

The Internationalisation of Small and Medium-Sized Enterprises as a Path to Competitiveness

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1 Introduction

Enterprises' ability to engage in internationalisation is a common topic in both the academic and the managerial spheres. The framework for these discussions includes globalising, increasing competition, accelerating changes, and an increasing number of risks in today's markets. The discussions often address the specifics of the internationalisation process of small and medium-sized enterprises (SMEs). This is because SMEs are in a different position than large enterprises. The advantages of SMEs include their flexibility and ability to quickly respond to any market change, whereas their disadvantages include a lack of capital and difficulty in accessing foreign resources. Globalisation leads to the world economy's increasing internationalisation, resulting in, inter alia, increasingly intense international economic relations and interdependence among nations. Globalisation of the economy and the associated intensification of competition force companies to search for new ways to succeed in the integrating markets. Therefore, the primary challenge for SMEs in the twenty-first century is international competitiveness (Kadocsa and Borbás 2010). Globalisation causes enterprises to encounter strong foreign competition even in their domestic markets and therefore, even though they do not operate in foreign markets themselves, they must be able to cope with international competition to survive and grow over the long term (European Commission 2007). According to the European Commission (2013), a company's involvement in the internationalisation process stimulates its growth, increases its competitiveness, and strengthens its sustainability. It also increases revenues, brings new knowledge, and strengthens the company's key competencies. The fundamental

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prerequisites for a company's survival in the globalising environment are innovation potential, durability, and flexibility, i.e., the characteristics associated with SMEs (European Commission 2007). These companies' competitiveness is also crucial in the context of the internationalisation of large enterprises because SMEs frequently operate as partners or suppliers of large companies (Gunasekaran et al. 2011).

What does internationalisation mean? In 1977, Johanson and Vahlne defined internationalisation as a '*process in which companies gradually increase their engagement in international transactions*' (Johanson and Vahlne 1977, p. 23). Welch and Luostarinen (1988, p. 36) understand it as a '*process of increasing involvement in international operations*', whereas Calof and Beamish (1995, p. 116) define it as a '*process of adapting firms' operations (strategy, structure, and resources) to the international environment*'. In summary, the term refers to engagement in the international environment.

Many studies (e.g., Wilson 2006; European Commission 2007) have proven that internationalisation is very important to maintaining the competitiveness of enterprises of all sizes and that enterprises engaged in internationalisation have greater opportunities to achieve economic growth and a higher ability to implement innovations. Studies also show that internationalised companies achieve higher sales growth than companies that are not engaged in internationalisation. Pangarkar (2008) emphasises that the benefits achieved by SMEs through internationalisation outweigh the drawbacks and that SME performance increases with an increasing degree of engagement in the internationalisation process. Nevertheless, to achieve sustainable growth and profitability, SMEs must consider both the available resources and the acceptable level of risk when expanding their foreign trade activities (European Parliament 2012). '*It is not possible to build the competitiveness of the European Union without having a competitive sector of small and medium-sized enterprises*' (Gál 2010, p. 1).

For this reason, SMEs are examined with the intention of clearly identifying and describing their internationalisation process. The objective of the research is to find the essential motives for internationalisation—e.g., Thompson et al. (2007), Deresky (2010), Yip (2003), Rodriguez et al. (2010), Korsakiene and Tvaronavičienė (2012), and Stoian (2010)—and to identify possible barriers to engagement in foreign trade—e.g., Onkelinx and Sleuwaegen (2008), Leonidou (2004), and Pinho and Martins (2010). Various authors have attempted to identify the success determinants of SMEs' international activities, e.g., Katsikeas et al. (1997), Erikson et al. (1997), and Kubíčková (2011).

This chapter contains a case study on the specifics of Czech SMEs' internationalisation. The study defines the factors that motivate Czech SMEs to engage in the internationalisation process. Furthermore, it defines the main obstacles to Czech SMEs' internationalisation and answers the question of whether there are some common features of Czech SMEs that could be generalised as the determinants of success in internationalisation.

2 Importance of Small and Medium-Sized Enterprises

The importance of SMEs can be viewed from various perspectives, e.g., according to Veber (2008), SMEs have both a social and an economic dimension. Regarding the social dimension, Veber stresses the stabilising function of SMEs in society. Another social contribution of SMEs is the fact that they represent local capital, and their regional relationships are stronger than those of large companies. Moreover, they mitigate the negative effects of structural changes. They also increase employment and according to Kislíngrová and Nový (2005), absorb the labour force that exceeds the capacity of large enterprises. In addition, their contribution to regional development is an important social aspect. They influence towns and villages' urbanisation and character because they often maintain and renovate local historical architecture, etc. The economic importance of SMEs, which is often discussed in the literature, e.g., Lukacs (2005), Fida (2008), lies particularly in their flexibility and ability to respond quickly to market changes. It enables SMEs to create conditions to develop and implement new technologies because they are flexible in **implementing small innovations, changes, and ideas** and in adapting to consumers' new needs. Moreover, SMEs very often operate in peripheral segments of the market in which large companies are not interested. They also decentralise business activities and oppose monopolistic tendencies. In general, SMEs produce more than one-half of all outputs and added value on a global scale and employ more than 60 % of all employees.

However, there is not a long tradition in Europe of studying SMEs. This is because most European economies in the early 1970s were characterised by the growth of large companies with centralised managerial structures. In contrast, there has been a large increase of the number of SMEs only within the last three decades.

3 The Specifics of Internationalisation of Small and Medium-Sized Enterprises

Despite today's increasing attention to the internationalisation process of SMEs, there is still inadequate empirical evidence upon which to base an assessment of the internationalisation processes of SMEs, according to Glas et al. (1999). It is difficult to find a comprehensive study that would closely examine the internationalisation process of European SMEs.

The results of the research carried out by the European Commission in 2009 (EIM 2010) show that a large proportion of European SMEs engages in foreign trade activities (40 %). Nevertheless, only a small proportion do so in countries outside of the EU internal market (only 7–10 % of internationally active SMEs). European SMEs most often choose export activities when entering foreign markets. The European Commission also has learned that SMEs from smaller countries are usually more engaged in internationalisation (Nagy et al. 2011). According to a

2012 report by the European Parliament (European Parliament 2012), it is very rare that European SMEs enter foreign markets alone. They are usually connected to other companies and partner networks which enable them to gain access to a large number of entities in foreign markets, including suppliers, competitors, and customers. However, SMEs are not always willing to engage in foreign trade activities. Only 4 % of European SMEs that are not yet active in foreign markets already have specific plans to engage in the internationalisation process. Many European SMEs, primarily the smaller ones, have no desire to enter foreign markets. The reason is either the specificity of their industry, potential entry barriers, or the fact that they operate as subcontractors for other medium-sized enterprises in their domestic market and thus must adapt to their partners' competitive strategies. However, some SMEs are not motivated to enter foreign markets because of their small size and limited resources, both of which pose insurmountable barriers to their competitiveness in large, distant foreign markets.

Spanish SMEs were significantly affected by the economic crisis, which interrupted their increasing engagement in internationalisation and caused it to decline. For most (nearly 73 %), internationalisation represents a long-term, gradual process. Furthermore, it is also possible to identify a relationship between the size of a Spanish company and its stage of internationalisation. Compared to micro- and small enterprises, medium-sized enterprises progressed the furthest in the internationalisation process (Nagy et al. 2011).

Italian SMEs are less willing to engage in foreign trade activities, even when operating in industries with a generally high degree of engagement in international trade. Ironically, this may be caused by concerns about excessive growth (primarily in the case of small enterprises). Owners of small enterprises are afraid of losing control of their businesses and being exposed to undue risk. The reason may also be that Italian SMEs lack capital and skilled human resources (European Parliament 2012).

Generally, Central and Eastern European SMEs in the European market enjoy the advantage of relatively competitive prices (ACCA 2012). However, such firms have greater difficulties in obtaining financial resources than do Western European SMEs (Nowinski and Rialp 2013). SMEs from some countries (e.g., Hungary, Spain) experience a problem internationalising caused by (to some extent) their entrepreneurs' insufficient language skills (Nagy et al. 2011).

According to Korsakiene and Tvaronaviciene (2012), it is also possible to distinguish significant differences between, for example, Lithuanian SMEs and Norwegian SMEs. Although Lithuanian SMEs usually enter foreign markets by exporting and primarily choose markets that are geographically close, Norwegian enterprises widely either use licensing/sub-contracting or appoint their own representatives in foreign markets; in general, they enter foreign markets through networking and business relationships. Therefore, the level of internationalisation of Norwegian SMEs is considered more advanced. Lithuanian SMEs engage in internationalisation gradually: they proceed carefully and attempt to avoid risk. These differences might be primarily caused by the fact that Lithuania's market

economy is much younger than Norway's market economy (Korsakiene and Tvaronaviciene 2012).

3.1 Motives for Internationalisation of SMEs

It is necessary to determine why SMEs decide to engage in internationalisation and whether it is possible to generalise their motivational factors. This issue has been addressed by, e.g., Thompson et al. (2007), Deresky (2010), Yip (2003), and many others. For example according to Rodriguez et al. (2010), the factors driving a business to internationalisation include the following: the search for new customers; compensation for low sales in domestic markets; the reduction of risk through diversification into foreign markets; compensation for lower incomes in some regions by creating the possibility of achieving higher incomes in other regions; the reduction of production, research, development, distribution, or purchase costs thanks to economies of scale; more profitable investment; compensation for shorter product life cycles by taking advantage of relatively homogeneous markets; increased prestige and global competitive advantage through the expansion of activities to a global level; increased sales in markets with high entry barriers; and reduction of production costs by moving particular operations to countries with a cheaper labour force. In addition, Stremtan et al. (2009) have addressed the determining factors that create the need for internationalisation. They have classified the determinants of internationalisation into four groups—commercial, industrial, environmental and opportunity. Harrison (2008) has devoted his research to the identification of the primary factors that motivate companies to engage in the internationalisation process and has stated that the motivating factors can be divided into 'overarching factors' (common factors) and so-called 'firm specific factors' (factors specific to a company).

Apart from the often-mentioned classification into internal and external motives, there is also a classification into 'pull' and 'push' factors, which are introduced by Onkelinx and Sleuwaegen (2008). These authors define 'pull' factors as stemming from the conditions and aspects of development in foreign markets that companies from other countries consider attractive and 'push' factors as reflecting specific circumstances related to a particular company, i.e., factors that are based on that company's resources, competitiveness, and product life cycle. Another classification is introduced by Czinkota et al. (2004), who divide motives into pro-active and reactive categories. Pro-active motives are originate from a company's internal decisions (e.g., efforts to implement strategic changes), and reactive motives de facto represent a passive reflection of a company's behaviour (e.g., motives that result from changing market conditions in the domestic or foreign market to which the company responds by developing its internationalisation activities). Other authors, such as Hollensen (2008), primarily focus on SMEs' motives for internationalisation (see Table 1) because there is an assumption that SMEs' motives for entering foreign markets are different from those of large companies.

Table 1 Primary motives leading small and medium-sized enterprises to engage in export activities (Hollensen 2008)

Pro-active motives	Reactive motives
Objectives related to company growth and increased profit	Proximity (both psychological and physical) to customers and the foreign market
Managerial decision	Small, saturated domestic market
Uniqueness of the product/investment in research and development	Unsolicited demand in the foreign market
Opportunities in the foreign market/exclusive information about the foreign market	Excess capacity (full utilisation of production capacity)
Possibility of achieving economies of scale	Expanding sales of seasonal products
Tax benefits	Competitive pressure

What motives lead European SMEs to engage in foreign trade operations? Are all European companies motivated by the same factors? The answers to these questions are provided by comparing the results of surveys that focused on the factors that motivate SMEs from different countries of the EU to engage in internationalisation. This comparison is based on studies conducted among SMEs in Sweden (Hanson and Hedin 2007), Finland (Pietila 2007; Minina and Dimitrienko 2011), Lithuania (Korsakiene and Tvaronavičienė 2012; Sekliuckienė 2013), Spain (Stoian 2010), Italy (Zucchella et al. 2007), Great Britain (Hutchinson et al. 2006), and Slovakia (Olejárová 2007). In general, it can be concluded that SMEs from the EU are motivated to enter foreign markets primarily by the possibility of achieving profit growth, business growth, and market expansion, the possibility of establishing international business relationships (networking), the uniqueness of their production, their possession of specific technologies, and their management's formal and informal ties with business partners abroad.

For SMEs from Slovakia, Lithuania, Finland, Sweden, and Spain, the most important motive is the insufficient size of the domestic market or demand. Domestic market saturation is especially motivating for Spanish and Lithuanian SMEs to engage in internationalisation. Competitive pressure is an important motivating factor for SMEs from Slovakia, Lithuania, and Spain. SMEs from Finland, Great Britain, Spain, and Italy have reported the personality of the company's owner/manager (i.e., his positive attitude towards foreign expansion, his personal and professional experience, and his attitude towards risk) as an important motive. SMEs from Spain and Lithuania reported as a major motive their qualified human resources, i.e., employees with language skills and knowledge sufficient for entering foreign markets. Diversification of risk is an important motive for the internationalisation of Slovak and Lithuanian SMEs. Spanish and Slovak SMEs are also motivated by the existence of foreign demand for their products. The psychological proximity of foreign markets is important for Lithuanian companies, whereas for Finland, it is geographical proximity. Furthermore, SMEs from Lithuania mention as an important motivational factor the instability of the domestic business environment and the better economic situation in foreign markets. When compared to other studies, excessive production capacity motivates

only Spanish SMEs to enter foreign markets. Simultaneously, both Spanish and British SMEs are also motivated by the support of the national, regional, or private agencies and consulting organisations that provide important initial information and help SMEs to find and establish business contacts. One interesting finding stems from a study focused on Slovak SMEs. Slovak companies reported as a significant factor the benefits associated with a cheaper labour force, which leads to lower prices of Slovak products compared to products from other countries. In addition, Slovak SMEs are motivated to penetrate the Czech market by the possibility of testing their products in a psychologically and geographically close market. This helps them to learn whether their production is suitable for customers in more distant foreign markets.

As these findings suggest, the motives for SMEs' internationalisation vary considerably among countries and it is difficult to trace similarities not only between countries that are geographically close (e.g., Sweden, Finland, Lithuania) but also between countries with 'similar' European histories. For example, companies from Spain and Lithuania had a larger number of common motives than did companies from Lithuania and Slovakia. It is therefore difficult to generalise the factors that motivate European SMEs to internationalise. To identify the key motives for engaging in the internationalisation process, it is necessary to conduct detailed research in each country.

3.2 Barriers to Internationalisation of SMEs

Many SMEs have only a limited ability to engage in the internationalisation process. According to Fliess and Busquets (2006, p. 4), barriers to internationalisation may include '*all restrictions which prevent companies from initiating, developing, or maintaining business operations in foreign markets*'. Many authors, e.g., Leonidou (2004), Onkelinx and Sleuwaegen (2008), and Siringoringo et al. (2009), divide the barriers to internationalisation into internal barriers related to the company's resources and capabilities and external barriers created by the business environment in the domestic and foreign markets in which the company operates or wishes to operate.

Surveys among SMEs that focus on identifying barriers to internationalisation (for example, the OECD's 2009 study in co-operation with APEC, which focuses on the main barriers and motivators for SMEs' internationalisation) show that most SMEs perceive external barriers to the internationalisation process as less significant than internal barriers. However, the overall result of the surveys was that it is necessary to distinguish whether a SME is already active in a foreign market. Companies that are not active in foreign markets more strongly emphasise the risk of encountering financial barriers (i.e., internal barriers), whereas companies that are already engaged in the internationalisation process consider barriers connected to the overall business environment, including trade barriers (i.e., external barriers) as more threatening. Accordingly, the question arises of whether it is

Table 2 Ten major barriers to internationalisation as perceived by SMEs (OECD 2009)

Order	Description of the barrier
1.	Insufficient working capital to finance exports
2.	Identification of foreign business opportunities
3.	Limited information to find/analyse markets
4.	Inability to establish contacts with potential foreign customers
5.	Obtaining reliable foreign representation
6.	Insufficient time of managers to address internationalisation
7.	Lack of employees and/or employees untrained in internationalisation
8.	Difficulties in setting competitive prices
9.	Insufficient support/incentives from the home country government
10.	Too-high transport costs

possible to deduce from these conclusions that the internationalisation process is a learning process for SMEs because at the beginning of its internationalisation efforts, a company must overcome internal barriers and only later, with increasing engagement in international markets, does an SME develop an interest in external, business-environment-related barriers.

To summarise the primary barriers that SMEs cite as the most common reasons why they are not engaged in the internationalisation process, we can use the above-mentioned study of the OECD (2009). The ten major barriers to internationalisation according to that study are shown in Table 2.

Which of these barriers are encountered by European SMEs? This issue was asked by studies conducted among SMEs in Lithuania (Korsakiene and Tvaronavičienė 2012), Portugal (Pinho and Martins 2010) and Great Britain (Hutchinson et al. 2006), Slovakia (Olejárová 2007), along with a survey conducted by the European Commission (EIM 2010). These investigations have helped identify the major internal and external barriers to the internationalisation of European SMEs. The biggest internal barriers to European SMEs' internationalisation have been identified: the low price competitiveness of products or services, the high cost of engaging in internationalisation, insufficient product quality, product characteristics, a lack of qualified human resources, and language barriers. The biggest external barriers for European SMEs' internationalisation are the following: insufficient capital, insufficient information, insufficient public support, administrative costs related to product transportation, legislation and regulations in the foreign markets, tariff and other trade barriers, and cultural differences. The European Commission's research (EIM 2010) also highlighted that SMEs that have not yet operated in foreign markets perceive barriers to entry as generally stronger than do SMEs that are already internationally active. Perceptions of barriers in the context of exporting and non-exporting enterprises are analysed in a study conducted among Portuguese SMEs (Pinho and Martins 2010). Exporting Portuguese companies perceive the following as the most important barriers to internationalisation: the size of the company, the degree of attractiveness of the industry, and logistical issues (primarily the inability to find suitable storage

facilities abroad and a limited ability to physically control the flow of goods). Non-exporting Portuguese SMEs perceive the following as the most important barriers to internationalisation: the age of the enterprise, the intensity of competition in the industry, and administrative barriers in the target market. However, they are also influenced by barriers similar to those identified by the European Commission, namely, the lack of information about the potential market, insufficient financial support, cultural differences, and a lack of qualified human resources. SMEs in Lithuania and the UK stress the importance of barriers such as the lack of information about foreign markets, strong competition in foreign markets, government restrictions, administrative demands, and differences in consumer behaviour. SMEs in the UK also perceive as important barriers adverse movements in the exchange rate, difficulties in understanding foreign business practices, different product standards abroad, difficulties in obtaining adequate representation in the foreign market and problematic/slow payments from abroad. The two latter barriers are also perceived by Slovakian SMEs. The specific barriers to entry into foreign markets identified by Slovakian SMEs were insufficient manufacturing capacity, managers and other employees' lack of time to prepare export transactions, fear of losing control over the company due to a rapid expansion, lack of knowledge of products in foreign markets, lack of transparency in obtaining financial resources and problems with applying for European subsidies via national institutions.

According to the managers of several Spanish SMEs, the motives that lead companies to engage in internationalisation are stronger than the hindering barriers, and it is worthwhile to overcome the hindrances (Stoian 2010). If SMEs engage in foreign trade activities, it is important that they succeed and achieve their desired results. Furthermore, knowledge of the key factors of success in the internationalisation process can positively influence the decision making of other SMEs related to engaging in international trade.

Similar to the motivations for internationalisation, the available data enable only a limited ability to identify differences in perceptions of the barriers to the internationalisation process among long-time EU members, countries that have recently joined the EU, and non-EU countries. The perception of barriers to internationalisation, as shown by the surveys in companies in individual countries, are slightly different, however, many barriers occurred across all of the analysed studies.

3.3 Key Success Factors of SMEs in Foreign Trade Operations

If a company overcomes the barriers to internationalisation and enters a foreign market, it must remember that success in the internationalisation process depends on many factors. Many authors have recently identified these factors, e.g., Harrison

et al. (2000) claim that if a company wants to become internationally successful, its internationalisation process should comply with five basic principles:

1. The company should have a well-developed and clearly defined mission that reflects a true commitment to international business
2. The company should have the ability to recognise and adapt quickly to consumer preferences and to opportunities in the international market. It should work with products that reflect its competitive advantage
3. The company should understand the behaviour of consumers from different cultures. It should be able to evaluate the nature of cultural differences
4. The company should continuously improve and should maintain high product quality so that its products can compete in both the domestic and international markets
5. The company should conduct effective market research, including research on market requirements

So what are the key factors that determine the success of SMEs in foreign markets? Studies of the internationalisation of SMEs in the UK (European Commission 2007) and Spain (Stoian 2010) suggest that the major factor in the success of SMEs' internationalisation is the international focus of company founders, owners, or key persons influencing a company's decisions. This focus primarily comprises attitudes, skills, and previous experience. Furthermore, a study conducted among Spanish SMEs highlights the significance of knowledge of international trade and technological advancement in a company's industry to achieving success in foreign markets. The issue of success in the internationalisation process was also addressed by Kjellman et al. (2004), who conducted a survey among Finnish small companies in 2004. The survey showed that managers of Finnish companies believe that a company's competitive advantage is clearly associated with customer satisfaction. The most commonly reported factors of success in the international field are contained in the following statements:

- Our competitive strategy is based on an understanding of customer needs
- Success in key foreign markets is driven by the need for satisfied and loyal customers
- The company must respond quickly to negative customer feedback

Because this issue has not been covered in the context of individual EU countries, it is difficult to generalise the factors that can help European SMEs to succeed in the internationalisation process. It will be necessary to conduct research in each EU country.

4 Case Study: Internationalisation Process of Czech SMEs

For the purpose of clearly defining the specifics of the internationalisation process of Czech SMEs were carried out surveys among SMEs operating in various sectors of the Czech economy. The surveys took place during 2010 and 2012 at the Mendel University in Brno and were conducted as written questionnaires created via the ReLa¹ system. To approach the description systematically, first the case study focuses on the motives for the internationalisation. Second, there are addressed barriers that Czech SMEs encounter when engaging in the internationalisation. Finally, the factors of success are scrutinised because the comprehensive description requires also an answer to the question whether there are any common features of SMEs that determine their success in foreign markets.

4.1 Data Description and Processing

Regarding motives for internationalisation, the surveys provided data from SMEs from various industries, namely, engineering (93 respondents), construction (65 respondents), food (71 respondents), wood processing (58 respondents), and textiles (98 respondents). Answers from 385 Czech SMEs are processed in Sect. 4.2, which addresses the motives for internationalisation.

To define barriers to internationalisation (Sect. 4.3), we processed the answers from 91 Czech SMEs across all sectors. The sample of the surveyed SMEs was structured according to the field of the firms' economic activities, using the CZ-NACE classification. The structure of the sample was as follows: 16 companies from group G (wholesale and retail), 12 companies from group M (professional, scientific, and technical activities), 23 companies from group F (construction), 25 companies from group C (manufacturing), 4 companies from group A (agriculture, forestry and fisheries), 2 companies from group S (other activities), 1 company from group H (transportation and storage), 2 companies from group J (ICT companies) and 6 companies that operated in other economic areas.

With respect to identifying the key success factors for SMEs (Sect. 4.4) ascertains the subjective views of their managers. The surveys were conducted among SMEs operating in the wine-making (66 respondents), food (165 respondents) and engineering (100 respondents) industries. To learn managers' subjective views, they were asked to assign a weight between 1 and 5 to each factor, wherein 5 represented the most important factor. The assigned weights were averaged and the calculated values determined the factors that the respondent regarded as crucial when entering foreign markets. To avoid relying only on the subjective views of the managers of the surveyed companies, hypothesis testing was conducted. Next, the

¹ReLa—Research Laboratory, system developed at Mendel University in Brno. It enables to collect, store, and evaluate the primary data.

influence of individual characteristics of enterprises (i.e., factors) on export intensity was tested. The indicator of export intensity can be expressed as the proportion of foreign sales to total sales and according to the literature, it is applied as a measurable indicator of SMEs' successful foreign operations. This indicator was set in intervals of relative sales volumes and does not have a normal distribution; accordingly, it was necessary to employ non-parametric testing. The hypothesis testing was performed on the basis of Spearman's correlation coefficient and only the data from engineering companies were used because only those data provided information about export intensity. The 5 % level of significance ($\alpha = 0.05$) was applied and the basic decision rule for rejection of the null hypothesis was employed, i.e., the null hypothesis on the independence of variables was rejected when the calculated p -value was lower than the significance level.

To identify the key success factors, another approach based on the definition of a successful company and its common features was used. The successful companies were defined based on their export intensity, whether they fulfilled most of their foreign trade objectives, and the profitability of their foreign trade activities. To designate a factor as 'key' in terms of success in internationalisation, the factor had to be common to at least 50 % of the successful companies. This multi-dimensional approach was applied to SMEs in the information and communication technologies sector (ICT). In addition, hypothesis testing was performed in the context of using this approach. To test independence between variables, the Pearson's chi-square test of independence was applied.

4.2 Motives for Internationalisation of Czech SMEs

The search for internationalisation motives revealed why Czech SMEs decide to engage in the internationalisation process. In this context, the aim was also to determine whether the increase in Czech SMEs' competitiveness plays a significant role in their decision-making process related to engaging in foreign trade operations.

Although their data were processed separately, it can be generally concluded that SMEs from various sectors de facto have the same motives for entering foreign markets, with only the order of their importance differing. The most commonly reported motives for the internationalisation of Czech SMEs across all sectors are foreign demand for a company's products or services, lack of demand in the domestic market, expansion of customer portfolios, efforts to increase a company's turnover, efforts to increase sales, and the existence of foreign business contacts (Kubíčková et al. 2014). The list includes both pro-active and reactive motives. The most frequently reported motive, foreign demand for products or services, is considered reactive because it arises out of changing conditions in the foreign market. However, there are some differences among industries regarding motives for internationalisation. The comparison of SMEs from different industries in terms of key motives is shown in Fig. 1.

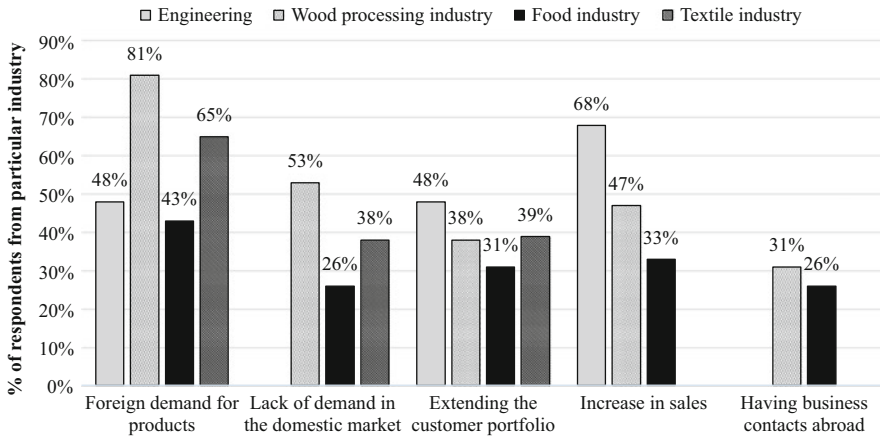


Fig. 1 Czech SMEs’ key motives for internationalisation

Although foreign demand for a company’s products is the key driving force for SMEs from the food, wood-processing, construction and textile industries, engineering SMEs are driven to enter foreign markets primarily by the potential increase in sales (Kubičková et al. 2014). Another factor, efforts to enlarge the scope of a company’s activities, represents a motive for more than one-third of SMEs in the engineering, wood-processing and food industries. In addition, issues connected with competitiveness and competitive pressures play a role in the internationalisation decision-making process among SMEs from particular industries. Whereas almost one-quarter of respondents (24 %) from the engineering industry stated improved competitiveness as a motive (a pro-active motive), for almost one-half of respondents (45 %) from the wood-processing industry (Kubičková et al. 2014) and 15 % of respondents from the textile industry, competitive pressure in the domestic market (a reactive motive) is important. Moreover, issues connected with working capacity play a role: more than one-third of SMEs from the wood-processing industry and almost one-quarter of SMEs from the food industry reported better utilisation of production capacity among their motives for entering foreign markets. It is also noteworthy that only SMEs from the wood-processing industry are to any great extent (33 %) motivated to participate in internationalisation by the possibility of setting higher prices in foreign markets (Kubičková et al. 2014).

SMEs from the wood-processing and food industries reported de facto having the same five key motives. Although having much in common, each industry contains specific features that determine companies’ decisions related to entering foreign markets. For example, when companies in the food industry decide whether to internationalise, the fact that the Czech Republic has joined the Schengen area carries virtually no weight, whereas more than one-third of SMEs in the wood-processing industry and 11 % of SMEs in the textile industry reported Schengen area membership as a motive for entering foreign markets. In the context of SMEs’

Table 3 Motives for internationalisation reported by Czech SMEs (author's research)

Motives for internationalisation most frequently reported by Czech SMEs	
Pro-active motives	Reactive motives
Increase in sales	Foreign demand for the company's products
Increase in profit	Insufficient demand in the domestic market
Extending the customer portfolio	Accession to the Schengen area
Enlarging the scope of the company's activities	Competitive pressure in the domestic market
	Excess capacity (better utilisation of production capacity)
	Better business conditions abroad

primary motives for internationalisation, it is worth noting that the motive of 'subsidies and grants for exporting companies' was not considered as significant in any of the analysed sectors: only seven of the 385 Czech SMEs surveyed mentioned that motive.

The comparison of the most frequently reported motives of Czech SMEs with the motives presented by Hollensen (2008) shows that for Czech SMEs, reactive motives for internationalisation are slightly predominant (see Table 3).

We can summarise that economic globalisation and intense competition force companies to search for new ways to maintain their competitiveness. The results show that competitive pressure in the domestic market often motivates companies to engage in the internationalisation process. Internationalisation may therefore represent a way not only for large companies but also for SMEs to remain competitive even in today's globalised environment among ever-intensifying foreign competition.

4.3 Barriers to the Internationalisation Process of Czech SMEs

The second phase in the process of identifying the specifics of Czech SMEs' internationalisation activities is to analyse the barriers encountered by them when entering foreign markets. The key question is whether SMEs across economic sectors subjectively perceive the same barriers to foreign market entry and which barriers to SMEs' internationalisation process are the biggest.

Based on a comparison of the barriers most frequently mentioned by Czech SMEs and the results of the OECD survey (see Table 2) aimed to determine market-entry barriers perceived by SMEs world-wide, we can summarise that Czech SMEs and SMEs from other companies perceive the same barriers. Only the order of barriers is different (Toulová and Votoupalová 2013). From the subjective perspective of Czech SMEs, the most significant barriers are the difficulties of finding foreign business opportunities, the difficulty of establishing contacts with foreign customers, the lack of employees (or the lack of employees with the necessary

knowledge and experience in foreign business operations), excessive transportation costs and the difficulty of obtaining reliable foreign representation (Toulová and Votoupalová 2013). These barriers belong to the category of internal barriers, but other barriers to internationalisation frequently reported by both Czech SMEs and foreign SMEs also include external barriers (e.g., insufficient state support, whether financial or otherwise).

Quite interesting findings prompt a comparison of perceptions of barriers to internationalisation between companies that have already entered foreign markets and companies that have not. Previous research highlights that Czech SMEs that do not operate in foreign markets perceive barriers to internationalisation more strongly. Companies already engaged in the process of internationalisation report as the greatest barriers to internationalisation of SMEs the need to increase product quality while maintaining current prices, excessive transportation costs, and exchange rate risks. Conversely, SMEs that operate only in the Czech market report as the biggest barriers to penetrating foreign markets difficulties in finding foreign business opportunities, difficulties in establishing contacts with customers in foreign markets, and a lack of employees (i.e., a lack of trained employees who would have knowledge about entering foreign markets) (Kubíčková and Toulová 2013).

Knowledge of how SMEs perceive barriers to the internationalisation process could help public authorities to prepare specific export-promotion programs for SMEs. Some subjectively perceived barriers that discourage SMEs from engaging in the internationalisation process could be eliminated by raising SMEs' awareness about various modes of foreign market entry because one way to overcome barriers to the internationalisation process is the choice of an appropriate mode of entry into a foreign market. Because one of the biggest barriers perceived by Czech SMEs is the difficulty of finding foreign trade opportunities, they could choose indirect exporting, which consists of using independent intermediaries who have contacts in the foreign market.

A mixture of indirect and direct exporting is export co-operation (community), which is created when domestic companies co-operate and export products to foreign markets together. In this way, companies that lack contacts in the foreign market can benefit from the contacts of companies that are interested in joint export activities, e.g., in terms of expanding their product portfolios, diversifying or reducing risk, or reducing export costs. Another mode of entry into a foreign market, licenses, represents a possible solution when there are strong barriers that prevent penetration of a foreign market. Barriers can be overcome by issuing a license. Licensing can also be used when an enterprise lacks sufficient capital to enter a foreign market by using other, more capital-intensive procedures.

Accordingly, the possibility of eliminating some barriers to the internationalisation process by choosing the appropriate mode of foreign market entry raises the question of whether the right choice of entry mode can represent the determinant of an SME's success in internationalisation.

Table 4 A comparison of subjectively perceived factors of success in internationalisation by Czech SMEs across different sectors (Kubíčková et al. 2015, author's research)

Wine-making industry	Food industry	Engineering
High product quality (average weight 4.55)	High product quality (average weight 4.45)	Product quality (average weight 4.57)
Foreign contacts (4.10)	Choosing the right export product (3.84)	Flexibility and adaptability (4.27)
Choosing the right export product (3.90)	Choosing the right foreign market (3.77)	Competitive advantage (4.12)
Skills of the company management (3.78)	Skills of the company management (3.75)	Qualification of employees (4.1)
Adherence to company objectives (3.64)	Competitiveness (3.70)	Skills and experience of the company management (3.67)
Correct estimation of consumer preferences (3.60)	Language skills of managers (3.40)	Knowledge of marketing (3.66)
Effective promotion (3.44)	Appropriate pricing strategy (3.40)	Brand and company image (3.59)
Appropriate pricing strategy (3.22)	Choosing the right time to enter the foreign market (3.40)	Planning (3.35)
Choosing the right time to enter the foreign market (2.89)	Adherence to company objectives (3.12)	Sufficient capital (3.24)

4.4 Factors of Success for SMEs in the Internationalisation Process

Although both Czech and foreign literature contains many models for SMEs' business success, it is quite difficult to find a consistent methodology to identify the key factors of SMEs' success. The problem lies in the very definition of a successful company, or the definition of success in internationalisation. One way to define the key factors of SMEs' success in the internationalisation process is to ascertain their managers' subjective views. A comparison of the subjectively perceived success factors by Czech SMEs from different economic sectors is shown in Table 4.

As Table 4 shows, the most significant factors of success as subjectively perceived by SMEs' managers include high product quality, flexibility and adaptability, employees' qualifications, contacts abroad, competitiveness, choice of an appropriate product for a particular foreign market, choice of the right country for export, and managers' skills. The least important factor, according to the SMEs' representatives, are the timing of foreign market entry. It is interesting that the key determinants of success in the internationalisation process are almost identical in food and the wine-making industries. The success factors for engineering SMEs are slightly different.

To avoid relying only on the subjective views of managers of the surveyed companies, hypothesis testing was performed. Only the data from engineering SMEs were processed. The hypothesis H_{01} - H_{03} , defined below, test the

Table 5 Results of hypotheses testing on the basis of Spearman’s correlation coefficient (Kubičková et al. 2015, author’s research)

Pairs of variables/hypothesis	<i>p</i> -value	Can be H_0 rejected?
Intensity of export and entry mode (H_{01})	0.565244	No
Intensity of export and duration of foreign trade activities (H_{02})	0.009160	Yes
Intensity of export and number of countries (H_{03})	0.000022	Yes

independence between two variables—i.e., the characteristics of enterprise and the intensity of exports—which could be considered as measurable indicators of success in internationalisation. First, the null hypotheses were formulated and then the corresponding alternative hypotheses were determined. The null hypotheses were set as follows:

- H_{01} : The success of SMEs in internationalisation is not dependent on the mode of entry into a foreign market
- H_{02} : The success of SMEs in internationalisation is not dependent on the length of time the company has been operating in the foreign market
- H_{02} : The success of SMEs in internationalisation is not dependent on the number of countries in which the company operates

The alternative hypotheses were formulated on the dependence of variables. Table 5 shows the results of hypothesis testing.

Based on the *p*-value of each hypothesis (see Table 5), the success of engineering SMEs in internationalisation is not determined by their particular foreign entry mode. Conversely, success is influenced by the length of time the company has been operating in the foreign market and by the number of countries in which the company operates.

It is interesting that none of the factors that had a provable influence on SMEs’ success in internationalisation (intensity of export)—that is, neither the number of countries in which the company operates nor the amount of time the company has been operating in foreign markets—was reported among the subjectively perceived key determinants of SMEs’ success in foreign markets. This may be caused by the fact that the indicator of export intensity itself does not indicate a company’s success in a foreign market (whereas this reasoning can be found in the literature) because it does not reflect profitability.

This finding raised doubts about the originally considered method of evaluating the internationalisation success by generalising the subjective views of the surveyed SMEs from various sectors. Therefore, another approach to identifying a successful company had to be applied and subsequently, the common features of SMEs that could be considered successful had to be determined. To perform a comprehensive evaluation of SMEs (relying only on the intensity of exports proved to be insufficient), two criteria were added to the intensity of exports. These criteria were based on the multi-dimensional character of the indicators of SMEs’ international

performance. The first criterion was whether the surveyed SMEs fulfil all or most of their foreign trade objectives and the second was whether the company generates profit via its foreign trade activities. This procedure for identifying the determinants of SMEs' success in foreign markets was applied to SMEs operating in ICT. To designate a factor as 'key' in terms of success in the internationalisation of SMEs operating in ICT, the factor had to be common to at least 50 % of the companies that were successful.

Which factors can be considered as the key to success in the internationalisation process of ICT SMEs? Based on the evaluation of the data obtained, the following are the key success factors (Kubíčková 2013):

- Regular training of key employees
- Choice of the appropriate mode of entry into the foreign market
- Number of export markets and choice of the right export markets
- Language skills of the key employees
- Frequency of communication with foreign partners

These key success factors were compared with the results of previously performed testing of the influence of SMEs' characteristics on the intensity of export in engineering SMEs (hypothesis H_{01} – H_{03}). One interesting finding was that in the engineering SMEs, the number of export markets proved to be a relevant factor in terms of revenues. The significance of the 'mode of foreign market entry', however, has not been proven for engineering SMEs, whereas this factor was a key determinant of success for the ICT SMEs. Thus, it is possible that the choice of an appropriate mode of foreign market entry might not affect foreign trade revenues but is likely to affect the profitability of a company's foreign trade activities and the fulfilment of its foreign trade objectives. The reason for this is that the mode of entry into a foreign market most likely influences, among other things, the risks arising out of the international operations.

To verify the key determinants of the success of the ICT SMEs, hypothesis testing using the Pearson's chi-square test of independence was performed. The null hypotheses on independency between variables were set as follows:

- H_{04} : The company's success in foreign markets does not depend on the training of key employees in foreign trade
- H_{05} : The company's success in foreign markets does not depend on the mode of entry into foreign markets
- H_{06} : The company's success in foreign markets does not depend on the number of foreign markets into which the company exports
- H_{07} : The company's success in foreign markets does not depend on the language skills of key employees
- H_{08} : The company's success in foreign markets does not depend on the frequency of communication with foreign partners

Alternative hypotheses corresponding to hypothesis H_{04} – H_{08} were set on dependence between variables. The p -values given in Table 6 indicate that the regular training of key employees in foreign trade, choice of the right mode of entry into

Table 6 Results of hypothesis testing on the basis of Pearson’s chi-square test of independence (Starnovský 2012)

Hypothesis	<i>p</i> -value	Can be H ₀ rejected?
H ₀₄	0.0458	Yes
H ₀₅	0.0372	Yes
H ₀₆	0.0451	Yes
H ₀₇	0.6906	No
H ₀₈	0.0158	Yes

foreign markets, the number of penetrated foreign markets, and the frequency of communication with foreign partners can be considered as the key factors of success in the internationalisation process of SMEs operating in the ICT sector. The factor of the language skills of key employees could not be regarded as a key determinant of success in internationalisation. This fact is quite surprising because according to the literature sources, the language barrier is often mentioned as a significant hindrance to the internationalisation process and managers (for example, from the food industry) subjectively perceive language skills as a relatively important factor of success (see Table 4). For this reason, the language skills of key employees represent a factor that should be considered despite the fact that it was not proved to have a direct influence on SMEs’ success.

Identification of the key factors of success in SMEs’ internationalisation itself is insufficient to make it easier for SMEs to operate in foreign markets. If SMEs know the specific determinants of success in their sectors’ foreign markets, it will be easier for them to focus on these factors. However, the internationalisation process is also affected by many risk factors. SMEs should also consider these factors if they want to succeed in their internationalisation efforts.

5 Conclusion

The main aim of this paper was to find the major specifics of SMEs’ internationalisation process. The data obtained from the Czech SMEs provided a basis for the conclusion that SMEs in various sectors of the Czech economy have similar motives for entering foreign markets, but the order of their importance differs. The most frequently reported motives for the internationalisation of Czech SMEs were compared with the motives presented in the literature as the most frequent motives for internationalisation of SMEs world-wide. The comparison showed that for Czech SMEs, reactive motives slightly prevail, i.e., they more often decide to enter foreign markets because of some opportunity that appears in the foreign market.

The research showed that Czech SMEs’ most significant barriers to entry into foreign markets included difficulties in finding international opportunities, difficulties in establishing contacts with foreign customers, and the lack of employees who possess the necessary knowledge and experience in foreign trade operations. The ten biggest internationalisation barriers reported by Czech SMEs were compared

with the ten biggest barriers reported by SMEs worldwide. The result is that Czech companies perceive almost the same barriers as foreign SMEs, but the order of their importance is different.

It was found that there are some differences in the motives for involvement in the internationalisation process, in the perception of barriers to internationalisation and in the perception of internationalisation success factors not only among SMEs from different European countries but also among SMEs from different sectors within a country. Therefore, it is evident that it is not possible to design a single policy to support the internationalisation process of all European SMEs—it is always necessary to respect the specifics of particular countries. It is also apparent that competent authorities should reflect on sectoral specifics of the internationalisation process in each country when designing a policy to support SMEs' internationalisation efforts.

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