial possibilities (49%),
- foreign demand (47%).

Three most important motives for companies that are not internationally active yet are:

- new entrepreneurial possibilities (60%),
- increase profit (56%),
- expand portfolio of customers (56%).

For both groups of companies the least important motives of internationalization are economies of scale and better utilization of production capacity. The biggest difference is in perception of foreign demand motive. It is the third most important motive for internationally active companies while for companies that are not internationally active yet it is the third least important motive.

Most serious barriers of internationalization within the European Union for internationally active companies are:

- difficulties with reaching potential customers abroad,
- difficulties in obtaining reliable representation abroad,
- strong competition in abroad.

Most serious barriers for internationally not yet active companies are:

- difficulties in obtaining reliable representation abroad,
- the need to adapt products and services to the requirements of foreign markets,

- difficulties with reaching potential customers abroad.

Similarities among these two groups of companies are that difficulties in obtaining reliable representation abroad and difficulties with reaching potential customers abroad are the biggest issues for them. On the other hand the least serious barriers for companies from both groups are: tariff barriers and insufficient protection of rights.

When it comes to risks of internationalization within the EU, three the most serious risks perceived by internationally active and internationally not-active companies are totally the same:

- risk of a wrong choice of foreign trade partners,
- exchange rate risk,
- risk of unsaleability or low sales of the products.

Similarities are also on the other end of the scale and two out of three the least serious risks of internationalization within the EU are according to both groups of companies risk of natural disaster and risks connected with the transportation to foreign countries.

In order to have better view on the role of the EU on internationalization of Czech ICT SMEs, respondents were asked to compare internationalization within the EU and outside the EU. Interesting finding is that in 9 out of 10 questions internationally active companies are more optimistic about the benefit of the EU. 35% not-internationalized and only 23% internationalized companies believe that the need to adapt product/service is lower when expanding to markets within the EU. This is the only question in which not-internationalized companies are more optimistic about the role of the EU and this is actually the third most important benefit of the fact that Czech Republic is a Member of the EU for internationally not active SMEs. The first two places are following: 50% not internationally active companies believe that expansion to EU countries is easier (there is less barriers) and 44% of them believe that expansion to EU countries is less risky. These first two places are the same for internationally active companies, only in reverse order. 78% of internationally active companies believe that expansion to EU countries is less risky and 72% of them believe that expansion to EU countries is easier (there is less barriers) than expansion to foreign markets outside the EU. The third most important benefit of the role of the EU according to internationally active SMEs is that entry into the markets within the EU is less expensive.

Positive perception of the role of the EU and the fact that Czech Republic is a Member of the European Union is also supported by the fact that 87% of internationally active and 54% internationally not-active Czech ICT SMEs that took part in the survey believe that integration of Czech Republic into the EU has brought new opportunities of expansion and made expansion into the EU easier.



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## 9 Annexes

### A. The list of economic activities in the ICT sector (by CZ-NACE)

The ICT sector comprises all economic entities of the business sector whose predominant economic activity includes the following sections, groups and classes of CZ-NACE:

#### 1. The manufacture of ICT (ICT manufacturing) - the group from 26.1 to 26.4 and 26.8

- Manufacture of electronic components and boards - Group 26.1
- Manufacture of computers and peripheral equipment - Group 26.2
- Manufacture of communication equipment - Group 26.3
- Manufacture of consumer electronics and media (groups 26.4, 26.8)
- Production of consumer electronics - Group 26.4
- Manufacture of magnetic and optical media - Group 26.8

#### 2. Trade in ICT - Group 46.5

- Wholesale of information and communication equipment - group 46.5

#### 3. Telecommunications business (telecommunications) - Section 61

- Activities related to fixed telecommunications networks - Group 61.1
- Activities related to wireless telecommunications networks - Group 61.2
- Other telecommunications activities (group 61.3, 61.9)
- Activities related to satellite telecommunications - Group 61.3
- Other telecommunications activities - 61.9

#### 4. The services in the field of information technology (IT services) - Section 62; Group 58.2, 63.1 and 95.1

- Programming and other IT activities (division 62, group 58.2):
- Publishing Software - Group 58.2
- Activities in the field of information technology - Section 62
- of class 62.01 - Programming
- for class 62.02. - Consulting in Information Technology
- of class 62.03 - Computer facilities management
- a Class 62.09 - Other activities in the field of information technology
- Activities related to data processing and hosting; related activities
- Web portals - Group 63.1
- Repair of computers and communication equipment - Group 95.1 (CSU 2014)

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## **C. General information about companies**

In this part of the thesis will be described composition of companies that took part in the survey with emphasis on their size. Overall 98% companies answered that are in ICT business. From this reason those 2% answering they are not operating in ICT business had to be erased.

### **Number of employees**

Second filtering question was concerned with the size of the company and two question were asked with the aim to find out whether the company falls into the SME category or not. Most of the companies are micro companies. More specifically - 62% operating internationally and 66% not operating internationally yet answered that have just 1-9 employees, 31% of internationally not-active and 27% of internationally active companies that took part in survey have 10-49 employees and 3% of internationally active and 11% not internationally companies do have 50-249 employees. None of companies answered that have more than 250 employees (which would qualified them as big company and had to be disqualified from the survey for that reason).

### **Division according to revenue**

Next filtering question related to revenue. Also here no company had to be canceled from the overall data collection. The reason is that no one answered that their company has more than 50 million euro of yearly revenue. Also here majority companies fall into the first group with 0-2 million euro revenues. Almost 100% (concretely 97%) of companies that are not operating internationally yet have yearly revenue less than 2 million euro. Majority of companies that are already present internationally also has revenues smaller than 2 million euro a year (62%). Internationally active companies: 13% companies with revenues bigger than 2 million but smaller than 10 million euro and 20% companies with revenues bigger than 10 million euro but smaller than 50 million euro. So there can be found some relationship between size of the company and its internationalization.

## B. Questionnaires

### Vliv EU na internacionalizaci středních a malých podniků působících

Pro firmy, které již v zahraničí působí

**Jak dlouho Váš podnik již působí v zahraničí?\***

- Méně než rok
- 1-2 roky
- 3-4 roky
- 5-6 let
- 7-8 let
- 9-10 let
- 11-15 let
- 11-15 let
- 16 a více let

**Na kolika zahraničních trzích Váš podnik působí? \***

- 1-2
- 3-4
- 5-6
- 9-10
- 11-15
- 16-20
- 21 a více

**Jakou formu vstupu jste zvolili, když jste na zahraniční trh vstupovali poprvé?\***

- Přímý vývoz
- Nepřímý vývoz (pomocí prostředníků - může být např. i App Store, Google Play)
- Založení pobočky na zahraničním trhu
- Převzetí zahraničního podniku, nebo fúze se zahraničním podnikem
- Založení nového podniku na zahraničním trhu
- Licence
- Franchising
- Společný podnik (joint venture)
- Jiná forma

**Které trhy jsou pro Váš podnik nevýznamnější z hlediska tržeb ze zahraničí?\***

- Slovensko
- Německo
- Rakousko
- Polsko
- Jiné země EU, které nesousedí s ČR
- Rusko
- Severní Amerika
- Jižní Amerika
- Asie
- Jiné



**Plánuje Váš podnik vstoupit na další zahraniční trhy?\***

- Ano - v blízké době (do dvou let) 1
- Ano - ve střednědobém horizontu (do pěti let)
- Ano - v dlouhodobějším horizontu (do deseti let)
- Ne
- Nevím

**Na jaké zahraniční trhy plánuje Váš podnik vstoupit?**

- Žádné
- Slovensko
- Německo
- Rakousko
- Polsko
- Jiné země EU, které nesousedí s ČR
- Rusko
- Severní Amerika
- Jižní Amerika
- Asie
- Jiné

**Jaké byly motivy Vaší firmy pro vstup na trhy Evropské Unie?\***

- Zvýšení tržeb (alespoň o 5 %)
- Zvýšení zisku (alespoň o 10 %)
- Lepší využití výrobních kapacit rozšířením výroby pro nové trhy
- Snížení závislosti na jediném trhu
- Dosažení úspor z rozsahu
- Lepší/silnější pozice na domácím trhu
- Rozšíření zákaznického portfolia
- Zahraniční poptávka po domácí produkci
- Nové podnikatelské příležitosti
- Získání nových znalostí či know-how

Rozhodněte, jestli Váš podnik čelil/čelil následujícím překážkám, které mu brání/bránily vstoupit na trhy EU, nebo mu případný vstup ztěžují/ztěžovaly:\*

|   | Určitě ano            | Spíše ano             | Tak napůl             | Spíše ne              | Určitě ne             |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Nedostatek informací o zahraničním trhu                                 | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Obtížná identifikace zahraničních obchodních příležitostí               | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Obtížné oslovení potenciálních zákazníků v zahraničí                    | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Nedostatečné množství a kvalifikace pracovníků firmy                    | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Nedostatek financí pro vstup na zahraniční trh                          | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Nutnost přizpůsobit produkty či služby požadavkům zahraničních trhů     | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Neschopnost nabídnout uspokojivou cenu                                  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Obtížná tvorba distribučních kanálů                                     | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Obtíže při získávání spolehlivých zastoupení v zahraničí                | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Nadměrné náklady na dopravu a pojištění                                 | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Problémy s přizpůsobením propagace na míru zahraničního trhu            | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Nadměrná administrativa spojená s pronikáním na zahraniční trh          | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Horší/obtížnější inkaso plateb ze zahraničí                             | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Nedostatek domácí vládní pomoci a nepříznivá domácí pravidla a předpisy | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Nerovná daňová zátěž ve srovnání s domácími firmami v zahraničí         | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Silná zahraniční konkurence   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Kurzové riziko  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Neznámé zahraniční obchodní praktiky                                    | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Společensko-kulturní odlišnosti   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Celní bariéry   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Nedostatečná ochrana práv   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Rozdílné bezpečnostní či technické normy                                | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

**Porovnejte prosím vstup na zahraniční trhy v rámci EU a mimo EU a zaškrtněte možnosti, se kterými souhlasíte.\***

- Expanze do zemí EU je snazší (je zde méně bariér)
- Expanzi do zemí EU vnímám jako méně rizikovou
- Vyhledávání zákazníků a obchodních příležitostí v zemích EU je snazší
- Vyhledávání informací a analýza trhů v rámci EU je snazší
- Administrativa související se vstupem na trhy v rámci EU je méně náročná
- Obsluha trhů v rámci EU je méně nákladná

**Ohodnotte prosím následující tvrzení: Expanze do zemí geograficky, nebo kulturně blízkých ČR, ve srovnání s expanzí do jiných zemí v rámci EU, je:**

- Rychlejší
- Je spojena s menším počtem bariér
- Méně nákladná
- Je méně riziková
- Snazší

**Uveďte prosím, zda jste při vstupu na trhy EU čelili následujícím rizikům:\***

|  | Určitě ano            | Spíše ano             | Tak napůl             | Spíše ne              | Určitě ne             |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Riziko změny poptávky či preferencí zákazníků                          | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Riziko neprodejnosti, či nízké prodejnosti Vašich produktů/služeb      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Riziko sezónních výkyvů či změny stavu ekonomické situace v zahraničí  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Riziko platební neschopnosti či platební nevěře zahraničních zákazníků | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Riziko špatné volby zahraničních obchodních partnerů                   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Rizika spojená s dopravou do zahraničí                                 | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Riziko změny politické situace na zahraničních trzích                  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Riziko přírodních katastrof  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Kurzové riziko   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

**Myslíte si, že začlenění ČR do EU Vašemu podniku přineslo nové možnosti expanze a expanzi do zemí EU usnadnilo?\***

- Určitě ano
- Spíše ano
- Tak napůl
- Spíše ne
- Ujistěte mě
- Určitě ne

**Tržby z prodeje v zahraničí tvoří ve Vašem podniku zhruba:\***

- 0-25 % celkových tržeb podniku
- 26-50 % celkových tržeb podniku
- 51-75 % celkových tržeb podniku
- 76-100 % celkových tržeb podniku

**Z celkových tržeb ze zahraničí tvoří tržby ze zemí EU:\***

- 0-25 % celkových tržeb podniku
- 26-50 % celkových tržeb podniku
- 51-75 % celkových tržeb podniku
- 76-100 % celkových tržeb podniku

**Kolik má Váš podnik celkem zaměstnanců?\***

- 1-9
- 10-49
- 50-249
- 250 a více

**Jaký je zhruba roční obrát Vašeho podniku?\***

- Do 2 milionů EUR
- Nad 2 miliony EUR, maximálně však 10 milionů EUR
- Nad 10 milionů EUR, maximálně však 50 milionů EUR
- Více než 50 milionů EUR

**Působí vaše firma v ICT oboru?**

- Ano
- Ne

## Vliv EU na internacionalizaci středních a malých podniků působících

Pro firmy, které v zahraničí ještě nepůsobí

### V jakém časovém horizontu Váš podnik plánuje vstoupit do zahraničí? \*

- V blízké době (do dvou let)
- Ve střednědobém horizontu (do pěti let)
- V dlouhodobějším horizontu (do deseti let)
- Později

### Jakou formu vstupu na zahraniční trh plánujete zvolit? \*

- Přímý vývoz
- Nepřímý vývoz (pomocí prostředníků - může být např. i App Store, Google Play)
- Založení pobočky na zahraničním trhu
- Převzetí zahraničního podniku, nebo fúze se zahraničním podnikem
- Založení nového podniku na zahraničním trhu
- Licence
- Franchising
- Společný podniky (joint venture)
- Jiná forma

### Jakou expanzi plánujete? \*

- Plánujeme vstoupit pouze do zemí geograficky nebo kulturně blízkých ČR (například Slovensko, Polsko, Rakousko, Německo)<sup>1</sup>
- Plánujeme nejdříve vstoupit do zemí geograficky nebo kulturně blízkých ČR a poté na další trhy EU
- Plánujeme nejdříve vstoupit do zemí geograficky nebo kulturně blízkých ČR, poté nad další trhy EU a poté na další trhy mimo EU
- Plánujeme rovnou expandovat do zemí EU (nezáleží zda jsou, či nejsou blízké ČR)
- Plánujeme rovnou expandovat do zemí EU (nezáleží zda jsou, či nejsou blízké ČR), a poté na další trhy mimo EU
- Plánujeme rovnou vstoupit na globální trh

### Jaké jsou Vaše motivy pro vstup na zahraniční trhy EU?\*

- Zvýšení tržeb (alespoň o 5 %)
- Zvýšení zisku (alespoň o 10 %)
- Lepší využití výrobních kapacit rozšířením výroby pro nové trhy
- Snížení závislosti na jediném trhu
- Dosažení úspor z rozsahu
- Lepší/silnější pozice na domácím trhu
- Rozšíření zákaznického portfolia
- Zahraniční poptávka po domácí produkci
- Nové podnikatelské příležitosti
- Získání nových znalostí či know-how

Porovnejte prosím Vaše očekávání o vstupu na zahraniční trhy v rámci EU a mimo EU a zaškrtněte možnosti, se kterými souhlasíte:\*

- Expanze do zemí EU je snazší (je zde méně bariér)
- Expanzi do zemí EU vnímám jako méně rizikovou
- Vyhledávání zákazníků a obchodních příležitostí v zemích EU je snazší
- Vyhledávání informací a analýza trhů v rámci EU je snazší
- Administrativa související se vstupem na trhy v rámci EU je méně náročná
- Obsluha trhů v rámci EU je méně nákladná
- Propagace je v zemích EU méně nákladná a náročná
- Vstup do zemí EU je méně nákladný
- Požadavky na odbornost a vyškolení zaměstnanců v souvislosti s expanzí jsou nižší při vstupu na zahraniční trhy v rámci EU
- Nutnost přizpůsobovat produkt/službu je při expanzi na trhy v rámci EU nižší

Ohodnoťte prosím následující tvrzení: Expanze do zemí geograficky, nebo kulturně blízkých ČR, ve srovnání s expanzí do jiných zemí v rámci EU, je dle mého názoru:\*

- Snazší
- Rychlejší
- Méně nákladná
- Je spojena s menším počtem bariér
- Je méně riziková

Rozhodněte, jestli Váš podnik čelí následujícím překážkám, které mu brání vstoupit na trhy EU, nebo mu případný vstup ztěžují:

|   | Určitě ano            | Spiše ano             | Tak napůl             | Spiše ne              | Určitě ne             |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Nedostatek informací o zahraničním trhu                                 | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Obtížná identifikace zahraničních obchodních příležitostí               | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Obtížné oslovení potenciálních zákazníků v zahraničí                    | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Nedostatečné množství a kvalifikace pracovníků firmy                    | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Nedostatek financí pro vstup na zahraniční trh                          | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Nutnost přizpůsobit produkty či služby požadavkům zahraničních trhů     | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Neschopnost nabídnout uspokojivou cenu                                  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Obtížná tvorba distribučních kanálů                                     | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Obtíže při získávání spolehlivých zastoupení v zahraničí                | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Nadměrné náklady na dopravu a pojištění                                 | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Problémy s přizpůsobením propagace na míru zahraničního trhu            | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Nadměrná administrativa spojená s pronikáním na zahraniční trh          | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Horší/obtížnější inkaso plateb ze zahraničí                             | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Nedostatek domácí vládní pomoci a nepříznivá domácí pravidla a předpisy | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Nerovná daňová zátěž ve srovnání s domácími firmami v zahraničí         | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Silná zahraniční konkurence   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Kurzové riziko  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Neznámé zahraniční obchodní praktiky                                    | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Společensko-kulturní odlišnosti   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Celní bariéry   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Nedostatečná ochrana práv   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Rozdílné bezpečnosti či technické normy                                 | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Uvedte prosím, zda při plánovaném vstupu na trhy EU vnímáte následující rizika:

|  | Určitě ano            | Spíše ano             | Tak napůl             | Spíše ne              | Určitě ne             |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Riziko změny poptávky či preferencí zákazníků                          | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Riziko neprodejnosti, či nízké prodejnosti Vašich produktů/služeb      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Riziko sezónních výkyvů či změn stavu ekonomické situace v zahraničí   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Riziko platební neschopnosti či platební nevůle zahraničních zákazníků | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Riziko špatné volby zahraničních obchodních partnerů                   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Rizika spojená s dopravou do zahraničí                                 | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Riziko změny politické situace na zahraničních trzích                  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Riziko přírodní katastrofy   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Kurzové riziko   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Myslíte si, že začlenění ČR do EU Vašemu podniku přineslo nové možnosti expanze a expanzi do zemí EU usnadňuje? \*

- Určitě ano
- Spíše ano
- Tak napůl
- Spíše ne
- Určitě ne

Kolik má Váš podnik celkem zaměstnanců?\*

- 1-9
- 10-49
- 50-249
- 250 a více

Jaký je zhruba roční obrat Vašeho podniku?\*

- Do 2 milionů EUR
- Nad 2 miliony EUR, maximálně však 10 milionů EUR
- Nad 10 milionů EUR, maximálně však 50 milionů EUR
- Více než 50 milionů EUR

Působí Vaše firma v ICT oboru?

- Ano
- Ne