Method of evaluating the success of the dairy czech small and medium-sized enterprises

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METHOD OF EVALUATING THE SUCCESS OF THE DAIRY CZECH SMALL AND MEDIUM-SIZED ENTERPRISES

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Abstract


The paper is focused on the draft of the method for quantification of the factors, which determine the success of the SMEs in foreign markets. In the proposed method the multidimensional assessment of indicators of success of SMEs in foreign markets are used, ie. not only the proportion of sales from exports is observed, but also the profitability of international activities in an absolute and in a relative rate. Other indicators of success are the satisfaction of the company management with international activities and the success of achieving defined targets for business activities in foreign markets. Evaluation is made up of both the objective and the subjective indicators of success. Among the objective indicators of success is included the intensity of international activities of SMEs, which is detected as the sum of revenues generated from international activities in relation to total sales company, the profitability of international activities, (ie. whether the foreign activities are profitable or not), and the relative profitability of international activities, where it is ascertained whether the foreign activities generate higher profit than the activities at the domestic market. The next subjective indicator of success is the success of objectives – it was found how many objectives related to operations in foreign markets has been achieved. Another indicator is the subjective satisfaction of the company management with existing activities on foreign markets. Overall performance on foreign markets of the company is quantified using an assessment of objective and subjective indicators of success. Using the defined evaluation it will be possible to determine which of the SMEs are more and which are less successful in foreign markets. Finally, this evaluation model is used for the research aimed at identifying characteristics affecting the success of dairy SMEs in the foreign markets.

At the time of increasing globalization, which is mainly due to the rapid development of technologies that facilitate access to information, reduce transport costs, production and sales as well as reducing restrictions of trade barriers restricting international trade operations. All this characteristics result to an increasing competitive environment on almost all world markets. Increasing globalization and the related growing competition increases demands on the businesses entity that wants to succeed in these markets. Large multinational companies have enough financial and other resources that enable them compared with small and medium-sized enterprises apply the aggressive strategy of entering new markets and thus face the growing competitive environment. Lower availability of financial resources is becoming the biggest constraints for SMEs in the context of maintaining its current market position and also with regard to the possibility of entering new foreign markets.

Globalization is closely linked to the internationalization of firms and the development of multinational companies, as removing barriers and increasing competition in domestic markets is reflected in an effort to expand business in foreign markets. Due to increasing globalization and the increasing com-
competitive environment particularly small and medium-sized businesses have to quickly respond to these changes.

However, while globalization is more or less spontaneous process, the process of integration is a process controlled and organized by top international or supra-state institutions and bodies (without taking into account the existence of so-called informal integration). In the context of globalization gradually and spontaneously a global economy is created. The role of foreign trade and foreign investment enhances; there is a combination of financial markets and concentration of capital; transnational corporations are still significantly affecting not only economic affairs, but their political influence strongly promotes. Just the internationalization of open Czech economy is becoming more important.

Growing integration increases the competitive environment and SMEs must face much bigger competition than in the past. And that internationalization process is one of the options to face this competition.

Material and methods
SMEs are a separate business units in the hands of one or more businesses, with a small number of workers, relatively little capital and low annual turnover. In 2003, the European Commission issued Recommendation 2003/361/EC which contains a new definition of SMEs with a view to strengthen their competitive environment and SMEs must face much bigger competition than in the past. And that internationalization is one of the options to face this competition.

Advantages and disadvantages of SMEs
Clear advantage the SMEs are highly valued for is flexibility and ability to adapt quickly to customer needs. SMEs are usually characterized by simple organizational structure and by a small number of management levels that allow them quickly respond to the current market situation and take decisions without unnecessary noise and internal communication conflicts between employees. Additional benefits are considered to be relationships of almost family-friendly nature that often arise on workplace and personal atmosphere. Employees in small enterprises are mostly in direct contact with the entrepreneur, thereby easier trust is creating between employees and organizations and also often the loyalty of workers to the firm is increasing. SMEs also more frequently meet good ideas, various changes and innovations of its employees, which thus have a greater chance of implementation than in large enterprises. Last but not least, it can be considered an advantage – even closer contact to the customer.

Contrary, SMEs in their existence must cope with a number of disadvantages. One of them is particularly vulnerable environment. Further more than other businesses they run secondary insolvency. Another problem of most small businesses is the lack of experts. Often mentioned disadvantage is lack of financial strength of SMEs as well as less access to finance, since from the perspective of banks SMEs present a risky and unattractive segment. The issue of financing is related to the limited funds for employees’ salary and often the inability to afford top experts in the field or provide to staff many out salary advantages as it is offered in large enterprises. Therefore, finding and retaining qualified employees in SMEs is the constant dilemma. SMEs also cannot utilize the proceeds of scale (Kislingerová, E., Nový, I., 2005).

Internationalization
In the academic field, there is no common agreement on the definition of “internationalization”. The internationalization can be in generally defined from the procedural and organizational aspects as “the process of adaptation where company adapts to international environment. It is clear that this point of view rather emphasizes internationalization of multinational companies than small and medium-sized enterprises (SMEs). Another widely used perspective, including both sides internationalization process, i.e. the external and internal flows is as followed: internationalization is the process of increased involvement in international operations. SMEs want to internationalize from the purposes of entering foreign markets and they need to choose a specific strategy and appropriate entry. This method is in the international professional literature called “a form of internationalization”, “method of entry” or „entry strategies“ (Root, F. R., 1994) Regardless the difference of terms, this phenomenon can be defined as “an institutional agreement that allows the entry of products, technology, human skills, management or other company resources to a foreign country” (Root, F. R., 1994).

In generally, authors recognize following five forms of internationalization: export, licensing, setting up joint venture in the target country, direct investment into production in the target country and franchising. The research has made clear that the form of entry into foreign markets, using franchise is not among SMEs as a common feature in comparison with other forms of entry, particularly in comparison with export, licensing and joint venture. For the above reason, in the proposed research, this form of entry is not included in the area of study.

Overview of selected internationalisation theories
Internationalization process resulted from a combination of strategic thinking and actions, opportunities and needs. Because of the given complexity of this phenomenon it is very difficult to create a general concept of internationalization process.

Notwithstanding the considerable complexity of the internationalization phenomenon, many researchers tried to develop a general theory of internationalization. However, a survey of relevant literature on the issue of internationalization reveals that most of the developed theories are focused more on large multinational companies than SMEs. Therefore, the following report includes only those theories that are at least partially relate to the internationalization of SMEs. There is the list of these theories:
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Phase model of internationalization (Uppsala model)

It is well known that the Uppsala model suggests the international stream is driven by interplay between learning about international business operations and commitment to international markets. Key features of this model are as follows: firms start operations from culturally and geographically close countries and gradually move to culturally and geographically distant countries; firms start their foreign operations by using traditional exports and gradually move to using more intensive and demanding operation modes (sales subsidiaries, etc.) both at the company and target country level (Johanson and Vahlne, 1990).

Theory of contingency

The development of contingency theories of internationalization has led the authors to the need for any specific alternatives to the dominant phase theories. The main aim of the contingency theory is to show that internationalization process is dependent on the environment. This means that it is influenced by many factors such as market conditions, industry structure and company resources. Contingency theory suggests that companies are influenced by an open system environment. In order to determine the most appropriate formula for internationalization process, company resources, opportunities and threat environment which affect the company, must be analyzed (Lawrence, P. R., Lorsch, J. W., 1986).

Holistic model of internationalization

A holistic approach takes into account several forms of internationalization that are associated with entry into the Czech SMEs to foreign markets, i.e. indirect export, direct export, licensing, joint ventures (joint ventures) and direct investment. Within the proposed methodological procedure the following questions will be answered:

- Who? – Which companies are internationally successful?
- What? – What kind of products are internationally successful?
- How? – How the company can successfully internationalize?

To these basic questions can be answered, methodological procedure included the following groups of characteristics (grouped according to their importance and relationship to internationalization) was proposed:

- Characteristics of a company
- Characteristics of internationalized products
- Management decisions
- International experiences.

Definition of characteristics affecting activities of SMEs on foreign markets

Based on current literature, the results of empirical research and conceptual framework based on the work were defined characteristics divided into four groups. In each of these groups there have been formulated word hypotheses which allow expressing and describing accurately test relationships and context.

Characteristics related to internationalized company

- There is a positive relationship between the size of Czech SMEs and their international success.
- Company size is measured from two aspects, namely by the size of sales and number of employees. In order to ensure a high degree of comparability of the data, the number of employees is measured as the average annual number of full-time over the past 3 years. Revenues will also be listed as an average over the last 3 years.
- There is a positive relationship between the age of Czech SMEs and their international success.

RESULTS

Defining characteristics influencing the international activities of SMEs

In order to be able to carry out the proposed research, firstly it must be defined the characteristics that affect the activities of SMEs in foreign markets. The proposed research is focused on those characteristics which, managers of firms can influence in some way. It is therefore a characteristic affecting business activity.

Unlike all previous methods and models this methodology of the research is not limited only for the assessment of export and its success. Methodological approach takes into account several forms of internationalization that are associated with entry into the Czech SMEs to foreign markets, i.e. indirect export, direct export, licensing, joint ventures (joint ventures) and direct investment. Within the proposed methodological procedure following questions will be answered:

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- Characteristics of a company
- Characteristics of internationalized products
- Management decisions
- International experiences.

Since 1990, various studies appear known as Born Globals. Some of the first authors who deal with this phenomenon are Oviatt and McDougall (1999), who defined Born Globals as: “The companies which since their beginning seeks to obtain substantial competitive advantage with the resources and sales performance to several countries”.

Characteristics related to internationalized company

- There is a positive relationship between the size of Czech SMEs and their international success.

Company size is measured from two aspects, namely by the size of sales and number of employees. In order to ensure a high degree of comparability of the data, the number of employees is measured as the average annual number of full-time over the past 3 years. Revenues will also be listed as an average over the last 3 years.
- There is a positive relationship between the age of Czech SMEs and their international success.
Age is measured by the number of years since its founding.

**Characteristics related to internationalized product**

- Higher quality product has a positive influence on the international success of Czech SMEs.
- Lower price of the product has a positive influence on the international success of Czech SMEs.

Quality and price of internationalized product will operate by using determination of the source of competitive advantage. Respondents are asked to identify the source of their competitive advantage of internationalized product.

Obtained data about the competitive advantages will be transformed into individual dichotomous variables where each variable is assigned the value “0” or “1” according to the answers.

**Characteristics related to managerial decision**

- There is a positive relationship between the existence of strategic planning focused on the activities of SMEs on foreign markets and international success of these enterprises.

A key part of strategic planning is process of creating a business strategy. Business strategy consists of sub–trading strategies which relate to specific products and specific target markets. When creating marketing strategies it is necessary to define its market position against competitors and select the appropriate market segment. This is a key part of creating the business strategy.

Choosing a fundamental business strategy (SAR) is one of the indicators used to operation of hypothesis relating the existence of strategic planning in the company. Regarding the applied empirical researches, it can be argued that it is not easy to operate the hypothesis. These studies demonstrate the importance of strategic planning but also point to significant weaknesses in its implementation. For this reason, it is needed to check chosen SAR by verification test. The certification test is based on a comparison of sources of competitive advantage associated with the product and choosing internationalized SAR. SAR selected must correspond with the identified competitive advantage associated with internationalized product. If the match is confirmed, then the company may consider a selected fundamental business strategy as an internationally focused.

- There is a positive relationship between the concentration of resources and the international success of Czech SMEs.

The term number of resources includes following two components: the number of markets where the company currently operates and number of internationalization forms through which the company enter the foreign markets. Both variables will be needed to customize for the analysis.

- There is a positive relationship between the intensity of the target market research and international success of Czech SMEs.

Operation of collecting information intensity before the entry the target market will be made by using indicators related to target market (size and market growth, customer segments, market share, competitors, the size of competitive offerings and other indicators that company states into the possibility of “other information”). The more indicators will be analyzed, the more the company appears to be internationally active.

- There is a positive relationship between the active involvement of management in international business activities and its success on foreign markets.

The hypothesis will be operated on basis of found average number of contacts with the trading partner associated with a particular export product to the target country or management business trips abroad related to internationalized product.

**Characteristics related to international experiences of SMEs**

- There is a positive relationship between the international experience and the success of Czech SMEs on foreign markets.

Indicator of internationalization activities experience is operated by using the time over which internationalization activities are pursued on foreign markets.

**Evaluation of business performance**

It is best to use multidimensional indicators to measure the success of the international performance of SMEs, i.e. to not monitor only the share of sales from exports, but also the profitability of international activities, both absolute and relative. Other indicators of success are the satisfaction of management with international business activities, i.e. the achievement of planned objectives (Dhanaraj, Ch., Beamish, P. W. A., 2003).

**Proposal of evaluating system for the success of Czech SMEs on foreign markets**

Firstly, it is necessary to define the dependent variable which in the proposed methodology of empirical research process presents the success of SMEs on foreign markets. The dependent variable is defined on the basis of evaluating the success of SMEs on foreign markets. As described above, for the purpose of the proposed research methodology it is necessary to create a multidimensional assessment of the performance of SMEs in the Czech international companies.

**The intensity of international activities of SMEs**

The intensity of international activities of SMEs will be measured as the sum of all revenues generated from international activities. The total amount of sales would not provide relevant data therefore, the proportion of sales generated by foreign activities in relation to total sales of the company is used. Due to refine the results average sales over the last three years will be taken into consideration. Intensity indicator is necessary for the purposes of statistical analysis to be adjusted in following way. SMEs
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I: Evaluating system of the success of SMEs

<table>
<thead>
<tr>
<th>Indicators of the success</th>
<th>The overall result of SMEs</th>
<th>Result for purposes of statistical analyses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal achievement</td>
<td>Management satisfaction</td>
<td>Absolute profitability</td>
</tr>
<tr>
<td>All goals achieved</td>
<td>successful</td>
<td>profit</td>
</tr>
<tr>
<td>Most of goals achieved</td>
<td>Develop very well</td>
<td>Profitability on the same level</td>
</tr>
<tr>
<td>Small part of goals was</td>
<td>unsuccessful</td>
<td>loss</td>
</tr>
<tr>
<td>achieved or the goals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>were not achieved at all</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Processed by authors
nies can be considered successful. Second, the dependent variable will be quantified.

**Data analysis**

Proposed model was applied to dairy SMEs, required information and data were obtained from the survey. The market research was held in 2009 focused on the small and medium sized dairy companies. Overall 90 respondents were interviewed by e-mail questionnaires, 20 responses came back, etc. return questionnaires was 22.2%. There were some not correctly answered questionnaires, so only 18 responses were processed. The data obtained in the research were analyzed in order to obtain answers to questions defined in the work and validate the set of word hypotheses. In accordance with the formulation of hypotheses will use appropriate statistical test applied to real data. Depending on the zero and alternative hypothesis statistical test, the value of test statistics and criteria for assessing the null hypothesis statistical test will be used at the results (obtained results) to evaluate word hypothesis. The set of real data was collected using a questionnaire survey among SMEs in the dairy sector. All results of statistical tests are interpreted with the fact, that questionnaire return was only 22, 2%. Validation of these hypotheses will be conducted using statistical testing in standard way.

### Kendall tau b

<table>
<thead>
<tr>
<th>Kendall tau b coefficient</th>
<th>Sales/employees</th>
<th>Age</th>
<th>Quality</th>
<th>Strategic planning</th>
<th>Price</th>
<th>Number of markets</th>
<th>Information</th>
<th>Trips</th>
<th>Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>USP</td>
<td>0.6860</td>
<td>0.1493</td>
<td>0.4125</td>
<td>0.5659</td>
<td>0.0000</td>
<td>0.4478</td>
<td>0.2301</td>
<td>0.3769</td>
<td>0.6866</td>
</tr>
<tr>
<td></td>
<td>(0.011)</td>
<td>(0.592)</td>
<td>(0.184)</td>
<td>(0.068)</td>
<td>(1)</td>
<td>(0.108)</td>
<td>(0.444)</td>
<td>(0.406)</td>
<td>(0.014)</td>
</tr>
</tbody>
</table>

Source: Processed by authors

### One-dimensional regression

<table>
<thead>
<tr>
<th>One-dimensional regression</th>
<th>Parameter estimation</th>
<th>SE</th>
<th>t statistics</th>
<th>p-value</th>
<th>F-test</th>
<th>p-value</th>
<th>DW</th>
<th>cor. coef.</th>
</tr>
</thead>
<tbody>
<tr>
<td>model</td>
<td></td>
<td>18.5900</td>
<td>.0035</td>
<td>1.6978</td>
<td>0.8523</td>
<td>(0.0035)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>constant</td>
<td>−0.3000</td>
<td>1.6737</td>
<td>−0.17</td>
<td>0.862</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>sales/empl.</td>
<td>1.4843</td>
<td>0.3443</td>
<td>4.311</td>
<td>0.003</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>model</td>
<td></td>
<td>0.2500</td>
<td>0.6331</td>
<td>0.2500</td>
<td>1.4443</td>
<td>0.1873</td>
<td>(0.6331)</td>
<td></td>
</tr>
<tr>
<td>constant</td>
<td>0.5256</td>
<td>11.495</td>
<td>0.045</td>
<td>0.964</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>age</td>
<td>0.3974</td>
<td>0.7965</td>
<td>0.499</td>
<td>0.633</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>model</td>
<td></td>
<td>2.7200</td>
<td>0.1428</td>
<td>2.8473</td>
<td>0.5293</td>
<td>(0.1428)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>constant</td>
<td>2.6861</td>
<td>2.4407</td>
<td>1.100</td>
<td>0.307</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>number of markets</td>
<td>0.6240</td>
<td>0.3781</td>
<td>1.650</td>
<td>0.142</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>model</td>
<td></td>
<td>0.5000</td>
<td>0.5043</td>
<td>2.1717</td>
<td>0.2571</td>
<td>(0.5043)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>constant</td>
<td>1.0769</td>
<td>7.4306</td>
<td>0.144</td>
<td>0.888</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>information</td>
<td>1.6154</td>
<td>1.4491</td>
<td>1.114</td>
<td>0.504</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>model</td>
<td></td>
<td>1.6300</td>
<td>0.2422</td>
<td>2.3319</td>
<td>0.4347</td>
<td>(0.2422)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>constant</td>
<td>3.13</td>
<td>2.7195</td>
<td>1.151</td>
<td>0.287</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>number of trips</td>
<td>0.42</td>
<td>0.2168</td>
<td>1.956</td>
<td>0.242</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>model</td>
<td></td>
<td>12.8400</td>
<td>0.0089</td>
<td>1.9825</td>
<td>0.8045</td>
<td>(0.0089)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>constant</td>
<td>−0.72</td>
<td>2.1053</td>
<td>−0.34</td>
<td>0.739</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>experiences</td>
<td>1.02</td>
<td>0.2862</td>
<td>3.583</td>
<td>0.008</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Processed by authors
**Dependent variable:** success

**Independent variables:** sales/employee, age

### IV: Multivariate regression

<table>
<thead>
<tr>
<th>Parameter estimation</th>
<th>SE</th>
<th>t statistics</th>
<th>p-value</th>
<th>F-test</th>
<th>DW</th>
</tr>
</thead>
<tbody>
<tr>
<td>constant</td>
<td>-2.7086</td>
<td>6.5815</td>
<td>-0.4116</td>
<td>0.6950</td>
<td></td>
</tr>
<tr>
<td>sales/empl.</td>
<td>1.4668</td>
<td>0.3703</td>
<td>3.9610</td>
<td>0.0074</td>
<td></td>
</tr>
<tr>
<td>age</td>
<td>0.1734</td>
<td>0.4560</td>
<td>0.3802</td>
<td>0.7169</td>
<td></td>
</tr>
</tbody>
</table>

**Source Processed by authors**

- Coefficient of Determination = 0.732875
- Adjusted coefficient of determination = 0.643833
- Standard error = 2.3071
- Square absolute error = 1.70618
- Lag 1 residual autocorrelation = 0.0241717

\[ u_{sp} = -2.70863 + 1.46682 \times \text{sales/empl} + 0.173377 \times \text{age} \]

**Dependent variable:** success

**Independent variables:** number of markets, amount of information, number of trips.

### V: Multivariate regression

<table>
<thead>
<tr>
<th>Parameter estimation</th>
<th>SE</th>
<th>t statistics</th>
<th>p-value</th>
<th>F-test</th>
<th>DW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>9.0016</td>
<td>20.1552</td>
<td>0.44661</td>
<td>0.6738</td>
<td></td>
</tr>
<tr>
<td>Number of markets</td>
<td>1.2347</td>
<td>2.1387</td>
<td>0.5773</td>
<td>0.5887</td>
<td></td>
</tr>
<tr>
<td>Information</td>
<td>-2.2527</td>
<td>7.0377</td>
<td>-0.3201</td>
<td>0.7618</td>
<td></td>
</tr>
<tr>
<td>Trip</td>
<td>-0.4295</td>
<td>1.6135</td>
<td>-0.2662</td>
<td>0.8007</td>
<td></td>
</tr>
</tbody>
</table>

**Source Processed by authors**

- Coefficient of Determination = 0.294991
- Standard error = 4.10579
- Square absolute error = 2.76844
- Lag 1 residual autocorrelation = -0.53859

\[ u_{sp} = 9.0016 + 1.23474 \times \text{Number of markets} - 2.25271 \times \text{info} - 0.429483 \times \text{trip} \]

There is a positive relationship between the size of Czech SMEs and their international success.

In relation to the word hypotheses it can be said that there is a strong positive relation between the company size and its success on foreign markets.

There is a positive relationship between the age of Czech SMEs and their international success.

In relation to the word hypotheses it can be said that there is a positive relationship between age and the company success on foreign markets.

Higher quality of product has a positive influence on SMEs international success.

In relation to the word hypotheses it can be said that there is not a positive relationship between higher quality products and the success of business on foreign markets.

Lower price of product has a positive influence on SMEs international success.

In relation to the word hypotheses it can be said that there is not a positive relationship between lower-priced products and the success of business on foreign markets.

There is a positive relationship between the existence of strategic planning concerning the internationalization of Czech SMEs and international success of such enterprises.

In relation to the word hypotheses it can be said that there is a strong positive relationship between the existence of strategic planning and international success of companies.

Between the concentration of resources and international success of SMEs there is a positive relationship.

In relation to the word hypotheses it can be said that there is not a positive relationship between concentration of resources and the success of business on foreign markets.
Between the intensity of target market research and international success of Czech SMEs there is a positive relationship.

In relation to the word hypotheses can be said that there is not a positive relationship between the intensity of the target market research and the success of business in foreign markets.

Positive relationship also exists between management interest in international activities and international success of Czech SMEs.

In relation to the word hypotheses it can be said that there is no positive relationship between the company management interests and its success on foreign markets.

There is a positive relationship between obtained international experience and the success of Czech SMEs on foreign markets.

In relation to the word hypotheses it can be said that there is a strong positive relationship between international experience and success on foreign markets.

SUMMARY

When collecting secondary data we were mostly depended on foreign language resources because there were almost no materials on the issue available in the Czech language. We were dependent on information from foreign literature, professional journals and research focused on the internationalization. Abroad, the topic is very current and it is also mapped in a very detail. Till this time the similar research has not taken place in Czech Republic.

Characteristics defined in the proposed research were selected on the basis of study of literature and also of already made surveys and studies. Number of selected features is not final and the individual group of characteristics may be further extended for another, for Czech SMEs important characteristics, which will be tested for their effect on the success of small and medium–sized enterprises in the Czech Republic. Restrictive criterion for the selection of firms was the number of employees, the turnover and independence. The proposed research has a requirement for the availability of Internet connection because the chosen method of data collection was an electronic questionnaire. Nowadays, the stated requirement already appears to be redundant. Method of data collection using a questionnaire placed on the Internet was chosen because of the rapid collection and convenient processing of data as soon as after the end of the research. Disadvantage can become an anti–spam protection on the computers in the surveyed firms and thus the inability to answer the questionnaire. Another limitation may become ambiguity of defined issues. This risk was reduced by implementation of case studies.

The main aim of contribution was the proposal of a methodological procedure for the identification of characteristics influencing the success of Czech small and medium–sized enterprises on foreign markets. Necessary prerequisite for the fulfillment of the goal was definition of characteristics that affect the activities of Czech SMEs operating on foreign markets and the subsequent definition of quantitative research, under which it was possible to identify only those characteristics that affect the success of Czech SMEs on foreign markets.

Within the contribution a system of evaluating the success of Czech SMEs on foreign markets was designated. Proposed methodology for evaluation of success is necessary to define the dependent variable.

The proposed methodology of empirical research was validated by using a case study that was conducted in the dairy industry.

That small medium enterprises increase their competitiveness and face a harsh competitive struggle, it is necessary for them to use aid, especially financial, that positively affect business development and contribute to strengthening stability, compensate the lack of equity capital, difficult access of bank credit and limited possibility to liable by their own property. The future is to use the opportunity offered to the Czech SMEs through funds from the EU structural funds. If these funds are effectively used to further strengthen the infrastructure supporting business activities and are invested in a system of direct support for entrepreneurs, they can positively influence the development of small and medium–sized enterprises in both the Czech economy and also beyond its borders. The process of internationalization of SMEs is a very broad topic and research conducted on the basis of the proposed methodological procedure for the identification of characteristics affecting the success of SMEs on foreign markets can give knowledge and help to further study of internationalization phenomenon.

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