The specifics of internationalization process of Czech SMEs with focus on financial aspects

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Abstract
The paper deals with the benefits, negatives and barriers of internationalization process of Czech SMEs and its financial aspects. It is processed on the basis of primary data collected by questionnaire surveys in 2012 among Czech SMEs and in 2013 among Czech SMEs from textile and clothing industry. The results are processed with the use of descriptive statistics. The greatest benefits for internationalised SMEs are the significant increase in sales, the enlargement of awareness about their company and the reinforcement of market position. Non-internationalised SMEs see as the greatest benefit the reduction of dependence on one market. Almost half of SMEs involved in internationalization do not experience any negative effect connected with this process. Other respondents consider as the key negative consequence the administrative activities associated with foreign market entry. Besides the negative effects also many barriers may prevent Czech SMEs from taking part in internationalization. The most important barriers for Czech SMEs are the same as those identified by the OECD in 2009. One of the most important barrier is the lack of capital and the lack of support from state according to both the OECD research and our questionnaire survey. Although the survey results among Czech SMEs points the lack of financial funds as the major barrier when entering foreign markets, the export of Czech textile and clothing industry is financed mainly by own resources. Own resources for export funding in considered sector are used by 84.5% of internationalised SMEs and only 15.5% of these enterprises finance their export by external resources. In case of using external resources especially short-term bank loans, factoring and documentary letter of credit are used. Results show that the larger the enterprise is, the more of external forms of export financing it use. Another interesting fact according to survey results is that Czech SMEs from textile and clothing industry cooperate with institutions promoting export at minimum level. Only 11% of exporting SMEs cooperate with institutions promoting export, the remaining 89% of SMEs do not cooperate with them.

Key Words
Internationalization, SMEs, benefits, barriers, negative consequences, export financing.

Introduction
Small and medium enterprises (SMEs) are the major ‘players’ in the Czech economy as 99.8% of all businesses are small or medium-sized. In addition, Czech SMEs employ more
than two-thirds of all employees (MPO, 2012). The importance of SMEs to the world economy is emphasized also by OECD (2008) arguing that SMEs are the greatest source of growth and the greatest creator of jobs.

As stated by Van Heerden (2010) internationalization is one of the ways for achieving SME’s growth. This article focuses on the internationalization process of Czech SMEs which we take in the same way as Welch and Luostarinen (In Internationalization: evolution of a concept, 1999, p. 84) as ‘the process of increasing involvement in international operations’.

Many foreign authors deal with the influence of internationalization on the growth of SMEs. Lu, Beamish (2002) look at different foreign market entry strategies and their impact on the growth of Japanese SMEs. They found out that, compared to export, FDI (foreign direct investment) is a more effective entry strategy for the growth of SMEs in Japan. Pangarkar (2008) looks at the relationship between internationalization and growth in quantitative terms when testing the relationship between the degree of internationalization (DOI) and the performance of SMEs in Singapore. He found that there is a relation between these two variables, so the degree of internationalization of SMEs positively affects their performance.

It is important for SMEs to get involved in internationalization not only due to the possible growth through the access to new markets, but also due to the reduction of their dependence on domestic market and improving of their competitiveness. There has been written many studies and papers focusing on the benefits or barriers of internationalization for SMEs from different countries all over the world. However, only a few papers in this area regarding Czech SMEs has been written so far. Therefore we discuss the specifics of internationalization for Czech SMEs in this paper.

According to Pangarkar (2008), the entry into foreign markets can bring SMEs in particular better cost efficiency, increased flexibility and the opportunity to learn from the diverse environment of international markets. Another significant advantage for SMEs may represent the entry to niche markets in other countries that can be better served just by SMEs than by large companies and thus achieving higher revenues and profits. Pangar (2008) argues further that the benefits outweigh the negatives, which may include increased costs associated with the penetration to foreign markets. Therefore the overall effect of internationalization for SMEs is positive.

Nevertheless, many authors point out that it is not an easy task for SMEs to enter foreign markets. SMEs have to face many barriers when entering foreign markets as Fliess and Busquets (2006) state in their research report prepared for OECD or Djebaran and
Al-Hyari (2009) state in their paper on export activities of SMEs in Jordan. Both papers agree that for SMEs it is more difficult to overcome the internal barriers, in other words barriers associated with the abilities of firms, than external barriers that arise from the business environment and conditions in the different countries. Djebarni and Al-Hyari (2009) identified that the high transportation costs and low competitive prices as compared with prices in foreign markets are the most serious internal barriers for Jordanian SMEs. Whereas the political instability in foreign markets and the strength of international competition are the most significant external barriers according to their findings.

Van Heerden (2010) emphasizes that nowadays the ability of SMEs to succeed in foreign markets depends not only on the quality of their production or competitiveness of their product prices, but also on the willingness of financial institutions to provide loans to businesses. According to Ganbold (2008), the lack of finance is the key obstacle in the growth of SMEs not only in developing countries that Ganbold examines. He further emphasizes that exactly SMEs are at a disadvantage when gaining external resources for their funding. This fact is also confirmed by U.S. International Trade Commision (2010) on the example of Polish SMEs which use mainly own resources for funding their activities. He claims that the main cause of this disparity in SME funding is above all the demanding character of administrative activities related to acquiring of external resources. Concerns about the costs of loans and concerns about the government’s inability to protect SMEs in the case of legal problems related to external funding ranks U.S. International Trade Commision (2010) among other reasons why Polish SMEs do not use external resources.

Despite being very current issue for SMEs, as stated in the above-mentioned papers, the funding of Czech SMEs internationalization process has not been sufficiently scrutinized yet. Therefore our paper focuses also on funding of Czech SMEs foreign market entry.

**Objectives and methodology**

This paper points out the benefits and negatives of internationalization process of Czech SMEs and deals with the significant barriers of their foreign market entry. Many scientific studies consider the lack of capital, the lack of state support as well as the difficulty in establishing contacts with customers abroad as the most important barriers when entering foreign markets. Therefore the article focuses on methods of SMEs funding when entering foreign markets and on the use of cooperation with institutions promoting export particularly in the Czech textile and clothing industry. Textile and clothing industry is the traditional
industry of Czech economy whose competitiveness has been threatened recently by Asian competitors expanding into the European market.

The paper is processed on the basis of primary data collected via electronic questionnaires created in programme Umbrela (created on Mendel university) and distributed by e-mail.

In 2012 a questionnaire survey was conducted among Czech SMEs. The survey was aimed at identifying the results, barriers and risk factors of internationalization process of Czech SMEs. In total 1,000 of Czech SMEs from all areas of economic activities according to the classification CZ-NACE were addressed in this survey. The questionnaires were sent to enterprises from various areas of economic activities in such numbers that are in order with the proportional representation of the enterprises in different areas of economic activities in the Czech Republic. The e-mail contacts of SMEs were obtained from the database of European business entities called Amadeus. Together 91 completed questionnaires returned, that is 9.1% return rate.

The SMEs are divided to categories of micro, small and medium-sized enterprises in compliance with Recommendation No. 2003/361/EC (European Commision) which states the classification and a new definition of SMEs according to three criteria: number of employees, annual turnover and annual balance sheet total. The classification of SMEs considering these criteria is stated in Tab. I.

### I: Classification of SMEs

<table>
<thead>
<tr>
<th>Category of enterprises</th>
<th>Number of employees</th>
<th>Annual turnover</th>
<th>Annual balance sheet total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium-sized</td>
<td>&lt; 250</td>
<td>≤ 50 million euros</td>
<td>≤ 43 million euros</td>
</tr>
<tr>
<td>Small-sized</td>
<td>&lt; 50</td>
<td>≤ 10 million euros</td>
<td>≤ 10 million euros</td>
</tr>
<tr>
<td>Micro-sized</td>
<td>&lt; 10</td>
<td>≤ 2 million euros</td>
<td>≤ 2 million euros</td>
</tr>
</tbody>
</table>

Source: Mandysová, 2009

The above mentioned classification of SMEs is used in both questionnaire surveys, first conducted in 2012 and second in 2013. Tab. II shows the distribution of respondents from survey 2012 to each category of enterprises.
II: The distribution of respondents (2012, n = 91)

<table>
<thead>
<tr>
<th>Category of enterprises</th>
<th>Micro-sized</th>
<th>Small-sized</th>
<th>Medium-sized</th>
</tr>
</thead>
<tbody>
<tr>
<td>According to number of employees</td>
<td>29</td>
<td>42</td>
<td>20</td>
</tr>
<tr>
<td>According to annual turnover</td>
<td>55</td>
<td>25</td>
<td>11</td>
</tr>
</tbody>
</table>

Source: author’s results, 2012

In 2013 another questionnaire survey was conducted among Czech SMEs from textile and clothing industry. This survey was aimed at financing of export and use of state export promotion in this sector. In total 1,100 of Czech SMEs from this sector were addressed and 231 completed questionnaires returned. The e-mail contacts of SMEs from textile and clothing industry were obtained via database of enterprises Albertina – Firemní Monitor. The enterprises were filtered according to the classification CZ-NACE too. The return rate of questionnaire survey reached 21 %. Tab. III shows the distribution of respondents from survey 2013 to each category of enterprises.

III: The distribution of respondents (2013, n = 231)

<table>
<thead>
<tr>
<th>Category of enterprises</th>
<th>Micro-sized</th>
<th>Small-sized</th>
<th>Medium-sized</th>
</tr>
</thead>
<tbody>
<tr>
<td>According to number of employees</td>
<td>94</td>
<td>98</td>
<td>39</td>
</tr>
<tr>
<td>According to annual turnover</td>
<td>187</td>
<td>39</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: author’s results, 2013

For the data processing some descriptive statistics such as absolute and relative frequency and arithmetic mean are used. Data are evaluated in Statistica CZ 10 and graphically processed in MS Excel 2007.

Results

According to research by the European Commission from 2003 SMEs already operating abroad and SMEs that operate only on domestic market or use only foreign suppliers have different motives for involvement in foreign trade operations:

- SMEs already operating abroad consider the access to new and larger markets, thus increasing market share, and the access to know-how and technology as the main motivating factors of internationalization.
SMEs not currently operating abroad are, in addition, significantly motivated by the fact that operating on domestic market is connected with high production costs and strict laws and regulations.

Among other important motivational factors for SMEs according to this research counts also additional production capacity in foreign markets and access to the capital and labor.

Similarly the expected benefits of internationalization for Czech SMEs not operating on foreign markets are slightly different from the actual benefits that enjoy SMEs already operating on foreign markets as shown by the results of survey conducted in 2012.

- Most SMEs operating abroad gain significant increase in sales thanks to internationalization. However, SMEs that still does not operate abroad, do not expect from the foreign market entry the increase in sales at first, but they expect mainly the reduction of dependence on one market.
- Whereas more than half of SMEs already operating abroad consider the enlargement of awareness about their company and the reinforcement of market position as significant contributions of internationalization, SMEs not operating abroad do not expect those contributions from foreign market entry.
- Surprisingly 15% of respondents are unaware of any benefits of internationalization.

Table IV shows the benefits of internationalization for Czech SMEs which already operate on foreign markets and the motivational factors for foreign market entry of European SMEs in descending order from the most important to the least important.

According to research by the European Commission (2004), it is also important to deal with the fact why the non-internationalised SMEs do not engage in this process. These enterprises could be divided into two groups according to this research:

- SMEs for which are both internal and external barriers too high to take part in the internationalization process and
- SMEs which actually do not care about the foreign market entry. This may be caused by several reasons. Some of them do not consider the entry into foreign markets suitable for their business. Other SMEs believe that domestic demand is sufficient for their business. And some SMEs do not even have ambitions to expand to larger size or beyond the domestic market.
IV: Benefits of and motives for internationalization

<table>
<thead>
<tr>
<th>Rank</th>
<th>Motives for internationalization (EU SMEs, 2003)</th>
<th>Benefits of internationalization (Czech SMEs, 2012)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Access to new and larger markets</td>
<td>Significant increase in sales (61 %)</td>
</tr>
<tr>
<td>2.</td>
<td>Access to know-how and technology</td>
<td>Enlargement of awareness about the company (52 %)</td>
</tr>
<tr>
<td>3.</td>
<td>High production costs on domestic market</td>
<td>Increase in profits and reinforcement of market position (43 %)</td>
</tr>
<tr>
<td>4.</td>
<td>Strict laws and regulations on domestic market</td>
<td>Decrease in the dependence on one market (41 %)</td>
</tr>
<tr>
<td>5.</td>
<td>Additional production capacity</td>
<td>Establishing of important business contacts (39 %)</td>
</tr>
<tr>
<td>6.</td>
<td>Access to capital</td>
<td>Better use of own production capacity, access to new knowledge and know-how (37 %)</td>
</tr>
<tr>
<td>7.</td>
<td>Access to labour</td>
<td>Reduction of the impact of competition and achieving the economies of scale (22 %)</td>
</tr>
</tbody>
</table>

Source: European Commission (2004), author’s results, 2012

According to the questionnaire survey 2012, almost 62% of SMEs (24 of 39) which do not operate abroad are not concerned about any negative consequence of internationalization, they are just not interested in the foreign market entry.

An interesting finding is also the fact that half of the SMEs involved in the internationalization (23 of 46) do not experience any negative effect connected to internationalization. So either the internationalization do not bring any negative consequences to this SMEs or they do not admit those consequences.

Other respondents consider as the key negative consequence of internationalization the administrative activities associated with foreign market entry.

Furthermore, the foreign market entry brought some SMEs negative increase of competition, decrease in profits and difficulties with the debt collection. It was also found out that internationalised SMEs in contrast with non-internationalised SMEs are not concerned at all about the possibility of decrease in sales or loss of good reputation. Tab V. ranks the negative consequences of foreign market entry for Czech SMEs from the most important to the least important according to the survey.

Besides the negative consequences also many obstacles or barriers can prevent SMEs from taking part in internationalization process. In 2009 the OECD conducted a survey among SMEs throughout the world and found 10 top barriers that prevent SMEs from entering foreign markets.
V: Negative consequences of internationalization

<table>
<thead>
<tr>
<th>Rank</th>
<th>Negative consequences of internationalization for Czech SMEs which operate abroad</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Huge increase of administrative activities (22 %)</td>
</tr>
<tr>
<td>2.</td>
<td>Decrease in profit (11 %)</td>
</tr>
<tr>
<td>3.</td>
<td>Increase in the impact of competition (9 %)</td>
</tr>
<tr>
<td>4.</td>
<td>Difficulties with the debt collection (7 %)</td>
</tr>
<tr>
<td>5.</td>
<td>Loss of good position in the domestic market (4 %)</td>
</tr>
<tr>
<td>6.</td>
<td>Other negative consequences</td>
</tr>
</tbody>
</table>

Source: author’s results, 2012

The questionnaire survey 2012 among Czech SMEs confirmed that also in our conditions are these barriers perceived as the most important, although in a different order. Whereas for SMEs in the world the lack of capital to finance export is the greatest barrier, Czech SMEs do not view this as a major barrier but still it is one of top 10 barriers. It is placed on the 9th position in our results.

According to the research by the European Commission from 2011 conducted among EU SMEs, the lack of finance is the second biggest barrier for them. The greatest barrier based on this research is the difficulty in searching foreign business opportunities.

The results about perception of barriers among Czech SMEs based on our questionnaire survey agree with the results of the European SMEs survey. Czech SMEs perceive as the biggest obstacle the difficulty in searching foreign business opportunities and the difficulty in establishing contacts with foreign customers, placed on the 2nd position, as shown in Fig 1.

Another barrier for Czech SMEs is the lack of trained staff for foreign market entry (3rd place) and the excessive costs of transporting goods to foreign markets (4th place). On the contrary, according to the OECD research, the costs of transporting goods to foreign markets take the 10th place. We find interesting that although the lack of state support is among the 10 most significant barriers (8th place) it is not the main reason why are SMEs reluctant to take part in internationalization process.

Fig. 1 illustrates top 10 barriers to internationalization which were identified by the OECD in 2009 in the order from the most important for Czech SMEs according to the results of questionnaire survey 2012. The chart also shows how many percent of Czech SMEs face these barriers when going abroad. In addition, the order of those most significant barriers as perceived by the SMEs from all over the world by the OECD is written in the brackets next to each item.
A significant barrier to foreign market entry for SMEs, according to both the OECD survey and our questionnaire survey 2012, is the lack of capital and the lack of support from state. Despite the fact that these barriers take the 8th and 9th place in the perception of barriers by Czech SMEs, they still fall into the most significant barriers to internationalization process of Czech SMEs. Unlike large companies, SMEs have a great problem with the access to capital not only when entering foreign markets but also when funding their other business activities. The issue of financing is thus an important matter that SMEs should deal with. Therefore this paper concentrates also on the methods of SMEs internationalization process financing.

Although the questionnaire survey results among Czech SMEs points the lack of financial funds as major barrier for Czech SMEs when entering foreign markets, the export of Czech textile and clothing industry is mainly financed from own resources, which are generally considered to be the most expensive resources of funding. Czech textile and clothing industry is export-oriented, as the questionnaire survey 2013 shows. From a total of 231 respondents 142 enterprises (almost 62% of respondents) act in foreign market. Own resources for export funding are used by 84.5% (120 enterprises) of internationalised enterprises in considered sector. Only 15.5% of these enterprises (22 enterprises) then finance their export from external resources. Many reasons can contribute to the use of enterprise‘s own resources for export funding. These include for
example the difficult access to finance that is often mentioned obstacle to the development of SMEs.

The results of the questionnaire survey which was performed in connection with the preparation of the Concept of SMEs 2014-2020 showed that Czech enterprises perceive the access to finance as the most problematic. This problem primarily affects micro-sized enterprises that can not offer a long-term history of their business (MPO, 2012).

The research among European SMEs also pointed to the difficult access of SMEs to funding (it is especially valid for micro-sized enterprises). According to this research, the demand for different bank loans was reduced mainly due to the sufficiency of own resources (European Commission, 2011).

In case of using external resources use Czech textile and clothing SMEs mainly these forms of financing: short-term bank loans, factoring and documentary letter of credit (see Fig. 3).

Fig. 3 shows that the larger the enterprises are, the more they use some of the external forms of export financing. Factoring is used mainly by medium-sized enterprises that export to more target markets (11 or more). These enterprises belong to the capital companies and their annual turnover exceeds 2 million EUR. Documentary letter of credit is used only by 2 medium-sized enterprises in our survey, whose common characteristic is the export to more risky territories (their export target markets belong to the 4th risk category according to the OECD classification of risky territories). All of the considered SMEs use short-term bank loans and belong to the capital companies.

Source: author’s results, 2013

2: Export funding of SMEs

In case of using external resources use Czech textile and clothing SMEs mainly these forms of financing: short-term bank loans, factoring and documentary letter of credit (see Fig. 3).
SMEs, which use for export funding external resources, decide for a specific form of export funding on the basis of these criteria: interest rate level, the volume of possible funding, maturity, risk hedging, flexibility in obtaining funds, other fees and administrative complexity (criteria are sorted according to their importance from the most important to the least important). These criteria were chosen according to personal consultations with enterprises in considered industry. The rank of these criteria was created on the basis of questionnaire survey among enterprises in considered industry. Interesting is that the criterion administrative complexity is evaluated as the least important criterion used for export funding decision making. To this result could contribute particularly the distribution of respondents who answered this question. In fact it was dominated by enterprises which belong to the category of medium-sized enterprises. For this category the administrative complexity do not need to be the main criterion for their decision making.

Based on questionnaire survey 2012 among Czech SMEs a lack of state support is identified as another significant barrier to internationalization process. Questionnaire survey 2013 among Czech SMEs in textile and clothing industry shows that these enterprises cooperate with institutions promoting export at minimum level. Only 11% of exporting enterprises (16 enterprises) cooperate with these institutions, the remaining 89% of enterprises do not cooperate with them. Tab. VI. shows which institutions promoting export are used by SMEs in considered sector.
VI: The use of institutions promoting export

<table>
<thead>
<tr>
<th>Institutions promoting export</th>
<th>Number of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>CzechTrade Agency</td>
<td>14</td>
</tr>
<tr>
<td>EGAP</td>
<td>3</td>
</tr>
<tr>
<td>Association of Exporters</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: author’s results, 2013

The questionnaire survey again pointed to the fact that larger enterprises cooperate more with institutions promoting export than the smaller ones. Most of these SMEs cooperate with the CzechTrade Agency (14 respondents) which provides a wide range of services promoting export. These SMEs cooperate also with EGAP (3 respondents) and with the Association of Exporters (1 respondent).

At the turn of January/February 2012 AMSP CR (2012) conducted a questionnaire survey among Czech SMEs, which was focused on finding out the opinions of entrepreneurs about state export support of SMEs. The results showed that SMEs cooperate with the CzechTrade Agency, which is connected to the greatest extent with state support. The questionnaire survey also pointed out an interesting fact that enterprises are generally less inclined to use external cooperation and they rather rely on their own experiences.

Discussion

Primary data was collected by questionnaire surveys. Electronic questionnaire survey which was used, allow quick and easy data collection and simplier addressing of respondents. Limits of electronic questionnaire survey can be seen mainly in the fact that many enterprises nowadays are overwhelmed by various offers sent also via e-mails and the sent researches may be considered as a spam.

When preparing the questionnaire surveys, the emphasis was put on simplicity and clarity of questions and also on acceptable length of the questionnaire, which previously would not discourage respondents from filling it. Because of these facts detailed individual responses could not be collected by this questionnaire (it is typically valid for the issue of financing, which is a sensitive issue for all enterprises). This fact was partially eliminated by interviewing few enterprises in the sector and ambiguity of questions was eliminated by preliminary survey.

The questionnaire survey was approached by a limited set of SMEs. In the questionnaire survey 2012 a total of 1,000 Czech SMEs from various sectors of economic activity in Czech
Republic was addressed. In the questionnaire survey 2013 a total of 1,100 Czech SMEs in particular sector, textile and clothing industry, was addressed. Therefore it is necessary to view the presented results as the results for particular industry. In other sectors, the situation may be different.

Questionnaire survey 2013 pointed to significant use of own resources for export financing. However the enterprises do not realize that their own resources are generally the most expensive forms of funding. For the use of their own resources can lead them many different reasons. Based on interviews with enterprises in the considered sector for example the following reasons can be included:

- The enterprise has enough own resources for financing business activities, i.e. there is no need to borrow financial funds externally, as confirmed by several enterprises via personal consultations.
- With the use of various forms of financing is associated an excessive administration, which can discourage SMEs from the use of various forms of export financing. This fact is confirmed by many studies that focus on barriers to internationalization and which are already mentioned in chapter Introduction.
- The influence can also have the business activity slowdown in times of economic crisis (enterprises can handle financing of business activities by its own funds).
- For SMEs it is more difficult to gain external financial resources than for large enterprises because of many reasons. They can not offer such guarantees as large enterprises, SMEs have lower bargaining power and their business cases can be more risky as compared with larger enterprises etc.
- SMEs are also affected by general tightening of conditions for obtaining bank loans and other options of export financing (higher interest rates, shorter maturity, greater demands for guarantees and collateral, etc.) and thus they reduce the demand for external funds.
- The SME may not even be aware of the possibilities that are offered in funding (factoring, documentary letter of credit, export supplier credit, etc.).
- SMEs are worried about secondary insolvency.

The lack of state support is the significant barrier to internationalization according to the results of the questionnaire survey 2012. The questionnaire survey 2013 among Czech SMEs in textile and clothing industry pointed to the minimal cooperation with institutions
promoting export. There can be many reasons why SMEs do not cooperate with these institutions, for example:

- The offer of state support services can be confusing, unintelligible and complex for SMEs.
- Some state support services may be seen as expensive by SMEs.
- SMEs usually cannot afford to reserve an employee who will be responsible for an agenda associated with finding out opportunities for cooperation in the field of export promotion and subsequently will be responsible for communication and administrative associated with this type of cooperation.
- SMEs do not even know about specific state support offers.

According to the results of the questionnaire survey 2013 as the most used institutions promoting export were identified CzechTrade Agency, EGAP and the Association of Exporters. It is interesting, that none of the exporting textile and clothing SMEs do not cooperate with the Czech Export Bank (CEB). To these results can contribute the fact that the CEB is still perceived by enterprises as an institution focused on financing large enterprises and large projects despite the fact that CEB has been providing special programs for SMEs since 2010 and support for this segment is one of its priorities. Nevertheless, these results are valid for the considered sector and in other sectors different results could be achieved.

The state should be interested in the motives, barriers and negatives that enterprises perceive as important in the internationalization process and this findings could be used for formulation of state export promotion policy.

**Conclusion**

This paper deals with the specifics of internationalization process of Czech SMEs. The paper presents a more detailed identification of the benefits and negative consequences of internationalization for these companies. It also discusses the barriers that prevent SMEs from entering foreign markets.

The results of the questionnaire survey shows that the biggest advantages of operating on foreign markets for Czech SMEs are particularly the significant increase in sales, the increase of awareness about the company and the reinforcement of market position, the increase in profits and the reduction of dependence on one market. Surprisingly almost 15% of respondents are unaware of any benefits that would internationalization bring them. The stated benefits are in this paper compared with the motives for foreign market entry that
were identified in 2003 in research by the European Commission. According to this research, the greatest motive for SMEs to take part in internationalization is the increase of market share.

On the other hand, the internationalization also brings Czech SMEs some negative effects. As key negative consequence is reported the increase of administrative activities associated with foreign market entry. Several Czech SMEs experienced the reduction in profits after entering the foreign market. Czech SMEs perceive as a negative consequence also the increase in competition because of going abroad and the difficulty in collecting the debts from foreign customers. However, almost half of Czech SMEs already involved in the internationalization process is not aware of any negative consequence that would foreign market entry bring and almost 62% of non-internationalised SMEs do not worry about any negative consequence of internationalization, they are just not interested in entering foreign markets.

When SMEs decide to enter foreign markets, they encounter many barriers or obstacles that have to be overcome. We found out that for Czech SMEs the most significant barriers are the same as those identified in the OECD research in 2009 among SMEs from all over the world only in a different order.

Whereas Czech SMEs perceive as the biggest barrier the difficulty in searching foreign business opportunities (1st place) and the difficulty in establishing contacts with foreign customers (2nd place), for SMEs in the world is the greatest barrier the lack of capital to finance export. Another barrier for Czech SMEs is the lack of trained staff for foreign market entry (3rd place) and the excessive costs of transporting goods abroad (4th place). Even though not ranking in the first places, the lack of capital (9th place) and the lack of state support (8th place) are still very important barriers in Czech SMEs internationalization.

The paper discusses further those two last mentioned barriers, namely the lack of capital and the lack of support from state. As many studies show, the lack of financial resources is the substantial obstacle in SMEs development and thus it is necessary to pay attention to this issue. Moreover the funding of SMEs foreign market entry is not sufficiently scrutinized for Czech conditions.

The results of the questionnaire survey in 2013 among SMEs from textile and clothing industry emphasized the predominantly use of own resources to finance foreign market entry. This may be caused not only by the nature of the considered sector but also by many other reasons that are mentioned in chapter Discussion. A smaller part of enterprises, which use
external resources for export financing, use mainly short-term bank loans, factoring or documentary letter of credit.

The use of state support for export is minimal in this sector. If SMEs use some support, they contact above all the CzechTrade Agency. So obviously Czech textile and clothing SMEs rely mainly on their own experiences when entering foreign markets rather than relying on state support in this area.

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