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# THE INTERNATIONALIZATION OF SMALL AND MEDIUM-SIZED ENTERPRISES IN THE VITICULTURE

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## Abstract

Small and medium enterprises (SMEs) are an important part of the Czech economy, they significantly contribute to job and GDP creation, they are a source of innovation and technological progress. The paper is focused on the internationalization of SMEs, specifically in the wine, which is a specific sector, which is closely linked to specific area and is a significant subject of natural and climatic conditions. The authors focused on the specification of the most important aspects of the internationalization of Czech wine-growing small and medium enterprises based on research via interviewing 450 SMEs wineries, they identified the key success factors in the process of internationalization of SMEs in the wine business.

## Introduction

In recent years, there is an acceleration and deepening of globalization, which brings convergence, and links the world's economies. This leads to a gradual merger of the world into one as a whole. Globalization is a process of integration at the global level. This is more or less spontaneous process, while the process of integration is a process in a controlled and organized from above by international or supranational institutions and bodies (without taking into account the existence of so-called informal integration). Globalization is not spread evenly in all regions of the world, it is based mainly on the most advanced components such as the USA, Japan or Western Europe. Globalization is closely linked to the internationalization of firms, but also with the development of multinational companies. The elimination of barriers and increasing competition in domestic markets is reflected in the efforts of companies to expand into foreign markets. With increasing globalization and the increasing competitive environment, enterprises, and especially small and medium sized businesses demonstrate rapidly the changes. A global economy was gradually and spontaneously created in the context of globalization. The role of foreign trade and foreign investment increased. There was combination of financial markets and concentration of capital. Multinational corporations have been significantly influencing economic events.

In the literature is presented many different perspectives on the process of globalization and internationalization of companies, there are often discussed different options on one hand of large companies and on the other hand of small and medium-sized enterprises.

Small and medium enterprises (SMEs) are an important market sector of the economy. They are the driving force of business, growth, innovation and competitiveness. They have been involved also in the creation of employment and GDP. In an economic grouping of the EU SMEs have significant socio-economic and political role. It is not only due to their large number, but also in terms of providing jobs, social stability and dynamics of innovation development. Therefore there is given attention to the development of SMEs and economic legal and organizational support is emphasised. The advantage of small and medium-sized enterprises is their ability to respond quickly and flexibly to market changes. On the other hand, they often have to contend with a lack of capital and have more difficult access to foreign resources than large firms.

The process of globalization leads to a strong internationalization of the world economy, it leads to development of international relations and economic interdependence of countries. Competition from abroad has been growing. For small and medium-sized businesses it is difficult to be competitive in this battle. They must be interested in the issue of internationalization, because internationalization is one of the ways to counter growing competition.

For this reason, SMEs have been increasingly subjected to examination in an attempt to identify factors influencing the success of their international activities. To identify key factors influencing the success of SMEs in foreign markets can affect positively other small and medium-sized firms in plans to participate in international trade. However, not all companies have the same conditions for entering the international arena. In some sectors there are provided export supports of SMEs, which is for businesses that do not have sufficient capital a good starting point. Some of the industries, due to the nature of their production, they can enter easier to foreign markets than the others.

Very specific is the wine industry. It is closely linked with certain area and it is a significant subject of natural and climatic conditions.

**The aim of this paper is to specify the most important aspects of the internationalization of Czech wine-growing small and medium-sized enterprises and define the key success factors in the process of internationalization of SMEs in the wine business.**

## **Materials and methods**

The problem of determining indicators of the success of SMEs in foreign markets is specified in the literature. However, authors devote to the internationalization process as a whole more than to a specific definition of key success factors of SMEs in foreign markets. E.g. Harrison, Dalkiran and Elsey (2000) argues that if the company should be successful internationally, the internationalization process should include these five basic principles: 1. Well-developed and clearly defined mission that reflects the true commitment to international business. 2. Ability to recognize and adapt quickly to consumer preferences. Use opportunities in the international market and use those products, which reflect the competitive advantage of firms. 3. Ability to understand the consumer's behaviour of different cultures and to evaluate the nature of the differences. 4 The ability to innovate and maintain high quality products that can compete in both the domestic and international markets. 5. Conduct effective market research and their requirements.

There are many factors that influence the success of small and medium-sized businesses. Kislingerová and Nový (Kislingerová, Nový et al. 2005) established a model for business success of small and medium-sized enterprises. To simplify the model the authors merged the success factors into three areas, which include both the entrepreneur's personality (personal initiative, risk taking, willingness to take responsibility, etc. .), business operations and management, and the third area is an environment in which business takes place. According to Nový, Kislingerová business environment determines the success of SMEs.

Another successful model of evaluation of small and medium-sized enterprises is a model of critical success factors (Vodáček, Vodáčková, 2004). It is designed for Czech SMEs which have been working or are going to work in conditions of EU advanced market economies.

The model is conceived as a set of factors that are interconnected through links and via these links they interact. These are factors of internal environment - strategy, leaders, structure, staff, IS / IT and processes which are also affected by cultural, knowledge and innovative facilities. Positive, neutral or negative cooperative business environment interacts on these factors. The interaction of these critical success factors varies according to the degree of mutual alignment of the various factors via desirable or undesirable direction. Harmonious factors is a key prerequisite for the successful operation of small and medium-sized enterprises. It is true that the functioning of each factor cannot be properly understood and interpreted without binding incorporation in the interplay of all other components of the model. The model aims to capture the characteristics of an integrated system-on managerial work of SMEs. This model does not cater directly the specifics of the internationalization process of SMEs. The question is why some companies engage in global commerce slowly, others quickly and why some small and medium-sized businesses directly "born" for the global market. A lot of theories currently devote lot of time to this question as Gankema, Snuit and Zwart (2000); These people came out of two different theories of internationalization and it is so-called Upssala model (Johanson, Vahlne 1977) and so-called I-model ("Innovation-Related Internationalization Model") (Cavusgil 1980). The most famous and oldest Upssala model explains two methods (models) of firms internationalization process. (Johanson and Vahlne, 1990) According to the first model, running operations in a particular foreign market is developing gradually in different stages. This means that the company is increasing its involvement in international trade gradually, in each stage. In 1975, Johansson and Wiedersheim-Paul described four different stages of this process.

They are characterized as follows:

1. Stage: no regular export activities
2. Stage: export via independent agents
3. Stage: setting up a subsidiary abroad aimed at selling
4. Stage: international production / establishment of production unit.

According to the second model, the company gradually aims to enter new markets with higher so-called "psychic distance". It means to enter the markets which are unknown, different "foreign" or culturally distant markets. Or reach those ones about which they have no information and in most cases with greater geographical distance. Psychic distance is defined as the number of factors that hinder to the flow of information from market to market. (Johanson and Vahlne, 1977). Consequently, fewer companies can understand these markets and they see in them the threat of uncertainty. Therefore, firms first enter markets, about which they have enough information where they can see the opportunity and likelihood of failure is thus minimized. The best way to minimize the perceived uncertainty and to identify opportunities is by using empirical knowledge. E.g. Using knowledge based on experience. These companies acquire knowledge mainly through personal experience in specific markets. That is why companies engage in foreign trade gradually, when they manage one step, they go further. Usually the company starts to invest in one or several near-by markets.

The authors (Johanson and Vahlne, 1990) created a few basic assumptions to generalize the model:

1. The companies seek to increase long-term profit,
2. The company tries to minimize the risk
3. The company tries to make these assumptions work at all levels within the company,
4. State of internationalization process affects the perception of opportunities and risks, which in turn influence fundamental decisions and current activities of the company.

Upsala model is based on four core concept, there are taken into account four key factors: market commitment, market knowledge, current activities a commitment decision.

Further it is also possible to include the theory dealing with the process of internationalization classified as a "theory of learning firms", which is quite often mentioned in literature, where individual companies start practically in ignorance and gradually increase their knowledge of the markets, gradually reduce their risk aversion and thus they are more likely to engage in internationalization. Another theory says (Johanson, Mattson, 1988), the internationalization of the market affects the process of internationalization of firms, so firms operating in a highly internationalized markets can skip the first few steps. There are also subject publications (e.g. Oviat, McDougall 1994, Knight, Cavusgil 1996), where the authors have provided evidence of another, specific type of exporters. These companies were called as "Born Globals". We understand this as enterprises which have their focus on international markets and even directly on the global market. It is immediately after their creation, which means that these companies did not undergo any phase of development, but they jumped them all.

At this point it should be noted that some small and medium-sized businesses, such as aforementioned "Born Globals" (further as BG's), often begin their activities in several markets simultaneously, then their product is developed specifically for international (or global) market .

Mentioning so-called Born Globals, it should be noted that the literature is inconsistent in definition of the term. In some literary sources (e.g. Knight, Cavusgil 1996 or Harveston et al., 2000) can be found a definition: BG is a company characterized as a business with export ratio of more than 25%, which was carried out within 3 years from the date of foundation. However, nowadays this definition may seem rather very general and vague. If such a small Norwegian company exports 30% of its products to Sweden and Denmark (within 3 years from the foundation), it hardly can be called as global. It is therefore necessary to clearly define what type of market to which market and how much output the firm should export that could be called BG. Today, the majority of SMEs have usually a percentage of exports exceeding 25%. Therefore elsewhere (e.g. Luostarinen, Gabrielson, 2004) is BG firm defined as a small and medium-sized enterprise, whose export reaches at least 50% within 3 years from the start. Luostarinen and Gabrielson also introduce an additional category of business called True Born Global. They name certain SMEs, which has an export higher than 50% within three years in the same time exports on multiple continents.

In connection with the controversy of the degree of the firms internationalization it can be also discussed the degree of the company globalization. Although there is no uniform definition of these concepts. As already mentioned Luostarinen and Gabrielson understand these two concepts as follows:

1. The "internationalization degree"—the degree of internationalization relates to the ratio of export of a tracked company. The higher export ratio, the higher the degree of internationalization.
2. The "Globalization degree" - the degree of globalization relates to the number of continents on which the company exports its products. The higher the number of continents to which the firm exports, the higher the degree of globalization.

There exist several strategies, how can small and medium-sized enterprises pursue internationalization. One possibility is to focus on one type of product that the firm produces. It is the type of product that may be a key factor influencing the internationalization process of the firm. Increasing competition on global markets leads to shortening of product life cycle and in particular to an increase in innovation. Shorter product life cycle places emphasis on finding new opportunities and especially their timely and speedy exploitation. Shorter product life cycle also means shorter time in which the investments made in product development are returned. Therefore, especially companies with a small domestic market will need to apply to global markets, so they spread their costs such as research and product development.

Another frequently mentioned factor in the success on the international market is the experience of the founders (or managers) of the company. The international experience is defined as understanding and realistic perception of operations, risk and returns on foreign markets. With senior business experience there is decreasing risk aversion associated with investing of a big amount of capital. International business experience is measured by various indicators. E.g. Eramilli (Eramilli 1991) suggests the following two key characteristics: It is *geographic scope*, which defines the breadth of business experience (i.e. number of different countries, where the company conducts its activities) and the second is *length of experience* (number of years after which the firm is active in the international arena). In this context, it may appear that the BGs are regarded as inexperienced according to this approach as the characteristic "length of experience" is very small. However, empirical studies (e.g. Oviatt, McDougall, 1994, Reuber, Fischer, 1997, Ellis, 2000) show that key employees of BG have very often extensive experience from previous jobs, so the "handicap" of small businesses offsets the years of experience. Other studies suggest a possible co-operation (partnerships) with foreign partners. This partnership can provide more important resources, such as specific skills or financial resources. These resources are particularly important when a new, young company with a shortage of its resources tries to increase foreign sales. Cooperation will enable the company to enter new markets more quickly, which empirically demonstrates i.e. Ellis (Ellis, 2000). Differences in the rate of conversion of traditional BGs and MNEs to international or globally operating companies can be large with respect to different environmental conditions in which companies operate. If environmental conditions are changing rapidly, it is possible to speak about so-called increasing globalization. Then the process of internationalization is likely to accelerate as well. This statement is proved by Knight & Cavusgil (1996). It is important to note that the competitive position in the industry in one country significantly affects the company's position in the other country and vice versa. With increased globalization, the access to foreign markets is much easier for the company than before, but on the other hand, there is increasing globalization and growing competition on international markets.

In various industries SMEs have different possibilities to participate in the internationalization process, such as the wine sector. It is very specific sector and the authors deal with it. This sector is closely linked to the certain regions, and is a significant subject of natural and climatic conditions. Competition in the sector is strong, both for small producers and among the strongest players of the market. A major competitors are also imported wines, whose import has been growing in recent years. There is only limited number of wine exporters on the foreign markets, the problem is mainly in the lack of production that does not cover the demand of the domestic market not even partially. Wine firms do not have too much motivation for export. Direct support for exports has not been introduced in the Czech Republic. There can be subsidies used only in the cases of exports, outside the European union. SMEs in the wine business can take advantage of the state aid, the European Union resources or from NGOs. Subsidy policy is very important for small and medium-sized enterprises which face a lack of capital and difficult access to the foreign sources. Drawing support can help to these companies develop their business and increase competitiveness.

The identification of key success factors of the internalization of small and medium-sized wineries remains as a central issue of key success factors. The knowledge of the factors, that determine the success of SMEs in foreign markets, gives space to small and medium-sized businesses to focus on the following key areas and positively influence their success in the internationalization process.

To be able to identify key success factors of wine SMEs, there was conducted a survey of 71 small and medium sized wineries in the Czech Republic in 2010. The aim of this survey was to identify characteristics of common features of exporting companies. E.g. The size of the company respectively number of employees, management proficiency and length of business operation on the domestic market before entering the international market, territorial status. Further to identify the dominant forms of globalization and the reasons for entry on the foreign markets. To define the target market of exports. E.g. number of target countries of export, their nominal destination, part of the market which is operated by the company, a strategy pursued and the duration of its operation on the international market. Finally, the authors were interested in determination of the characteristics of the exported product. E.g. type of product and its advantages. Based on available secondary sources, it was found that the internationalization of small and medium-sized winery in the CR is not processed anywhere. Data of wineries export activities were able to be traced in the situation and outlook report grapes and wine, available on the website of the Ministry of Agriculture. All data are processed here only for the wine industry as a whole. It was not possible to trace the breakdown of the large, small and medium-sized wine-growing businesses. This information was confirmed by the Ministry of Agriculture, where they found that they have the data on the production of individual firms but this data are not publicly accessible.

To collect the necessary primary data there was chosen a form of written inquiries. The data were collected electronically through the Rela system. Before starting the questionnaire, there was carried out so-called pre-test, which should detect any obscurity, and ambiguity in questions. **The questionnaire was filled in by 10 SMEs, and its final version was formulated thanks to their comments.** This version was addressed to 450 small and medium-sized companies in the wine sector, whose contacts were obtained through the wine website [www.wineofczechrepublic.cz](http://www.wineofczechrepublic.cz). The questionnaire was available for two months, while almost all respondents responded within 14 days after receiving an e-mail. The obtained data were converted to MS Excel format, which was modified and then exported to

Statistic format, where further processing took place. Form the total of 450 has returned only 71 completed questionnaires.

## Results and discussion

Based on the preliminary investigation, it was found that there is a very small number of small and medium-sized wineries exporting to the foreign markets. This confirmed even the survey, where from 71 responses only 12 firms reported that they are engaged in internationalization. Despite the small sample of analysis, it was possible to make a conclusion on its basis concerning the characteristics of exporting SMEs in the wine industry.

Within the marketing research there were established five hypotheses, for each of these hypotheses it was first necessary to formulate a zero and the alternative hypothesis. Null hypothesis ( $H_0$ ) indicates the independence of characters and the alternative hypothesis ( $H_1$ ) talks about their relation.

*First hypothesis: A form of internationalization affects the choice of customer's products.*

- $H_0$ : The customer's choice of products is not dependent on the form of internationalization.
- $H_1$ : The customer's choice of products depends on the form of internationalization

Statistics	Statistics:		
	Chi square	Degree of freedom	P - value
	Q1: Who is the most frequent customer of your products?		
	Q2: What form of entry into foreign market have your company chosen?		
Pearson's chi Square	6.000000	df=4	p=0.19916
M-V chi Square	8.317766	df=4	p=0.08062
Fi	0.707107		
Contingency coefficient	0.577350		
Cramer's coefficient V	0.707107		

### 1: Dependence testing of questions Q1 and Q2.

Whether we reject or do not reject the hypothesis depends on the p value. In case of this hypothesis  $p\text{-value} = 0.1992$ . Because  $p > \alpha$ , respectively  $0.1992 > 0.05$  we do not reject the null hypothesis on the five percent level of significance. We can say that the form of internationalization does not affect the customer's choice of products. See Table 1.

The second hypothesis: The number of employees in the firm influences the form of entry into foreign markets.

Statistics:			
Q3: What form of entry into foreign markets has your firm chosen?			
Q4: How many employees does your company currently employ?			
Statistics	Chi square	Degree of freedom	P - value
Pearson's chi Square	2.500000	df=2	p=0.28651
M-V chi Square	3.277932	df=2	p=0.19419
Fi	0.456436		
Contingency coefficient	0.415227		
Cramer's coefficient V	0.456436		

## 2: Dependence testing of questions Q3 and Q4.

- $H_0$ : The form of entry into the foreign market is not dependent on the number of employees in the company.
- $H_1$ : The form of entry into the foreign market is dependent on the number of employees in the company.

The calculated p-value= 0.2865, which implies that  $p > \alpha$ , respectively  $0.2865 > 0.05$ . The null hypothesis at five percent level of significance is not rejected again. We can therefore say that the number of employees in the firm does not affect the form of entry into foreign markets. See Table 2.

Third hypothesis: The number of languages which company management disposes has an impact on the number of exporting countries.

- $H_0$ : Number of exporting countries does not depend on the number of languages, which a company management disposes.
- $H_1$ : Number of exporting countries is dependent on the number of languages, which a company management disposes.

Statistics :	
Statistics	Q5: How many countries does your company exports its products to? Q6: How many languages does management of your firm speak?

	Chi square	Degree of freedom	P - value
Pearson's chi Square	11.11111	df=6	p=0.08501
M-V chi Square	10.72345	df=6	p=0.09732
Fi	0.962251		
Contingency coefficient	0.693375		
Cramer's coefficient V	0.680414		

### 3: Dependence testing of questions Q5 and Q6.

Based on the calculated values it was found that  $p = 0.0850$ . The p-value implies that the  $p > \alpha$ , respectively  $0.0850 > 0.05$ . We do not reject the hypothesis in the five percent level of significance again. Let's consider that the level of significance would be set at  $\alpha = 0.10$ . The situation would change. The null hypothesis of independence would be rejected at ten percent level of significance. In this case, it would be possible to proceed to the alternative hypothesis. The dependence is also supported by Pearson's contingency coefficient, which is 0.6934. This figure shows a strong dependence. It can therefore be specified (assuming that we consider  $\alpha = 0.10$ ) that the number of languages, which company management disposes, has an impact on the number of exporting countries. See Table 3.

*Fourth hypothesis: A form of entry into foreign markets influences the choice of strategy on this market.*

- $H_0$ : The choice of strategy on the foreign market is not dependent on the form of entering this market.
- $H_1$ : The choice of strategy on the foreign market is dependent on the form of entering this market.

Statistics	Statistics:		
	Chi square	Degree of freedom	P - value
Pearson's chi Square	2.476191	df=2	p=0.28994
M-V chi Square	3.255734	df=2	p=0.19635
Fi	0.454257		

<b>Contingency coefficient</b>	0.413585		
<b>Cramer's coefficient V</b>	0.454257		

4: Dependence testing of questions Q7 and Q8.

For the fourth hypothesis is  $p\text{-value} = 0.2899$ . It is thus clear that  $p > \alpha$ , respectively  $0.2899 > 0.05$ . We do not reject the hypothesis of independence at five percent significance level. We can say that the form of entry into foreign markets has no bearing on the choice of strategy on this market. See Table 4.

*Fifth hypothesis: The period of company operation on the foreign market has an impact on its market orientation.*

- $H_0$ : The market focus is not dependent on time of company operation on the foreign market.
- $H_1$ : The market focus is dependent on time of company operation on the foreign market.

Statistics	Statistics :		
	Chi square	Degree of freedom	P - value
	Q9: What is the focus of the company with its products in their the most important exporting country?		
	Q10: How many years has your company act in the international market?		
<b>Pearson's chi Square</b>	9.000000	df=8	p=0.34231
<b>M-V chi Square</b>	9.22582	df=8	p=0.32362
<b>Fi</b>	0.866025		
<b>Contingency coefficient</b>	0.654654		
<b>Cramer's coefficient V</b>	0.612373		

5: Dependence testing of questions Q9 and Q10.

$p\text{-value} = 0.3423$ . The results show that  $p > \alpha$ , respectively  $0.3423 > 0.05$ . We do not reject the null hypothesis in the five percent level of significance. It can therefore be stated that the duration of company operation on the foreign market has no effect on its market orientation.

From the results of tested hypotheses is clear that we have managed to demonstrate the dependence only of one of them, and only on the level of significance = 0.10. This situation was mainly due to the small scale of the test sample, which greatly influenced the results. See Table 5.

The main objective of marketing research was to identify key success factors of the internationalization of small and medium-sized wineries. Based on the data processed from the questionnaires can be said that the key success factor is especially high quality of exported wines. In the highly competitive battle in the global marketplace there can be only accepted wines with high quality and specific flavour. The success of SMEs in the wine industry is also the existence of contacts abroad, the correct estimation of consumer preferences and effective form of promotion. The wine business is often promoted on the world wine trade fairs, organizing the wine tasting, or through their own websites that are almost a necessity for successful entrepreneurs. On the basis of primary data can be further specified the features of exporting SMEs in the wine industry. These are especially small businesses that are in Velké Pavlovice area and the number of employees is not more than 10. The firm's management speaks two foreign languages on the average level. Companies decided to expand into foreign markets after about 4-5 years of operating in the domestic market.

Another objective that was achieved by processing the data of the research was to identify the predominant form of internationalization of SMEs and the reasons of SMEs entering in foreign markets. The survey showed that small and medium enterprises, which started to export its products to the international field are not newcomers on the domestic market. They have had already some experience with sales, and because there appeared foreign demand for their products, they decided to expand into these markets. The driving force was an effort to increase the profitability of their business, the existence of contacts abroad, or interest from management or owners in internationalization. Another driving force was effort to expand the portfolio of customers on the domestic market. The predominant form of internationalization of SMEs in the wine sector is direct and indirect export.

The issue of defining the target market for the export is possible to summarize thanks to the data obtained through a questionnaire: Czech wine-growing small and medium-sized enterprises mainly export to two countries. As the target countries are chosen usually neighbouring countries, especially Slovakia. It is the most important customer, as well as Germany and Poland. In the target countries the wine companies pursue a strategy of market orientation and focus on a particular market segment. They have been operating on the foreign market about three years. It may be a reflection of entering the Czech Republic into the EU. After that the small and medium-sized wine growers became more active in the international arena.

The most exported products are quality wines with special attributes, especially semi-dry and dry white wines. Semi-dry and dry red wines take place also in exports. As mentioned above, the key factor for success in foreign markets are high quality products.

The Czech Republic cannot compare an area of vineyard to European wine-growing superpowers. The situation improved slightly before joining the EU, when wine growers planted one thousand hectares of vineyards. Unfortunately, the domestic production is not able to meet market demand at least partially. Of the nearly 19,000 wine growers only 200 manage to farm on more than 5 hectares of land. It is therefore expected that into this group

will belong especially larger wine companies, which can significantly influence events in the wine market in the country. On the contrary 95% of wine growers who farm vineyard in size up to 1 ha are more subsistence or sell wine only to family, friends and to occasional buyers. The third group are mostly small families, wine companies or companies that supply its products to special retailers and wine shops.

Competition in the wine industry is strong. The competition is the fight between the strongest players on the market and between small producers. Also there is the competition between the growers who sell wine "from the yard". The domestic market is dominated by a few large companies that determine industry trends. Lately there are mergers of wine companies into larger groups, especially because of improving competitiveness and bargaining position with suppliers and customers.

Wine consumption in the CR has been constantly increasing in the last three years. Even though it has stagnated on 18.5 litres per person per year, the future prediction is assumed as progressive. The prediction was based on the analysis of time series, with a view of the decade. It is expected that in 2019 consumption could reach up to 20 litres per person per year. The increasing popularity of wine among Czech consumers is mainly due to the extensive promotions under the auspices of the Wine Fund (e.g. sales promotion and St. Martin rose wines or building of wine trails etc.). Although the popularity of wine has been growing, the CR has been still considered as a nation of beer. The average consumption of beer proves it. It hovers around 160 litres per person per year.

From the above mentioned findings it is clear that wine is a positive and perspective expanding industry with potential growth. In the sphere of viticulture and winemaking can also be drawn a considerable amount of aid. The small wine growers should take advantage of it. They often face a lack of capital. On the other hand it should be noted that this industry is subject to significant climatic and natural conditions and is closely associated with only certain areas.

Going international is not easy task for small and medium sized wine growers. They face both lack of capital and the lack of production. Export is thus primarily a matter of larger companies. Nevertheless, you can find several small businesses that are expanding into foreign markets. Direct support for export is not implemented in the Czech Republic so far. All export costs are paid by the company itself. Only in case that the company decides to export their products outside of the EU, they may obtain an export subsidy. Indirectly the export is mainly supported by contributions to the product promotion.

Another problem which growers must face is ignorance of Czech wines on the foreign markets. Businesses should not forget the effective promotion, which may be the first step to successful internationalization. They may utilize a series of programs of Wine Fund, which supports the promotion of Czech wines. Participation of companies in the world wine trade fairs and exhibitions is considered very important. It can be a stepping stone in establishing contacts with potential foreign buyers for the companies. For SMEs to succeed in the wine industry in the highly competitive struggle on the foreign markets, their production should focus primarily on the production of quality and, if possible, special wines. Companies are able to compete internationally through high quality, which is the key success factor. However, there arises a problem which has been already mentioned and it is the lack of production. There is possibility of SMEs mergers to become more competitive. It will reduce their costs associated with export, and they will also divide the risk of international business.

After examining the various forms of internationalization on the basis of the survey of SMEs, the most useful seems to be direct and indirect export. Each of these form of entry into the foreign market has its advantages and disadvantages. It is difficult to determine whether these forms are optimal for wine business. Choice of the entry form is affected by many factors for each individual firm. It depends a lot on temperament of manager, eventually on the owner. It depends on the knowledge and experience and willingness of the company to take risks. Significant are also the objectives and business strategy, but also business conditions in the country. The main reason why small and medium-sized wine growing businesses do not export to the foreign markets its products is especially due to the sufficient domestic demand. This was proved by the obtained data. Relevant weight is also put on the lack of capital, high transportation costs and lack of experience with internationalization.

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