Patterns of Business Internationalisation in the Czech Republic: Empirical Results from the V4 Survey

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3.1. INTRODUCTORY REMARKS

Internationalisation is a relatively new concept to the Czech Republic, as the economy started its transition from non-market to market economy in the 1990s. This movement brought liberalisation and radically increased its exposure to multilateral and regional trade. Later globalisation increased internationalisation pressure on the firms in the relatively small and open economy. And finally, the global financial crisis starting in 2008 changed the economic landscape again. Nowadays, the internationalisation process is again globally intensifying and the position of Czech firms is very interesting in terms of addressing new opportunities and facing new threats.

This chapter focuses on the specifics of Czech firms' internationalisation at post-crisis period in the late-2013. The research results are obtained within the V4 research project conducted in four Visegrad countries and prepared by five Visegrad universities (Gubik & Wach, 2014; Kiendl-Wendner & Wach, 2014; Knežević & Wach, 2014) in the years 2013-2014.

The primary aim is to assess the level and intensiveness of business internationalisation of Czech businesses. Further, the chapter deals with the foreign market entry modes, pace, and strategy of business internationalisation. The chapter aims to address and inspire not only other scientists, but also policy makers, local authorities, businesses and local communities.

3.2. RESEARCH SAMPLE CHARACTERISTICS

The survey has been conducted between October 2013 and February 2014. We have used a special commercial database of many companies registered in Czech Republic from which we have selected about 15,000 companies by eliminating extremely small

companies with very low turnover. Then, we have sent them emails requesting for filling in the on-line survey. Altogether we have received 590 valid responses to our questionnaire. Thus, overall return rate was about 4%.

The purpose of the first question was to eliminate those firms which do not run any international activities. The majority of the sample (429 firms) runs international activities. In compliance with the research objectives just these 429 internationally active firms were involved for further analysis, while firms which run no international activities were not considered for further research (table 3.1).

Table 3.1. Firms according to their international activity in the Czech Republic

Internationalised vs. Non-Internationalised	No. of firms	%
No international activities	161	27.3
International activities	429	72.7
Total	**590**	**100.0**

Source: own study based on the V4 survey result of 2014 (*n* = 590).

The majority of the surveyed firms started their international activities after the political changes in Central and Eastern Europe while just 4.2% of the firms were internationally active before the year 1990 (Table 3.2).

Table 3.2. The year of start of international activities in the Czech Republic

Establishment Year	Frequency	%	Cumulative %
Before 1990	18	4.2	4.2
1990–1996	146	34.0	38.2
1997–2003	111	25.9	64.1
2004–2010	131	30.5	94.6
After 2010	23	5.4	100.0
Total	**429**	**100.0**	.

Source: own study based on the V4 survey result of 2014 (*n* = 429).

Further analysis of these figures showed that most of the surveyed businesses started their international activities in a very early stage of their development. Concretely, more than 77% of the businesses started their international activities within five years after their incorporation (Table 3.3).

The slight majority of the surveyed firms were family businesses. For the purposes of our research we defined family businesses relatively widely as firms that were solely (or dominantly) owned by the same family and in which the family members were employed or at least active in supporting the business processes of the family members (Table 3.4).

In terms of the size of the investigated firms, the analysed sample covered businesses of all sizes from individual entrepreneurs to large companies employing thousands of employees (Table 3.5).

The majority of the analysed businesses were small firms, followed by medium and micro- businesses. Large businesses represented just less than 10% of the sample. In compliance with the EU definition we defined micro firms as businesses with less than 10 employees, small firms as firms with more than 10 employees and less than 50 employees, as medium firms businesses employing 50 to 249 employees and large firms as firms employing 250 and more people (Table 3.6).

Table 3.3. Number of years of the company's life before starting international activities

Time of Internationalisation	Frequency	%	Cumulative %
The same year	191	44.5	44.9
1–5 years	138	32.2	77.4
6–10 years	51	11.9	89.4
11–15 years	22	5.1	94.6
16–20 years	10	2.3	96.9
More than 20 years	13	3.0	100.0
Subtotal	425	99.1	.
Missing*	4	0.9	.
Total	429	100.0	.

*Four businesses could not be considered for this analysis because their answers contradicted general logic (the year of incorporation was later than a year when the company started its international activities).
Source: own study based on the V4 survey result of 2014 (*n* = 429).

Table 3.4. The familiness of the studied businesses in the Czech Republic

Familiness Status	Frequency	%
Non-family business	207	48.3
Family business	222	51.7
Total	429	100.0

Source: own study based on the V4 survey result of 2014 (*n* = 429).

Table 3.5. Number of employees in the studied firms in the Czech Republic

Valid answers	Min	Max	Mean	Q1	Q3	Median
429	1	33000	310.30	11	62	24

Source: own study based on survey (*n* = 429).

In terms of ownership structure the analysed sample was also very diverse and included the whole scale of businesses from those being fully controlled by the Czech capital to those fully owned by foreign capital (Table 3.7 and 3.8).

Table 3.6. The Size of the studied firms in the Czech Republic

Size	Frequency	%	Valid %	Cumulative %
Micro firms	73	17.0	17.0	17.0
Small firms	225	52.4	52.4	69.5
Medium firms	92	21.4	21.4	90.9
SMEs (altogether)	390	90.8	90.9	90.9
Large firms	39	9.1	9.1	100.0
Total	429	100.0	100.0	.

Source: own study based on the V4 survey result of 2014 (*n* = 429).

Table 3.7. Foreign ownership as a percentage of the total firm's assets in the Czech Republic

Valid answers	Min	Max	Mean	Q1	Q3	Median	S.D.
428	0	100	0	0	16.25	0	36.413

*1 answer is missing

Source: own study based on the V4 survey result of 2014 (*n* = 429).

Table 3.8. Foreign ownership as a percentage of the total firm's assets in the Czech Republic

Foreign ownership	Frequency	%	Valid %	Cumulative %
0%	219	51.0	51.2	51.2
1-50%	126	29.4	29.4	80.6
51-99%	31	7.2	7.2	87.9
100%	52	12.1	12.1	100.0
Total	428	99.8	100.0	.
Missing answers	1	0.2	.	.
Total	429	100.0	.	.

Source: own study based on the V4 survey result of 2014 (*n* = 429).

Regarding the prevailing economic activities of the responding firms our sample consisted of businesses from all business sectors. For the classification of the company's activities we used the EU classification of economic activities (NACE). The most important economic activity of the surveyed firms (Table 3.9) was manufacturing (almost 24% of the sample), followed by wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods (over 18% of the sample), construction (14.5% of the sample) and other service activities (almost 12%).

In terms of territorial scope of company's activities almost 60% of analysed businesses are active on foreign markets while more than 40% of the surveyed firms offer their production solely on the home market. Those businesses perform international activities mainly in a form of imports, sub-contracting for foreign customers, or use foreign agents and foreign distributors.

For those businesses which have already started exporting their production the main target market is the EU (including the neighbouring countries of the Czech

Republic). Just one company reported that it exported exclusively to the countries outside of the European Union. The detailed distribution of the territorial scope of the activities of surveyed businesses is described in Table 3.10.

Table 3.9. Prevailing economic activity (NACE classification) in the Czech Republic

NACE activities	Frequency	%
AGRICULTURE, including:	12	2,8
Agriculture, forestry and fishing	12	2.8
INDUSTRY, including:	182	42,5
Mining and quarrying	5	1.2
Manufacturing	102	23.8
Electricity, gas, steam and air conditioning supply	9	2.1
Water supply, sewerage, waste management and remediation activities	4	0.9
Construction	62	14.5
SERVICES, including:	235	54,8
Wholesale and retail trade, repair of motor vehicles and motorcycles	78	18.2
Transporting and storage	20	4.7
Accommodation and food service activities	6	1.4
Information and communication	35	8.2
Financial and insurance activities	6	1.4
Real estate activities	1	0.2
Professional, scientific and technical activities	11	2.6
Administrative and support service activities	9	2.1
Education	7	1.6
Human health and social work activities	7	1.6
Arts, entertainment and recreation	4	0.9
Other services activities	50	11.7
Activities of households as employers	1	0.2
Total	429	100.0

Source: own study based on the V4 survey result of 2014 (*n* = 429).

Table 3.10. Territorial scope of company's activities in the Czech Republic

The scope	Frequency	%	Cumulative %
Mainly domestic market	175	40.8	40.8
Only neighbouring countries/cross border countries	50	11.7	52.4
Within the EU markets	61	14.2	66.7
Within and beyond the EU markets	142	33.1	99.8
Only beyond the EU markets	1	0.2	100.0
Total	429	100.0	.

Source: own study based on the V4 survey result of 2014 (*n* = 429).

3.3. RESULTS AND DISCUSSION

In order to analyse the data and obtain opinions on scientific hypotheses such procedures as frequencies (FREQUENCIES), multiple responses (MULT RESPONSE) and cross-tabulation (CROSSTABS) were applied in the IBM SPSS Statistics software (version 21). The first two procedures were used for calculations of frequencies (the second one in case of multiple responses), the third one for analysis of contingency tables. So that we can determine whether variables are nominal or ordinal, statistical dependence was evaluated using the Pearson chi-square test (statistical test of independence in a contingency table). We consider 5% significant level (Berenson, Levine, 1993) to reject or not reject the null hypothesis of statistical independence (the obtained P-value is compared with the value 0.05).

Further, as it was discussed in the methodological chapter, there were defined 10 hypotheses to be assessed and evaluated, results of which are presented in this chapter.

Internal Resources for Internationalisation

In the first part of our research we analysed the internal resources of surveyed businesses for internationalisation. Respondents were asked to evaluate their internal resources for internationalisation of their activities. We asked specifically about the financial resources (e.g. own capital, credits, venture capital), human resources (e.g. staff members fluent in foreign languages, staff members experienced with foreign markets and different cultures), physical resources (e.g. equipment, know-how, innovation) and information resources (e.g. sources of information on international markets).
Respondents were offered a five-level scale to evaluate each of the researched resources for internationalisation. The five levels that we offered were as follows: extremely low, rather low, moderate, rather high, extremely high.

For our analysis only those firms were considered that already have some international activities. The analysis of the data showed that financial resources represent a limitation for internationalisation for more than one third of the respondents; almost 36% of the surveyed firms evaluated their financial resources for internationalisation as low. On the contrary, just 6.8% of our respondents considered their financial resources for internationalisation as extremely high and another 11.2% evaluated them as rather high. But for almost half of the sample financial resources do not represent an obstacle for internationalisation, as they evaluated them as moderate (Table 3.11).

Human resources proved to be a bigger obstacle for internationalisation than financial resources. 38% of responding firms evaluated their human resources for internationalisation as extremely low and rather low in comparison to 36% that

stated the same for financial resources. But still a majority of the surveyed businesses stated that their human resources are moderate or high (Table 3.12).

Table 3.11. Financial resources for internationalisation in the Czech Republic

Evaluation Level	Frequency	%	Cumulative %
Extremely low	59	13.8	13.8
Rather low	95	22.1	35.9
Moderate	198	46.2	82.1
Rather high	48	11.2	93.2
Extremely high	29	6.8	100.0
Total	429	100.0	.

Source: own study based on the V4 survey result of 2014 (*n* = 429).

Table 3.12. Human resources for internationalisation in the Czech Republic

Evaluation level	Frequency	%	Cumulative%
Extremely low	52	12.1	12.1
Rather low	111	25.9	38.0
Moderate	156	36.4	74.4
Rather high	77	17.9	92.3
Extremely high	33	7.7	100.0
Total	429	100.0	.

Source: own study based on the V4 survey result of 2014 (*n* = 429).

Physical resources (such as equipment, know-how and innovation) represent the least important obstacle for internationalisation of the surveyed businesses. Not even 20% of respondents considered their physical resources for internationalisation as extremely or rather low while more than one third of the businesses evaluated them as rather or extremely high. Over 40% of the firms stated that their physical resources are moderate and therefore sufficient (Table 3.13).

Table 3.13. Physical resources for internationalisation in the Czech Republic

Evaluation Level	Frequency	%	Cumulative %
Extremely low	27	6.3	6.3
Rather low	57	13.3	19.6
Moderate	185	43.1	62.7
Rather high	117	27.3	90.0
Extremely high	43	10.0	100.0
Total	429	100.0	.

Source: own study based on the V4 survey result of 2014 (*n* = 429).

The last group of resources for internationalisation that we analysed was the information resources (e.g. availability of sources information on international

markets). Also in this case the majority of respondents was satisfied and graded their information resources for internationalisation as moderate. On the contrary, for almost one third of the respondents those resources represent an obstacle for internationalisation, while another 22.6% of respondents considered their information resources as extremely or rather high. Table 3.14 illustrates the detailed distribution of responses to this question.

To sum up the results of this part of our research we could firstly conclude that the majority of respondents (i.e. the Czech businesses who already internationalized their business activities) was satisfied with the resources for internationalisation that they possess. Physical resources represent the least important obstacle for internationalisation as 80.4% of respondent evaluated them as moderate, rather high or extremely high. Neither information resources were considered as a big obstacle for internationalisation by our respondents. 69.5% of the surveyed firms described them as moderate, rather high or extremely high. Financial resources and human resources seem to be a bigger problem for internationalisation of the Czech businesses. Both groups of resources were considered as rather low or even extremely low by more than one third of the respondents. In both cases the percentage of the firms that evaluated them as extremely low reached over 10%.

For policy makers our research delivered a clear message. In order to improve the ability of the Czech businesses to internationalize their activities the respective policies should concentrate on improving the availability of financial resources and on education of staff members, who would be fluent in foreign languages, would possess the experience with foreign markets and who would be able to cope with different cultures.

Table 3.14. Information resources for internationalisation in the Czech Republic

Evaluation Level	Frequency	%	Cumulative %
Extremely low	41	9.6	9.6
Rather low	90	21.0	30.5
Moderate	201	46.9	77.4
Rather high	76	17.7	95.1
Extremely high	21	4.9	100.0
Total	429	100.0	.

Source: own study based on the V4 survey result of 2014 (*n* = 429).

Motives for Going International

When it comes to the main motives for going international the main motive was clearly the continuous effort for the development of the company which was mentioned by 41,5 % of the sample. The second most important motive were recognized opportunities for further development of the company on international

markets (22,4 % of the sample). Lacking opportunities for further development on the home market were mentioned as a main motive for going international by 21,1 % of the companies. The minority of the sample (13,8 %) went international because of unplanned chances that appeared abroad (such as order which came from a foreign country). Results are in the table 3.15.

Table 3.15. Main motive for going international in the Czech Republic

Evaluation Level	Frequency	%	Valid %	Cumulative %
lack of opportunities in the domestic market	89	20.7	21.1	21.1
recognized opportunities in international markets	96	22.4	22.8	43.9
making use of unplanned international chances	58	13.5	13.8	57.7
continuous efforts for the development	178	41.5	42.3	100.0
Subtotal	421	98.1	100.0	.
Missing	8	1.9	.	.
Total	429	100.0	.	.

Source: own study based on the V4 survey result of 2014 (n = 429).

The Pace and Scope of Internationalisation

The first four hypotheses focused on the pace and the scope of the internationalization of the Czech businesses.

H1: In general, firms from the Czech Republic implement traditional process approach toward their internationalisation.

The hypothesis is **supported**. The researched question was answered by 341 firms from total sample of 429. There were 68.9% of firms that supported the hypothesis H1.

H2: Firms, from the Czech Republic, operating in high-tech industries are more likely to accelerate their process of internationalisation.

There is relatively the same amount of high-tech firms accelerating their process of internationalisation and not accelerating the process. However, when looking at comparison of high-tech industry firms and firms from other industries, the difference was found (the firms from other industries are more likely to apply traditional process approach). Based on chi-squared test dependency of entry pace and industry type was identified as statistically significant at the 5% significance level

(*P*-value = 0,012). Hence, hypothesis H2 is supported in a sense mentioned above (Table 3.16).

The entry scope of the Czech businesses in terms of V4 and CEEC markets versus the non-CEEC markets were tested in hypotheses H3 and H4.

H3: Micro and small firms, from the Czech Republic, entry mainly other V4 and CEEC markets.

H4: Medium and large firms, from the Czech Republic, entry mainly non-CEEC markets.

Table 3.16. Pace of internationalisation and high-tech industry in the Czech Republic

| | | Entry pace | | Total |
		traditional	accelerated	
High/low tech	high-tech industry	22	20	42
	other industries	211	84	295
	Total	**233**	**104**	**337**

Source: own study based on the V4 survey result of 2014 (*n* = 429).

The hypothesis H3 is not supported. Czech micro and small firms focus mainly on non-CEEC markets. The hypothesis H4 is supported. In comparison with medium and large firms, the percentages of non-CEEC markets for micro and small firms are a little lower. However this small difference is not statistically significant (*P*-values of the chi-square test on independence are 0.261 for Export and 0.352 for International Activities).

Table 3.17. Export focus by the size of the firm (% within size of firms)

| | | Scope of export activities | | Total |
		mainly CEECs	mainly non-CEECs	
Size of firms	micro and small firms	30.6	69.4	100
	medium and large firms	25.4	74.6	100
	Total	**29.0**	**71.0**	**100**

Source: own study based on the V4 survey result of 2014 (N=429).

Firms of all sizes enter mainly non-CEEC markets. Medium-sized and large firms tend to focus slightly more on non-CEEC markets. There were only 91 of micro and small firms who focused their export activities mainly (i.e. more than 50% of their turnover) to CEEC markets, while 206 firms focused to non-CEEC markets. The ratio is even more misbalanced in terms of "all international activities", where only 64 of micro and small firms aiming their effort mainly to CEEC markets, while 233 firms focus to non-CEEC countries (Tables 3.17 and 3.18).

Table 3.18. All international activities by the size of the firm (% within size of firms)

		Scope of all international activities		Total
		mainly CEECs	mainly non-CEECs	
Size of firms	micro and small firms	21.5	78.5	100
	medium and large firms	17.7	82.3	100
	Total	**20.4**	**79.6**	**100**

Source: own study based on the V4 survey result of 2014 (*n* = 429).

Internationalisation Strategies

The second set of hypotheses investigates the types of internationalisation strategies of the Czech businesses with special respect to SMEs and large firms.

H5: SMEs, from the Czech Republic, apply mainly ethnocentric and regiocentric strategy of internationalisation.

H6: Large firms, from the Czech Republic, apply mainly polycentric and geocentric strategy of internationalisation.

In the hypothesis H5, there were 194 small and medium sized firms that opted for ethnocentric and regiocentric internationalisation strategy out of 309 SMEs firms in total (62.8%). This hypothesis is supported. The hypothesis H6 is not supported as there were 16 firms that applied polycentric or global strategy, compared to 19 firms applying ethnocentric or regiocentric strategy, out of 35 large firms in total. Based on chi-squared test (*P*-value = 0.326) the strategy type is not dependent on size of the firm. Firms of both types of sizes prefer ethnocentric and regiocentric strategies over polycentric and global ones. Table 3.19 illustrates the detailed distribution of responses.

Table 3.19. The EPRG strategy type of internationalisation in the Czech Republic

		Strategy type		**Total**
		ethnocentric (E) and regiocentric (R)	polycentric (P) and global (G)	
Size of firms	small and medium firms	194	115	309
	large firms	19	16	35
	Total	**213**	**131**	**344**

Source: own study based on the V4 survey result of 2014 (*n* = 429).

The Choice and Use of Entry Modes

The most popular entry modes among the studied firms (table 3.20) were subcontracting followed by direct exporting, mainly through the foreign agent and foreign distributor.

In case of all kinds of studied entry modes there is no statistical dependence on the type of firms in terms of family and non-family type (at 5% significance level).

Entry mode selection of the Czech businesses based on the industry competitiveness was assessed in the hypothesis H7.

H7: Firms, from the Czech Republic, operating in industries where there is high competitiveness, are more likely to use more advanced entry modes (i.e. contractual and investment modes).

Table 3.20. The entry modes of the studied firms in the Czech Republic

Entry modes	Frequency	Percentage
Indirect Exporting		
Export commission house	50	11.7%
Export/import broker	32	7.5%
Export management company	9	2.1%
Trading company	37	8.6%
Direct Exporting		
Foreign agent	122	28.4%
Foreign distributor	107	24.9%
Representative office	64	14.9%
Cooperative exporting		
Export grouping	24	5.6%
Piggybacking	72	16.8%
Contractual modes		
Management contracts	41	9.6%
Assembly operations	31	7.2%
Subcontracting	146	34.0%
Turnkey operations	59	13.8%
Int'l licensing	20	4.7%
Int'l franchising	10	2.3%
Investment modes		
Foreign branch	65	15.2%
Joint venture subsidiary	16	3.7%
Wholly-owned subsidiary	44	10.3%

*the responses cannot sum up as each respondent could indicate more than one option

Source: own study based on the V4 survey result of 2014 ($n = 429$).

Taking into account differences due to frequency representation of businesses in terms of high- & low-competitiveness, the hypothesis H7 is not supported. When comparing only businesses from high-competitive environment among themselves, there was only one case, contract manufacturing, when businesses preferred advanced entry mode (in 51.2%).

Firms operating in the high-competitive industries preferred to choose export grouping in 8%, piggybacking in 25.4%, management contracting in 17.4%, assembly operations in 10.8%, contract manufacturing in 51.2%, turnkey operations in 17.8%, international licensing in 7%, international franchising in 3.8%, investment in foreign branch in 20.7%, investment in a joint-venture in 6.6%, and investment in wholly owned subsidiary in 16% (Figure 3.1).

Also, when comparing businesses from high-competitive versus low & moderate competitive environment, then hypothesis H7, divided into 11 partial hypotheses, is statistically significant in one case, where statistically significant dependency occurs – in the case of management contracting (P-value = 0.016).
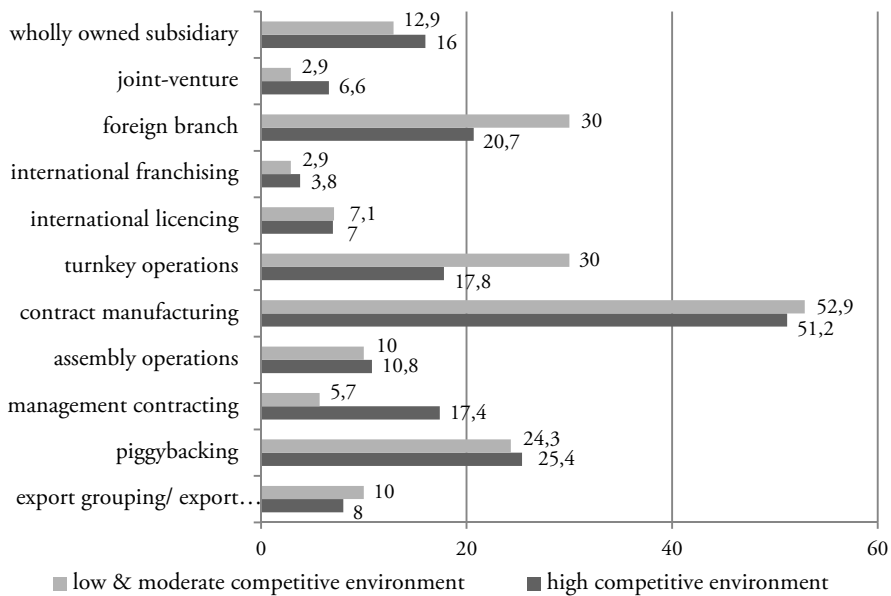
Figure 3.1. Advanced entry modes selection by firms operating
in highly competitive environment in the Czech Republic
Source: own study based on the V4 survey result of 2014 (n = 429).

Advanced entry mode preference of the Czech businesses influenced by the type of industry was assessed in the hypothesis H8.

H8: Firms, from the Czech Republic, operating in hi-tech industries, are more likely to use more advanced entry modes (i.e. contractual and investment modes).

Hypothesis H8 is **not supported** as firms operating in high-tech industries were not more likely to use more advanced entry modes to other markets. High-tech industries firms preferred to choose export grouping in 20%, piggybacking in 20%,

management contracting in 17.5%, assembly operations in 12.5%, contract manufacturing in 35%, turnkey operations in 20%, international licensing in 20%, international franchising in 5%, investment in foreign branch in 42.5%, investment in a joint-venture in 5%, and investment in wholly owned subsidary in 32.5% (Figure 3.2).

However, when comparing businesses from high-tech versus other industries, then hypothesis H8, divided into 11 partial hypotheses, is statistically significant in four cases, where statistically significant dependency occurs – in the case of export grouping (P-value = 0.005), international licensing (P-value = 0.001), investment in foreign branch (P-value = 0.001) and investment in wholly owned subsidiary (P-value = 0.001).

Figure 3.2. Advanced entry modes selection by firms operating
in high-tech versus other industry in the Czech Republic
Source: own study based on the V4 survey result of 2014 (n = 429).

The Role of the Entrepreneur in Internationalisation Process

The role of the entrepreneur in terms of his/her motivation and openness towards entry modes was assessed in the hypothesis H9.

H9: The higher the international motivation and openness of the entrepreneur of the firms from the Czech Republic, the more advanced entry modes (i.e. contractual and investment modes) are used.

This hypothesis H9 is **not supported**. There is only one entry mode, contract manufacturing, preferred in more than 50%. Firms run by the entrepreneurs with high international motivation preferred to choose export grouping/export consortium in 8.5%, piggybacking in 23.7%, management contracting in 13.3%, assembly operations in 10.4%, contract manufacturing in 51.7%, turnkey operations in 19.9%, international licensing in 7.6%, international franchising in 4.3%, investment in foreign branch in 28.4%, investment in a joint-venture in 7.1%, and investment in wholly owned subsidiary in 18%.

Firms with the entrepreneurs with high cosmopolitanism and openness preferred to choose export grouping/export consortium in 9.2%, piggybacking in 25.6%, management contracting in 15%, assembly operations in 12.1%, contract manufacturing in 50.7%, turnkey operations in 18.4%, international licensing in 7.2%, international franchising in 3.9%, investment in foreign branch in 25.1%, investment in a joint-venture in 6.8%, and investment in wholly owned subsidiary in 17.4% (Figure 3.3).
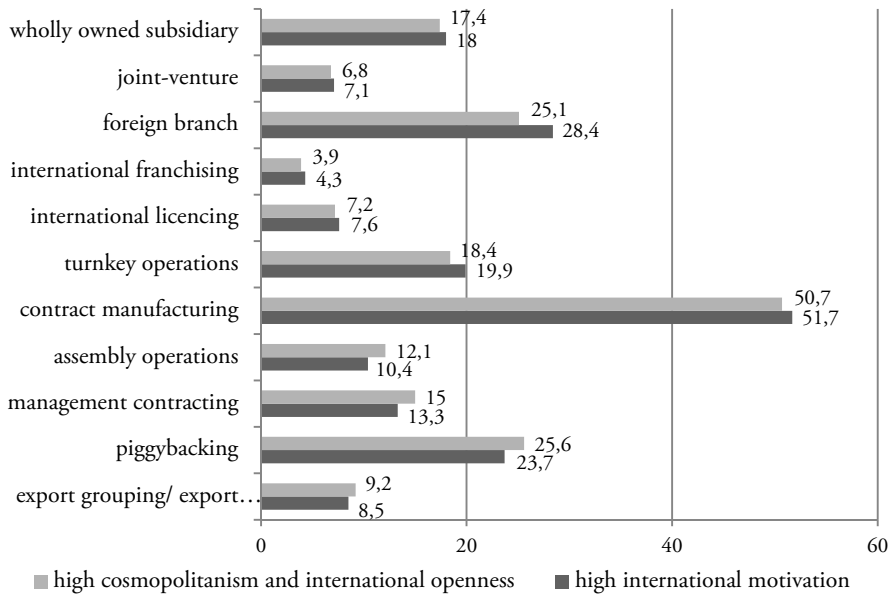

Figure 3.3. Advanced entry modes selection by firms with entrepreneur high on international motivation and high cosmopolitanism and international openness in the Czech Republic
Source: own study based on the V4 survey result of 2014 (*n* = 429).

The role of the entrepreneur in terms of his/her experience on the international markets on entry modes was assessed in the hypothesis H10.

H10: The higher the knowledge and experience on international markets of the entrepreneur of the firms from the Czech Republic, the more advanced entry modes (i.e. contractual and investment modes) are used.

Firms where the entrepreneur had high knowledge on international markets used advanced mode of entry did not demonstrate higher preference for advanced entry modes. This hypothesis H10 is **not supported**. There is not even one entry mode where preference reached more than 50%. These firms preferred to choose export grouping/export consortium in 13.3%, piggybacking in 23.7%, management contracting in 17%, assembly operations in 10.4%, contract manufacturing in 46.7%, turnkey operations in 17%, international licensing in 6.7%, international franchising in 4.4%, investment in foreign branch in 32.6%, investment in a joint-venture in 8.1%, and investment in wholly owned subsidiary in 21.5%.
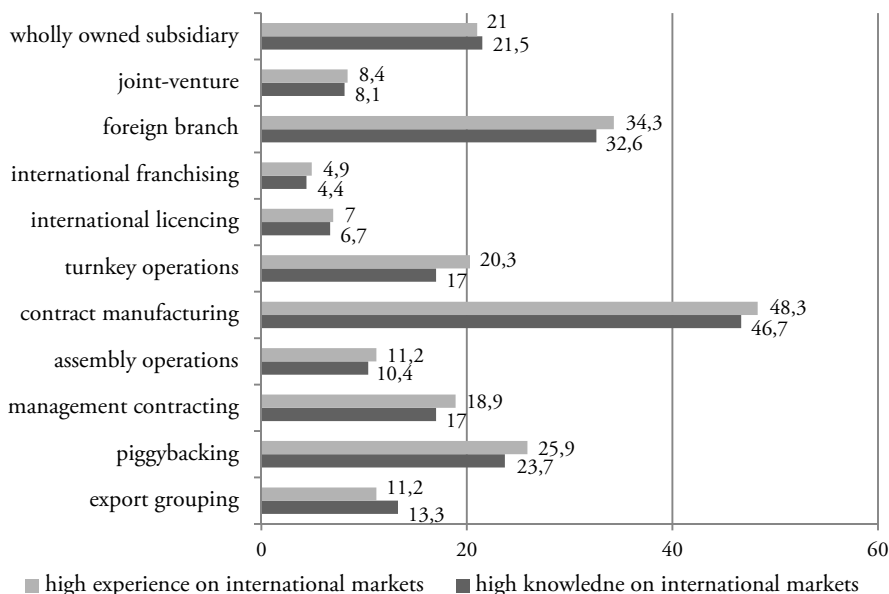

Figure 3.4. Advanced entry modes selection by firms with entrepreneur high on knowledge and high on experience on international markets in the Czech Republic
Source: own study based on the V4 survey result of 2014 (*n* = 429).

Firms with entrepreneur possessing high experience on international market also did not displayed high tendency towards advanced entry modes. These firms preferred to choose export grouping/export consortium in 11.2%, piggybacking in 25.9%, management contracting in 18.9%, assembly operations in 11.2%, contract manufacturing in 48.3%, turnkey operations in 20.3%, international licensing in 7%, international franchising in 4.9%, investment in foreign branch

in 34.3%, investment in a joint-venture in 8.4%, and investment in wholly owned subsidiary in 21% (Figure 3.4).

When comparing hypotheses H9 and H10, we can say that high motivation and openness of entrepreneur are bigger drivers for more advanced entry modes than high knowledge and experience of the entrepreneur.

3.4. CONCLUSIONS

In this chapter we investigated the patterns of business internationalisation of firms in the Czech Republic. Majority of surveyed businesses are involved in international activities (429 of 590 respondents). Even though majority of firms started their internationalisation efforts after the Velvet Revolution in 1989 and they are small and medium sized, they have high ambitions as they launched international activities at early stage of their development. Firms under the full control of domestic capital prevailed.

Slight majority of businesses were family businesses, and the outcomes show that family firms are not less internationalised than non-family firms.

As for the territorial scope of internationalisation, the main target market, for majority of the studied firms, is the European Union. The surveyed Czech firms implement traditional process approach towards their internationalisation. Firms of all sizes focus mainly on non-CEEC markets, medium-sized and large firms focus slightly more on non-CEEC markets than micro- and small sized businesses.

Firms of all sizes prefer ethnocentric and regiocentric strategy, over polycentric and global ones.

Neither firms from high-competitive environment, nor businesses from high-tech industries prefer more advanced entry modes than competitors within their high-end group. However, when compared with firms from low and moderate environment, businesses from high-competitive environment apply more management contracting. Similarly, when comparing other industries firms with high-tech industries firms, the later apply more export grouping, international licensing, investment in foreign branch and wholly owned subsidiary.

High motivation and openness of entrepreneur are bigger drivers for more advanced entry modes of firm than high knowledge and experience of the entrepreneur.

Based on the empirical results and the statistical calculations the following hypotheses were supported:

H1: In general, firms from the Czech Republic implement traditional process approach toward their internationalisation.

H2: Firms, from the Czech Republic, operating in high-tech industries are more likely to accelerate their process of internationalisation.

H4: Medium and large firms, from the Czech Republic, entry mainly non-CEEC markets.

H5: SMEs, from the Czech Republic, apply mainly ethnocentric and regiocentric strategy of internationalisation.

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