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Marcela Tuzová, Martina Toulová, Lea Kubíčková

Faculty of Business and Economics, Mendel University in Brno, The Czech Republic,
marcela.tuzova@mendelu.cz, martina.toulova@mendelu.cz,
lea.kubickova@mendelu.cz

Selected Aspects of the Internationalisation Process of the Czech Agricultural SMEs with Focus on the Success Factors

***Abstract:** Enterprises from all over the world face the pressure of strengthening international competition because of the globalisation of markets. Therefore, enterprises should react promptly to all these changes. One of the ways how enterprises can sustain their competitiveness or achieve further growth is their involvement in internationalisation, which means their foreign expansion. This paper deals with agricultural enterprises which also try to look for new ways how to sell their production even beyond the national borders, it means that they try to internationalise. There are a lot of factors which can influence the success of enterprises in foreign markets. What factors can contribute to the success of agricultural enterprises in foreign trade operations? It is the main question addressed in this paper.*

***Keywords:** internationalisation, small- and medium-sized enterprises, agriculture, success factors, networks*

Nowadays, the globalisation of markets causes the increasing pressure of international competition which enterprises should face. Enterprises (in particular the small- and medium-sized ones) should react promptly to all the changes of business environment and they should try to look for new ways how to sustain their competitiveness or achieve further growth. Some authors (see for example Paunovič, Prebežac, 2010; Svetličič et al., 2007) claim that the engagement of an enterprise in the internationalisation process could be the way how small- and medium-sized enterprises (abbreviated as SMEs) can strengthen their competitiveness. On the other hand, some researches (Korsakiene, Tvaronaviciene, 2012; Paunovič, Prebežac, 2010) pointed out that SMEs have limited financial and human resources and lack the specific capabilities and, therefore, their involvement in internationalisation can be much more difficult for them compared to large enterprises. Hollenstein (2005) highlighted the existence of a relationship between the size of an enterprise and its propensity to internationalisation. He suggested that the larger an enterprise is the higher is the probability of its involvement in international activities.

The paper deals with Czech SMEs which operate in agricultural sector. Agriculture represents an important, irreplaceable and also strategic part of national economy. It has many crucial roles, such as securing the physical existence of the population, ensuring the basic food, and it affects also the formation of our landscape and influences rural areas and people living there. Even though the share of the Czech agricultural exports in total exports of the Czech Republic is not so high (it reached 5% in 2013 and 2014), the agricultural foreign trade is still important for national economy and for agricultural enterprises as well. With regard to the above-mentioned, enterprises operating in agriculture try to search for business opportunities even beyond the national borders, it means that they consider their internationalisation. How can they compete in international environment? Which factors should they focus on? Regarding their limited resources SMEs should firstly concentrate on factors which could determine their success in foreign markets with respect to their effective use.

The aim of this paper is to identify the factors which influence the success of agricultural SMEs in foreign markets. The identification of key factors contributing to the success is based on the subjective evaluation of factors by the agricultural SMEs already involved in foreign trade operations. These SMEs provide their own experience which can thus broaden the insight into some aspects of internationalisation process of agricultural SMEs, also for enterprises that are just considering their international expansion.

According to the literature, there are many factors which could determine the success in foreign markets. Küster and Vila (2011) stated that enterprises involved in internationalisation can be more successful than those operating only in the domestic market. Furthermore, as important determinants of success they considered the proactive behaviour of an enterprise and its focus

on innovation. Pangarkar (2008) indicated that among factors influencing the success in international operations there are specific skills or capabilities of an enterprise, such as skilled management, financial resources, focus on research and development, performing market research for the purpose of finding international opportunities, but also a strong brand name. Bonaccorsi (1992) introduced the measurable indicator of international success called export intensity, which can be expressed as the proportion of foreign sales to total sales. Similarly, Majocchi et al. (2005) and Camison and Villar-Lopez (2010) used this indicator in their studies and, at the same time, they emphasised the role of previous experience with foreign trade operations as a factor determining the success. Also Child and Hsieh (2014) stressed the important role of previous international experience in internationalisation process which can be gained not only via direct involvement of enterprises into the foreign market but also via network relationship. Moreover, Dichtl et al. (1990) and Rutihinda (2008) stressed that internationally oriented management is quite a significant factor for business success abroad. A comprehensive view on studies dealing with the factors influencing the success in international markets was also provided by Leonidou et al. (2002) or Hötzing (2014). Leonidou et al. (2002) concluded that export marketing strategy plays a significant role in successful international operations (namely market segmentation, product quality, pricing strategy, dealer support and advertising). Hötzing (2014) summarised that the preconditions of internationalisation success can be divided into five categories, such as strategic planning skills, cultural integration, staff and knowledge management, communication and networking, and leadership quality, which is essential to formation of other of the above-mentioned skills determining the successful internationalisation. According to him those factors are interconnected and they intensify each other. Furthermore, Ensari and Karabay (2014) stated that factors influencing the business success of enterprises can vary from one country to another because of economic, geographical or cultural differences (see also Wijewardena and De Zoysa, 2005). Based on the review of the studies dealing with this topic Ensari and Karabay (2014) classified the factors contributing to the business success of enterprises into some categories, such as the entrepreneur characteristics and the characteristics of SMEs, management and know-how, products and services, markets and customers, the way of doing business and cooperation of enterprises, finance and resources of an enterprise, strategy, external environment, and the use of the Internet.

Many researchers also stressed the role of networks in internationalisation. Two basic forms of networks can be distinguished, i.e. horizontal and vertical network. Horizontal networks involve cooperation among companies, which are primarily competitors in the same sector, and the vertical networks represent the cooperation within the same chain, while they include entities, such as suppliers, customers and others who are involved in a two-way flow of products, services, finance or information (Gellynck, Kühne, 2010). Burandt et al. (2013) highlighted that the networks are also important with regard to their role in social, cultural and ecological development of rural areas. Jo-

hanson and Vahlne (2009), Hutchinson et al. (2006) and Rutihinda (2008) considered the involvement of an enterprise in the network of relationships with other enterprises to be quite an important factor for successful internationalisation process. Korsakiene and Tvaronaviciene (2012) claim that success in internationalisation depends on the position of an enterprise in networks of relationships. Johanson and Vahlne (2009) add that SMEs can strengthen their competitive position and diversify into foreign markets via getting relevant information from networks. Musteen et al. (2014) studied the network in the Czech conditions and they found out that for SMEs from transition economies, such as the Czech Republic, the network is quite important because of the possibility to gain knowledge about foreign market via established network ties. Salvador et al. (2014) claimed that networks are essential especially for small- and medium-sized enterprises. According to Burandt et al. (2013) small- and medium-sized enterprises interconnected in networks gain the access to further markets, they can use marketing tools effectively as well as they can profit from the synergic use of knowledge and skills of particular network's partner. In this context, Musteen et al. (2010) added that small enterprises rely more often on their involvement in networks, which can help them overcome obstacles in their internationalisation process. Also Dana (2001) emphasized the role of networks, particularly in the field of facilitating internationalisation and exploring new opportunities. According to that author, small enterprises can increase their competitiveness via cooperative ties with larger companies. Shahadan and Abdullah (2011) argued that agricultural enterprises should innovate in order to be competitive and successful, while the innovation potential is considerably influenced by the involvement of an enterprise in networks. Regarding the above-mentioned there are many various factors influencing the success of an enterprise in foreign business operations. Which factors influencing the success of an enterprise in foreign markets are perceived as the most important by the Czech SMEs operating in agriculture? This question will be addressed in this paper.

Objective and methodology

The aim of this paper is to identify the factors which can contribute to the success of agricultural SMEs in foreign trade operations. Furthermore, we wanted to find out whether there are some differences between the perception of particular factors determining the success in foreign markets, and some selected characteristics of an enterprise, namely the size of an enterprise, the current position of an enterprise in internationalisation and the level of objectively measured success, the so-called export intensity.

In case of the size of an enterprise we distinguish three main categories of size according to number of employees. We differentiate the microenterprises with less than 10 employees, small-sized enterprises with more than 10 employees but less than 50 employees, and medium-sized enterprises which have more than 50 employees but less than 250 employees. This division is in line with the new definition of SMEs introduced by the European Commission

(2003). In the second perspective, we take into account the current position of an enterprise in internationalisation while we distinguish two groups of enterprises – the first group, includes enterprises already involved in internationalisation, and their point of view is confronted with the other group of SMEs, which operate in home markets but currently consider their foreign expansion. The last considered perspective, is based on the level of objectively measured success. Firstly, the objectively successful enterprises were defined. To be objectively successful in foreign operations the enterprise has to meet three criteria. It has to fulfil its set objectives, its foreign business operations have to be profitable and the enterprise has to reach the set level of export intensity, which is expressed as the proportion of foreign sales to total sales. Based on evaluation of those three criteria different categories of an enterprise were defined. The less successful enterprises with their export intensity lower than 25%, successful enterprises reach 25-50% of foreign sales to total sales, and the most successful enterprises have export intensity higher than 50%.

Additionally, the paper also deals with the role of a network in internationalisation of agricultural SMEs.

This paper is based on the primary data obtained via electronic questionnaire surveys conducted in 2014 and 2015 among the Czech agricultural SMEs. Two types of questionnaires were constructed and then sent to enterprises via e-mail. The first questionnaire was aimed at agricultural SMEs already involved in internationalisation, while the second one was focused on SMEs operating only in domestic market. The links to the surveys were distributed via e-mails and the firms' contact details were gained from the Amadeus database which collects information about European entities, and also Czech database called Firmy.cz.

In the survey, 347 respondents were involved and this sample of respondents comprises from 45 SMEs already involved in internationalisation (further they will be called internationalised SMEs) and 302 SMEs, which operate in domestic market (they will be called non-internationalised SMEs). Further details about respondents are shown in table 1.

The data were processed by descriptive statistic, and in order to identify the differences in perception of particular factors determining the success in foreign market by various groups of respondents, the Kruskal-Wallis test was performed. The null hypothesis about lack of any differences in means between the groups of respondents we wanted to compare, was rejected when the calculated p-value was lower than the significance level (Dodge, 2010). The level of significance was set at 5%, or 10% in some cases. Moreover, to identify which groups of respondents differ, multiple p-values were used.

Table 1. The main characteristics of agricultural internationalised and non-internationalised SMEs

Characteristic of an enterprise	Categories	% of internationalised SMEs	% of non-internationalised SMEs
Company size according to number of employees	micro	33%	59%
	small	49%	30%
	medium	18%	11%
Export intensity	0-25%	51%	-
	26-50%	22%	-
	51-100%	27%	-
Size of farmland (1ha = 10,000 m ²)	1-100 ha	24.4%	42.4%
	100-500 ha	15.6%	17.9%
	500-1,000 ha	22.1%	18.9%
	1,000-1,500 ha	15.6%	9.3%
	1,500- 2,000 ha	6.7%	4%
	more than 2,000 ha	15.6%	7.5%
Enterprise's main field of activity	crop production	51%	45%
	animal production	24.5%	24.6%
	mixed farming	24.5%	26.8%
	support activities in agriculture	0%	3.6%
Total		100% (45 enterprises)	100% (302 enterprises)

Source: author's results.

Results and discussion

The primary data processing revealed that the Czech agricultural SMEs access the foreign markets via export (they use direct as well as indirect form of export) as it is the simplest and quickest mode of entry into foreign markets, which is also often used by SMEs regardless of the industry in which they operate (see for example Majocchi et al., 2005). The most important foreign markets, to which agricultural SMEs export, are the neighbouring countries of the Czech Republic, i.e. Germany as 73% of respondents operate there, Austria as nearly 49% of respondents operate there, Slovakia (47%), and Poland (42%). Those results correspond to the territorial structure of agricultural foreign trade reported in official statistics.

In order to fulfil the aim of this paper, the factors, which can contribute to the success of an enterprise in foreign trade operations, were identified. Firstly, the factors which can influence the success of an enterprise in foreign markets were selected based on the literature review and also consultations with some agricultural enterprises. Then the respondents (agricultural SMEs) were asked to evaluate their perception of those 24 factors on a ten-point scale, where '1' meant not important factor for the success in foreign trade operations and '10' meant the most important factor for their success. Based on the primary data processing, specific factors, which can contribute to the success of the Czech agricultural SMEs in their internationalisation process, were identified. Moreover, as the key factors determining the success, those which were evaluated in average by seven and more points, were chosen. These key success factors are shown in table 2 and they are ordered from the most important to the least important ones.

According to the subjective perception of agricultural SMEs, quite important factors influencing their success in foreign markets are ‘the quality’ and ‘the price of products’, ‘the reputation and tradition of an enterprise’, ‘the ability to provide sufficient amount of products for export’, ‘skills and knowledge of management’, ‘flexibility of an enterprise’ and ‘proper selection of suitable products for export’. These are mainly factors connected with the characteristics of products, management of an enterprise, or an enterprise as the whole.

Table 2. The most important factors influencing the success of an enterprise in foreign markets

The most important factors contributing to the success in internationalisation	Average rating of a particular factor
The quality of products	7.53
The price of products	7.16
The reputation and tradition of an enterprise	7.09
The ability to provide sufficient amount of products for export	7.00
Skills and knowledge of management	7.00
Flexibility of an enterprise	7.00
Proper selection of suitable products for export	7.00

Source: author's results.

The factor ‘sufficient amount of products for export’ is quite a specific factor for agricultural sector, and its importance is even stronger in case of microenterprises or small-sized enterprises. The reason may lie in the fact that smaller enterprises do not farm on large area of farmland and they do not breed so many animals to fit the sufficient amount of product for export, compared to the possibilities of medium-sized enterprises. Moreover, the inability to provide sufficient amount of products for export is perceived as one of major obstacles to initiation of exporting activities (as was revealed by the previous research conducted by authors). In connection with this fact, the involvement of an enterprise in the networks and their cooperation in the field of arranging the joint sale of their production becomes more important. Bečvářová (2005) pointed out that quite an important factor for success of agricultural enterprises are the skills and knowledge of management of an enterprise and especially their ability to react promptly to changes in markets and modification of the concept of agribusiness. These results indicate that agricultural SMEs are aware of the importance of such factors as they consider ‘the flexibility of an enterprise’ as well as ‘the skills and knowledge of management’ as significant factors contributing to the success in foreign markets.

In the next step, the factors, which can influence the success of enterprises in foreign markets, were scrutinized in relation to the selected characteristics. The first perspective on the factors was the size of an enterprise. It was revealed that there are some differences concerning the size of an enterprise (see table 3). According to the Kruskal-Wallis test the significant differences appeared in the factors ‘qualified employees’, ‘cooperation with other enti-

ties' (i.e. networking) and 'the price of products'. These three factors are less important for microenterprises compared to their higher importance perceived by the small- or medium-sized enterprises.

Table 3. Kruskal-Wallis test: differences in perception of factors influencing the success in foreign markets regarding the size of an enterprise

Factors influencing success in foreign markets	p-value	Groups of enterprises in which the differences appeared	Multiple p-value
The qualified employees	0.0598*	Micro- x small-sized enterprises	0.0798*
Cooperation with other entities (networking)	0.0745*	No statistically significant results	
The price of products	0.0239**	Micro- x small-sized enterprises	0.0233**

notes: * significant at = 0.10, ** significant at = 0.05

Source: author's results.

Furthermore, the paper also deals with other perspectives on factors determining the success, namely the perception of already internationalised SMEs and SMEs which intend their foreign expansion. Some differences were also identified. Table 4 compares perception of these main factors influencing the success of an enterprise in foreign markets perceived by those two groups of enterprises shown (only factors whose average evaluation was seven and more points were considered).

Table 4. Factors influencing the success of an enterprise in foreign markets regarding the position of an enterprise in internationalisation

Factors influencing success in foreign markets according to the position of SMEs in internationalisation	
Already internationalised SMEs	SMEs considering foreign expansion
The quality of products	The qualified employees
The price of products	The price of products
The reputation and tradition of an enterprise	The proper selection of exporting market
The ability to provide sufficient amount of products for export	The language skills of key employees
Skills and knowledge of management	Previous experience with foreign trade operations
Flexibility of an enterprise	The quality of products
Proper selection of suitable products for export	Proper selection of suitable products for export

Source: author's results.

Table 4 shows that the order of factors according to their perceived significance differs. The Kruskal-Wallis test revealed (see table 5) that there are statistically significant differences in the factor 'language skills of key employees', 'previous experience with foreign trade operations', 'knowledge of marketing principles and principles of product promotion', and 'conducting survey of foreign markets'. Those factors are perceived as quite important by SMEs, which are currently considering their foreign expansion, compared to the perception of those factors by already internationalised SMEs. For example, the factor 'language skills of key employees' is on the 20th position for already internationalised SMEs, and for SMEs intending their internationalisation it is on the 4th position. These findings are quite

surprising because of the fact that the language barrier is perceived as quite an important obstacle to internationalisation process as was stated by SMEs, regardless of their position in internationalisation process (this was revealed by the previous research conducted by authors). Thus, we supposed that this factor would be considered as an important factor determining the success in internationalisation by both groups of enterprises. The explanation may lie in the fact that already internationalised SMEs know that this barrier can be overcome by improving language skills of key employees dealing with export or cooperation with translator, etc., and, therefore, they do not perceive it as crucial for their success. Furthermore, the factor ‘previous experience with foreign trade operations’ is on the 17th position for internationalised SMEs, and on the 5th position for SMEs intending their internationalisation. It can be caused by the fact, that internationalised SMEs have already gained some international experience and hence they do not attach such an importance to that factor. The other mentioned factors ‘knowledge of marketing principles and principles of product promotion’ is on the 22nd position for internationalised SMEs and for SMEs intending their internationalisation it is on the 14th position; the factor ‘conducting survey of foreign markets’ is perceived as less important factor influencing the success in foreign markets by both groups of enterprises.

Table 5. Kruskal-Wallis test: differences in perception of factors influencing the success in foreign markets regarding the position of an enterprise in internationalisation

Factors influencing success in foreign markets	p-value
The language skills of key employees	0.0665*
Previous experience with foreign trade operations	0.0968*
Knowledge of marketing principles and principles of product promotion	0.0284**
Conducting survey of foreign markets	0.0973*

notes: * significant at = 0.10, ** significant at = 0.05

Source: author's results.

The last perspective we took into consideration was the perspective on factors determining the success in internationalisation by enterprises according to their level of objectively measured success. Based on the Kruskal-Wallis test, the main differences, which appeared by particular factors, are shown in table 6.

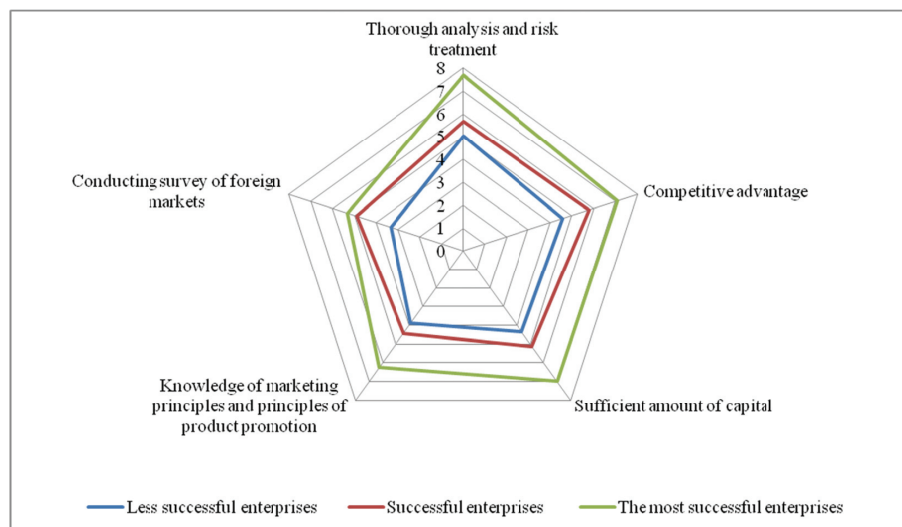
Table 6. Kruskal-Wallis test: differences in perception of factors influencing the success in foreign markets regarding the objectively measured success

Factors influencing success in foreign markets	p-value	Groups in which the differences appeared	Multiple p-value
Thorough analysis and risk treatment	0.0311**	Less successful x the most successful enterprises	0.0282**
Knowledge of marketing principles and principles of product promotion	0.0955*	Less successful x the most successful enterprises	0.0960*
Sufficient amount of capital	0.0503**	Less successful x the most successful enterprises	0.0462**
Competitive advantage	0.0878*	Less successful x the most successful enterprises	0.0887*
Conducting survey of foreign markets	0.0852*	Not statistically significance	

notes: * significant at = 0.10, ** significant at = 0.05

Source: author's results.

The factors by which the statistically significant difference was proved were also shown in figure 1. There is an interesting aspect of the factors being mainly connected with resource-demanding activities, such as analysis and treatment of risks, conducting survey of foreign markets, having knowledge of marketing principles and principles of product promotion, etc. The figure also highlights the fact that the more successful the agricultural enterprises are (the bigger their export intensity is), the more important are those factors according to their perception.

**Figure 1. Factors influencing the success of an enterprise in foreign markets regarding the objectively measured success**

Source: author's results.

The role of network in internationalisation

The second part of the paper deals with the role of networks in internationalisation. We focused on that topic because networks might be regarded as quite important factor determining the success of an enterprise in internationalisation and also the source of knowledge or experience, which can also contribute to the success in foreign trade operations (see for example Johanson, Vahlne, 2009; Hutchinson et al., 2006; Rutihinda, 2008; Musteen et al., 2014 or Hötzing, 2014). Hence, in this context we wanted to verify the role of networks in internationalisation.

Although the results revealed that the Czech agricultural SMEs do not perceive networking as a very important factor in determining the success in foreign markets (23rd position from all 24 considered factors), two thirds of already internationalised agricultural SMEs are involved in closer cooperation with other entities. Those agricultural SMEs cooperate with other enterprises in activities, such as joint selling of their products, joint ensuring of production for foreign market or domestic market or joint purchase of inputs. Main reasons for their cooperation are enhancing their bargaining power, strengthening their competitive position or gaining access to know-how. Agricultural SMEs cooperate with various business entities, such as other agricultural enterprises in their business environment (i.e. their competitors), entities within the commodity verticals or enterprises from other supporting industries. These results indicate that agricultural enterprises are interconnected in horizontal as well as vertical networks.

On the other hand, almost 70% of non-internationalised agricultural enterprises cooperate closely with other enterprises. Those agricultural SMEs cooperate in purchasing of their inputs, they sell their products together or they ensure production together for domestic market. Moreover, they share these activities because of enhancing their bargaining power, saving time or strengthening their competitiveness.

It can be concluded that the involvement of an enterprise in networks is quite important for the Czech agricultural SMEs because of various reasons, which were mentioned above. Despite the fact that the Czech agricultural SMEs do not perceive the cooperation with other entities (networking) as a very important factor in determining their success in foreign markets, still the majority of enterprises are interconnected in networks. We suppose that the involvement of an enterprise in networks can facilitate the internationalisation process of agricultural enterprises especially due to the information about foreign business opportunities and contacts on foreign business partners acquired via those networks. We assume that there is a quite significant potential for strengthening the cooperation linkages among agricultural SMEs with positive effect on their competitiveness and enhancing their bargaining power toward other entities in the distribution channel.

Conclusion

According to the experience of agricultural enterprises the success of foreign operations is determined mainly by factors connected with the product's aspects (right product for export, its quality, quantity and price), characteristics of enterprise's management (their skills and knowledge) and company's aspects (reputation of enterprise and its flexibility).

The results also showed that the most successful enterprises pay more attention (than the less successful ones) to activities which are resource-demanding, such as risk analysis and risk treatment, conducting of foreign market survey, knowledge of marketing principles and principles of product promotion, etc.

Moreover, it can be summarised that the overwhelming majority of enterprises are interconnected in networks. However, the role of this factor for the successful internationalisation is not clear as agricultural enterprises do not perceive networks as a factor directly determining their success in internationalisation process. It can be assumed that closer cooperation among enterprises can facilitate their involvement in internationalisation in a view of gaining the information about foreign business opportunities or contacts on foreign business partners. We also suppose that there is a quite significant potential for strengthening the cooperation among agricultural SMEs with positive effect on encouraging their competitiveness and sustainable development.

Findings presented in this paper are based on empirical data obtained from a sample of agricultural SMEs. Due to a rather small sample of respondents the conclusions cannot be generalised and these findings rather reflect the situation among agricultural SMEs involved in the survey. Nevertheless, this study can serve as a basis for further research. Regarding the direction for further research we suggest to perform more comprehensive research on the importance of cooperation among agricultural enterprises with focus on its form and scope.

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