A Research Study of Internationalization Processes of the Czech Family Businesses in Turbulent Markets

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ABSTRACT

The main research question of the paper is to find out what are the specifics of the internationalization process of entrepreneurial activities of Czech family businesses, whether it is possible to determine any specific model of internationalization of Czech companies, and whether the course of the internationalization process of entrepreneurial activities has an impact on the current internationalization dynamics of Czech SMEs. The aim of the paper is to define and to specify typical characteristics of internationalization process of entrepreneurial activities of Czech family businesses as well as to evaluate the impact of the internationalization process on current internationalization dynamics of Czech SMEs. The family businesses included in the study are those that have already undertaken internationalization activities and are incorporated in the Czech Republic. A total of 297 SMEs participated in the study, and the main primary data collection instrument was a questionnaire-interview. Finally, the last section provides the conclusion of the research and offers a discussion of most important implications.

Keywords: internationalization, Czech family businesses, internationalization process, international markets.

1. INTRODUCTION

The globalization of economy offers new opportunities to companies, resulting from their access to bigger markets, scale economies and exposure to best practice management and technology. However, globalization also poses and invites new competitive challenges, either by local and international competitors, with new production processes and innovative products and services. In response to these challenges, companies try to conquer new international markets and expand their presence and operating in the global market. Internationalization is an important factor of competitiveness for companies, reflecting on the performance, determined by own business, industry and environment factors. The necessity of active participation of Czech entrepreneurial subjects at international market is conditioned primarily by the character of Czech economics and its foreign political orientation. The paper represents a certain building block towards such a future development of internationalization activities of Czech family businesses. The results of this paper contribute new insights

on the internationalization process of SMEs in the post-communist country. In the country, where were held significant changes in the economic system 25 years ago and where the majority of companies have a history shorter than 25 years.

Family business is a form of entrepreneurial aktivity. Family-owned businesses are contributing to the economic progress in all countries over the world (Anggadwita et al., 2017). The paper focuses on the international entrepreneurship dynamics of in Czech SMEs, especially in Czech family businesses. The paper makes an important contribution to the issue of internationalization of Czech family businesses by defining the particular internationalization models. It shows the influence of selected variables on the internationalization process of Czech family businesses. However, the research on international entrepreneurship and internationalization processes in Czech professional and business literature is relatively scarce; there are only a few studies exploring and monitoring internationalization processes of Czech SMEs and Czech family businesses. Due to the absence of substantial research, the author of the present study carried out a research survey among Czech companies to identify specifics of the internationalization process of selected Czech companies and tried to define and explore internationalization models of Czech family businesses.   The findings presented in the study are the first of their kind in the Czech Republic.

The main research question of the paper is to find out what are the specifics of the internationalization process of entrepreneurial activities of Czech family businesses, whether it is possible to determine any specific model of internationalization of Czech companies and whether the course of the internationalization process of entrepreneurial activities has an impact on the current internationalization dynamics of Czech SMEs. The aim of the paper is to define and to specify typical characteristics of internationalization process of entrepreneurial activities of Czech family businesses as well as to evaluate the impact of the internationalization process on current internationalization dynamics of Czech SMEs. The text falls into the three parts. The first part outlines the field of internationalization process of entrepreneurial activities. Since the paper seems to offer pioneering work on internationalization models in Czech context, the focus is on two basic models of internationalization: the stage model and the early internationalization (global) model. The second part, research part offers the quantitative statistical and qualitative analysis of current trends towards entering foreign markets among selected Czech family businesses. The family businesses included in the study are those that have already undertaken internationalization activities and are incorporated in the Czech Republic. A total of 297 Czech family businesses participated in the study, and the main primary data collection instrument was a questionnaire-interview. Finally, the last section provides the conclusion of the research and offers a discussion of most important implications.

2. THEORETICAL FRAMEWORK

The internationalization process of the company has been recently the focus of much extensive research in the field of international management. It can be concluded that the model of internationalization attempts to typify the behavior of entrepreneurial subjects when they start their foreign operations. Internationalization research has focused on the process of increasing involvement in international markets. The first attempt to explain the behavior of companies on international markets from microeconomic point of view are believed to be Hymer´s doctoral thesis on internationalization of American companies and the theory of monopolistic advantage developed by Hymer and Kindleberger, as well as the theory of international product life cycle developed by Vernon (Jarosiński, 2013). Two broad theoretical streams have emerged. First, traditional internationalization theories (such as stage theory, internalization theory, transaction cost theory), have focused on the factors influencing internationalization, especially in larger companies. Second, the international entrepreneurship theories (such as strategic choice theory, learning and knowledge theory relating to international new ventures or born globals, resource-based theory, network theory), have focused on the SMEs internationalize from the outset (Wright et al., 2007). These theories on international processes or models are continually evolving and developing: this reflects constant changes in the global business environment. Despite new and emerging theories of internationalization, the stage approach (gradually globalizing company) and the global approach (born global company) remain and are treated as most fundamental and default approaches. The newly evolving approaches and theories are usually based on these two basic frameworks which thus become a springboard for further modification and innovation.

Jones and Coviello (2005) noted that while contemporary understanding of internationalization is informed by integrating multiple theoretical perspectives, there remains a need to incorporate entrepreneurial behavior into models of internationalization. The model of internationalization might explain a company´s internationalization decision, its actions, and its dynamic processes. At present, the international business literature most often quotes two types of models: the stage model and the model of early internationalization.

According to stage models, companies initially start selling products in their home markets, and then they gradually search for new countries and markets (Baronchelli, 2008). Gradual and sequential stages are based on a series of incremental commitment decisions depending on perception, expectations, experience, managerial capacity, etc. (Rasmussen and Madsen, 2002, p. 3). Stage models are often referred to as traditional models, and they are classified into two types: the so-called process models (the Uppsala internationalization model or the U-model) and innovative models (cf. the innovation-related internationalization models or the I-model).

Process models such as the U-model are mostly associated with the research of Johanson and Wiedersheim-Paul, and Johanson and Vahlne. These models (Johanson and Widersheim-Paul, 1975; Johanson and Vahlne, 1977, 1990, 2003, 2006, 2009) emphasize stepwise and highly deliberative nature of internationalization that is comparatively slow, owing to incremental adaptation to environmental conditions (Knight et al., 2004, p. 646). Within the concept of process models internationalization

is seen as an organizational learning process. Johanson and Wiedersheim-Paul distinguish between four different modes of entering an international market, where the successive stages represent higher degrees of international involvement (Johanson and Vahlne, 2009; Johanson and Vahlne, 1977; Johanson and Widersheim-Paul, 1975): No regular export activities - Export via independent representatives - Establishment of an overseas sales subsidiary - Overseas manufacturing units.

The research by Johanson and Widersheim-Paul has probably also been the chief source of inspiration for the development of several innovative models such as, e.g., the innovation-related internationalization models which attempt to explain the internationalization process from an innovation-related perspective. The internationalization decision is here considered as a series of innovation decisions for the company. Models of this type draw on Roger´s stages of the adoption process (Andersen, 1993). In innovative models (Bilkey and Tesar, 1977; Cavusgil, 1980; Czinkota, 1982; Reid, 1981) the decision to start international operation, most frequently export, is an innovation about operations on a home market.

Innovation adoption describes the selection of an innovation, among a series of options, as the most acceptable alternative, at a given point in time (Zaltman and Stiff, 1973). The employment of the innovation adoption framework in export decision making was first investigated by Simmonds and Smith (1968) but most significant contribution and advances were made by Bilkey and Tesar (1977). These authors concluded that the process of export development involves several distinct stages and that there are various factors affecting decision making at each stage. An extensive volume of research has examined the way in which companies progress along the internationalization continuum. According to the research, there has always been a sequence of discrete stages which control the "stop and go" (Dalli, 1994) scenario, which is a stepwise process exemplifying the evolution of international involvement. Between each set of stages, there is an implicit expectation that there exist fairly stable periods during which companies can consolidate and generate an appropriate resource base to respond to fortuitous environmental conditions which allow the companies to proceed to the next internationalization stage.

Both the U-models and the I-models can properly be regarded as behaviorally oriented. Based on the arguments of the authors, the gradual pattern of the firm's internationalization process draws on two assumptions: (1) the lack of knowledge by the company, especially the lack of experiential knowledge, and (2) uncertainty associated with the decision to internationalize. The arguments for the gradual pattern are discussed thoroughly in the paper by Johanson and Vahlne (1977). Other authors then either explicitly or implicitly build on Johanson and Vahlne's contribution.

Modern empirical findings worldwide show that many enterprises do not follow an incremental stage approach, but it is often reported that they start their international activities from their birth. Therefore the 1990s brought a new model of internationalization entrepreneurial activities: it is the early internationalization which thus contradicts traditional stage models. The model of early internationalization is closely connected to the concept of born global companies. The literature on

internationalization defines these companies as born global companies; they are specified as "the companies that view the world as their marketplace from the outset and see the domestic market as a support for their international business" (McKinsey & Co., 1993).   Knight and Cavusgil (1996, p. 11) claim that born global companies are "small, technology-oriented companies that operate in international markets from the earliest days of their establishment." Moreover, finally, Oviatt and McDougall (1994, p. 49) approach a born global company as "a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sales of outputs in multiple countries."

A key characteristic of born global companies is their early and strong global orientation; managers in such companies view the whole world as a potential market. Rapid changes in information technology, production, and communication strategies create various opportunities for the born global phenomenon to grow, as it is documented in previous research (Rennie, 1993; Knight, 1997).

The aforementioned definitions and interpretations of the phenomenon of internalization emphasize three criteria that enable us to distinguish between gradually globalizing companies (companies following stage models) and born global companies (companies with early internationalization models): the closeness between inception and the first international market entry (the speed of internationalization), geographic scope (global) of internationalization and the importance of international sales.

The speed of internationalization can be described by two different time spans (Varma, 2009), namely by the time span between founding and the first foreign market entry and the time span between the first and the following market entries. Rennie (1993), Knight and Cavusgil (1996), and Kandasaami and Huang (2000) postulate a time span of two to three years from the time of the founding. The time span between the first and the second foreign market entry is mentioned only by few authors (for example by Lindqvist, 1991). Most researchers agree on that fact that this time span should be shorter than between founding and the first foreign market entry.

The geographic scope of internationalization of born global companies can be measured by the criteria such as the number of countries, the number of cultural clusters and the number of geographical regions in which the company currently operates. Kandasaami (1998) suggests that the born global company should plan its activities in the least five countries. Some authors claim that a further distinction between cultural clusters and geographical regions is necessary to clarify the physical and geographical distance of foreign markets from the home market. Therefore, according to Lummaa (2002), speaking of born global companies requires activities at least in two cultural clusters and geographical regions.

The importance and gravity of international sales can be measured by the proportion of foreign sales to the total sales of a company; Kandasaami and Huang (2000) suggest a minimum ratio of 10 % of foreign sales compared to total sales. In contrast Madsen, Rasmussen and Servais (2000) recommend that at least the ratio of 25 % is necessary for a born global company to be established. According to Rennie (1993), a company is

considered a born global if it internationalizes within two years from founding and generates more than 75 % of its sales internationally. Knight (1997), on the other hand, maintains that for a company to be defined as born global, it is inevitable that it operates abroad within six years from its founding and gains over 25 % of its sales from foreign markets. The differences between these approaches might be due to the nature of home markets on which the researchers base their research. Rennie´s investigation (1993) was carried out in Australia, which is a relatively small local market that is situated far from major, global markets. Such a small market and its rather isolated location did not allow companies to develop sales at home rapidly. Knight´s research (1997) focuses on the US market; consequently, however, it comes out that the US companies operating in large local markets face a lower need to operate abroad in early stages of their lives.

3. METHODOLOGY

This research study is part of a larger research which focused on the internationalization process of Czech family businesses. The objective of this research study is to present the results of primary research focused on internationalization process of Czech family businesses on international markets. By the research results, significant characteristics of competitive strategy of Czech family businesses will be specified. The research was carried out in the Czech Republic between May 2014 and May 2015. The internationalization process of Czech family businesses have been researched with the method of oral questioning, and the main instrument was a questionnaire.

To fulfill the objective of this study the following hypotheses were suggested:

Hypothesis 1: The time span between foundation at the first foreign market entry is influenced by the size of the company (a), and by the business activity (b). The hypothesis supposes that SMEs enterprises are entering foreign markets earlier than large enterprises.

Hypothesis 2: The company size (a), the company age (b) and the business activity (c) at the first international entry relates positively to the number of foreign target markets. The hypothesis supposes that larger companies enter more target markets at the first international entry.

Hypothesis 3: The choice of a particular foreign target market at the first international entry is influenced by the size of the company (a), by the company age (b) and by the business activity (c). The hypothesis supposes that SMEs choose target markets that are close (both regarding physical distance and cultural distance) to their domestic market.

Hypothesis 4: The number of entry modes at the first international entry is influenced by the company size (a), by the company age (b) and by the business activity (c). The hypothesis supposes that larger companies use more entry modes (and different entry modes) at the first international entry.

Hypothesis 5: The choice of a particular entry mode at the first international entry is influenced by the company size (a), by the company age (b) and by the business activity (c). The hypothesis supposes that larger companies choose entry modes demanding on the investments.

Hypothesis 6: The foreign sales at the first international entry are influenced by the company size (a), by the company age (b) and by the business activity (c).

Hypothesis 7: The internationalization model is influenced by the company size (a), by the company age (b) and by the business activity (c).

The research design is based on the collection of primary data from top managers of selected Czech family businesses. The sample consisted of 297 Czech companies which are located in the Czech Republic. The companies under research were selected with the method of non-probability purposive sampling, or more precisely by assumption and occasional selection. The companies included in the study have already started their internationalization operations, they are incorporated in the Czech Republic, and all of them are private companies.

The instrument used in the survey was a structured questionnaire containing five fields of varying degrees of complexity relating to the area of internationalization. The questionnaire consisted of closed, semi-closed and opened questions. The questions are based on information offered due to personal communication with selected experts from business and universities and by previous researchers. In some questions, particularly those related to the entry mode choice and market choice, simple and complex scales were used, mostly the Likert-type scale (5 = strongly agree to 1 = strongly disagree). In addition to the interview questions the questionnaire also included 4 questions related to the company background itself (the type of a business sector in domestic market and in international markets; the size of company measured by the number of employees and the level of revenue; the year of company foundation; the year of the first foreign market entry). The questionnaire was pre-tested for instrument validity with 20 managers. In interviewing these managers, they were asked to respond to the items measuring the theoretical construct. The managers were also asked to identify any ambiguities revealed in the draft questionnaire. Some minor changes in wording were made, based on their feedback.

Because of the relatively low response rate in mail surveys in the Czech Republic, and sensitivity to Czech managers' concerns about industrial espionage, a high level of personal involvement consisting of telephone calls and personal delivery and pickup of questionnaires was necessary to collect survey data from Czech family businesses in this research study. First, telephone calls were placed to general managers or CEOs of the Czech companies to explain the purpose of the study and to request their participation. After that questionnaire were hand-distributed to the general managers and CEOs. Trained research assistants helped the managers and CEOs complete the questionnaire, and explained any items that the respondents wished to have clarified. This procedure resulted in 350 matched questionnaires, from which 53 were eliminated due to the incompleteness of responses. Thus 297 (a response rate of 85%) questionnaires were used in the subsequent data analysis and statistical processing. The representativeness of the research sample was verified by using the criterion of territorial representation of businesses in the present research. The representativeness of the research sample was also verified by a chi-square test. Based on the level of significance α = 0.05, the p-value accounted for 0.128, which means that the research sample was representative concerning the location of the business unit. The final sample consisted of 27 % of companies representing manufacturing, 19 % of service companies, and 54% of business companies. The companies differed as to their size assessed by the number of employees so that 41 % of the sample consists of small companies (microenterprises and small enterprises), 33 % of medium ones and large ones equal 26 %. The Eurostat (2011) and Czech Statistical Office (2013) classify enterprises by a

wide range of variables such as sales revenues and the number of employees. This research study follows the conventional idea (European idea) that the size of companies is defined according to EU norms. A company, which has from 1 to 10 employees and 2 million euro of turnover per year, is referred to as a micro company. A company, which has 11 to 50 employee and at most 10 million euro of turnover per year, is called a small company. A company, which has 51 to 250 employees and at most 50 million euro of turnover per year, is called a medium company. A company, which has more than 250 employees and more than 50 million euro of turnover per year, is called a large company. The average age of the respondents is twenty-two years.

This exploratory study is based on the information from two groups of variables. The first group was related to the internationalization process. The group was investigated with the help of these measures: the number of target markets penetrated at their first foreign market entry (hereinafter referred to as number of markets); the number of years between the founding of the company and the first foreign market entry (hereinafter referred to as timing of entry); foreign sales as a percentage of total sales in the first year of implementation of international activities (hereinafter referred to as percentage of foreign sale). The second group of variables measured effects of company characteristics: the company size at the first foreign market entry (hereinafter referred to as the company size); the company age at the first foreign market entry (hereinafter referred to as the company age at the first foreign market entry); the branch of business activity (hereinafter referred to as business activity).

The analysis began by examining the correlation between variables. All variables were screened to reveal their distribution through Pearson correlation coefficients. The research findings were interpreted in two steps. First, several basic characteristics such as the timing of foreign market entry, geographical diversification, entry modes, foreign sales in the first year of operation in abroad of the internationalization process of the Czech companies were identified. The first step includes these analytical methods: ANOVA analysis, categorical analysis, and regression analysis. The analysis draws on the method of linear regression to test hypotheses. The normality of all the variables was checked using skewness, kurtosis, and outliner analyses, which indicated that no transformations were required. Variance inflation factors (VIF) associated with each regression coefficient showed a range of 1.005 – 1.777 and factor of tolerance showed a range of 0.344 – 0.850. These values indicate no serious problems with multicollinearity. Second, phase factors influencing the choice of specific internationalization model by the Czech companies through categorical data analysis were defined. The data obtained via the questionnaire research were processed by using the IBM SPSS statistical program.

4. RESULTS

The companies entered the foreign market for the first time after three years from founding the company; this stands for 44 % companies. The companies which entered the foreign market for the first time in three years from the time of founding stand for 56 %. The average time needed for a Czech family business to enter foreign markets since its foundation is eight years. As Table 1 shows, the speed of internationalization

decreases with the size of the enterprise. This information also confirms the results of the regression analysis. The fastest on entry into foreign markets are microenterprises.

Table 1 Speed of internationalization: according to company size

	Mean	Median	Min.	Max.	S.D.
Total	7.65	3	1	145	16.411
Large enterprises	25.11	4	1	145	39.656
SME	5.31	3	1	60	7.363
Microenterprises	3.54	2	1	19	3.851
Small enterprises	5.38	3	1	47	6.484
Medium enterprises	10.57	6	1	65	14.439

Source: personal research

The hypothesis 1a was tested through Regression Analysis. Table 2 presents the results of a regression analysis. The dependent variable is the timing of entry. The independent variable is the company size.

Table 2 Regression analysis for hypothesis 1a

	R^2	Adj. R^2	ΔR^2	F	ΔSig. F	Durbin-Watson
Model 1	0.187	0.184	0.187	67.722	0.000	1.810

Model 1	B	β	t	Sig.	Tolerance	VIF
Constant	5.476		6.086	0.000		
Company size	1.7E-02	0.432	8.229	0.000	1.000	1.000

N = 297, p<0.01**

Source: personal research

The regression equation in Model 1 is statistically significant (F = 67.722, p < 0.01). The independent variable explains 18.7 % of the variance in Model 1. Hypothesis 1a proposed that the company size relate to the increasing speed of internationalization (measured by the number of years). This hypothesis is supported (β = 0.432, p < 0.01). The relationship has shown that with increasing number of employees grows the number of years between the founding of the company and the first entry into foreign markets.

The hypothesis H1b was tested through ANOVA Analysis. Table 3 presents the results of the analysis. The dependent variable is the timing of entry. The independent variable is the business activity.

Table 3 ANOVA analysis for hypothesis 1b

	Sum of Squares	df	Mean Square	F	Sig.
Between groups	1127.087	2	563.544	2.108	0.123
Within groups	78594.792	294	267.329		
Total	79721.879	296			

Source: personal research

In Hypothesis 1b it has been hypothesized that older companies enter more markets at the first international entry. This hypothesis is not supported.
The geographical scope of internationalization of Czech company activities was monitored regarding markets, geographical sub-regions, and cultural clusters. The surveyed Czech companies operating in their initial stage of their internationalization process approximately on one foreign market, on one geographical sub-region, and one cultural cluster. The most common sphere of activity of the Czech companies is in the foreign markets of Slovakia, Poland, and Germany.

Table 4 Penetrated foreign markets, geographical sub-regions and cultural clusters by Czech family businesses at the first international entry (N = 297)

	Mean	Median	Min.	Max.	S.D.	Mode
Foreign markets	3.28	1.00	1	100	8.652	Slovakia
Geographical sub-regions	1.45	1.00	1	16	1.330	Eastern Europe
Cultural cluster	1.43	1.00	1	10	1.143	Eastern Europe

Source: personal research

The geographical sub-regions of the world have been defined based on the original United Nations Statistics Division classifications. The United Nations have divided the world into sixteen geographical sub-regions: Sub-Saharan Africa, Northern Africa, Western Europe, Northern Europe, Southern Europe, Eastern Europe, Central Asia, South-Eastern Asia, Southern Asia, Eastern Asia, Western Asia, Northern America, Central America, Caribbean, Southern America and Oceania (United Nations Statistics Division, 2013). The most common sphere of activity of the Czech companies is in the geographical sub-regions Eastern Europe and Western Europe. Cultural clusters are specific categories which have been the result of the decomposition of the world based on a meta-analysis of cross-cultural studies. The world is divided according to five main variables such as ethnicity, religion, official languages, region world and native languages into the following ten cultural clusters: Nordic, Anglo, German, Latin-Europe, Latin-America, Eastern Europe, Confucian, South-East Asia, Middle East and African (Mensah and Chen, 2012). The most common sphere of activity of the Czech companies is in the cultural clusters of Eastern Europe and German. The investigated Czech companies operated during the initial stage of internationalization process approximately in one market (mostly in Slovakia, Poland, and Germany), in one geographic region (mostly in Europe) and one geographical sub-region (mostly in sub-regions of Eastern Europe and Western Europe).

In the case of geographical coverage are not among particular size categories more significant differences, as shown Table 5. The greatest geographical expansion exhibits large enterprises. The large enterprises have greater resources (financial and personnel resources). The table also shows that all monitored companies focused during their first foreign entry on the geographical sub-region Eastern Europe.

Table 5 Number and choice of particular geographical sub-regions: according to company size

	Mean	Median	Min.	Max.	S.D.	Mode
Total	1.45	1	1	16	1.330	Eastern Europe
Large enterprises	1.89	1	1	16	2.598	Eastern Europe
SME	1.39	1	1	9	1.048	Eastern Europe
Microenterprises	1.51	1	1	9	1.366	Eastern Europe
Small enterprises	1.26	1	1	4	0.562	Eastern Europe
Medium enterprises	1.41	1	1	6	0.963	Eastern Europe

Source: personal research

The hypotheses 2a and 2b were tested through Regression Analysis. Table 6 presents the results of the analysis. I hypothesized (H2a and H2b) that the company size and company age relates positively to the number of foreign target markets. The dependent variable is the number of foreign markets at the first international entry. The independent variables are the company size and the company age. Table 6 presents the results of a regression analysis in which the number of markets on the company size in Model 1was first. The second stage subsumes the company age and the company size (Model 2).

Table 6 Regression analysis for hypotheses 2a and 2b

	R^2	Adj. R^2	ΔR^2	F	ΔSig. F	Durbin-Watson
Model 1	0.046	-0.001	0.002	0.630	0.428	
Model 2	0.087	0.001	0.005	1.129	0.203	1.749
Model 1	B	β	t	Sig.	Tolerance	VIF
Constant	3.157		6.009	0.000		
Company size	9.3E-04	0.046	0.794	0.428	1.000	1.000
Model 2	B	β	t	Sig.	Tolerance	VIF
Constant	3.394		6.096	0.000		
Company size	1.7E-03	0.082	1.267	0.206	0.813	1.230
Company age	-4.3E-02	-0.082	-1.275	0.203	0.813	1.230

N = 297, p<0.01**

Source: personal research

The overall regression equations in Models 1 and 2 are not statistically significant ($F = 0.630$, $p > 0.10$; $F = 1.129$, $p > 0.10$), which suggests that the company size and company age do not explain the number of targeting foreign market at the first foreign entry. The independent variables explain 0.2 % of the variance in Model 1 and 0.8 % in Model 2. In hypothesis 2a, it was hypothesized that larger companies (companies with employees more 250) enter more markets at the first international entry. This hypothesis is not supported ($\beta = 0.046$, $p > 0.10$). In hypothesis 2b it has been hypothesized that older companies enter more markets at the first international entry. This hypothesis is not supported ($\beta = -0.082$, $p > 0.10$).

The hypothesis H2c was tested through ANOVA Analysis. Table 7 presents the results of the analysis. In hypothesis H2c, it was assumed that the business activity influences the number of foreign target markets at the first international entry. This hypothesis is not supported.

Table 7 ANOVA analysis for hypothesis H2c

	Sum of Squares	df	Mean Square	F	Sig.
Between groups	21.663	2	10.831	0.144	0.866
Within groups	22134.142	294	75.286		
Total	22155.805	296			

Source: personal research

The hypotheses 3a, 3b, and 3c were tested through Categorical Data Analysis. Table 8 presents the results of the analysis. I hypothesized (H3a, H3b, H3c) that company size, company age, and business activity relates positively to the choice of a particular foreign market.

Table 8 Categorical data analysis for hypotheses 3a, 3b, 3c

	Pearson Chi-Square	Cramer´s V	Asymp. Sig.
3a	2327.45	**0.560**	**0.000**
3b	547.948	0.272	1.000
3c	65.158	0.331	0.073

Source: personal research

The dependent variable is the choice of foreign markets at the first international entry. The independent variables are company size, company age, business activity. This hypothesis is supported only in part a. Hypothesis 3a proposed that the company size positively relate to the choice of a particular foreign target market; the strength of this relationship is medium ($V = 0.560$).

The research findings among Czech family businesses show that the typical Czech diversification strategy is realized by a concentration strategy. The concentration strategy is dominant for most companies regardless of their age and size. A significant characteristic of Czech companies is a low degree of geographical diversification of

entrepreneurial activities. The majority of companies under research is characterized by a low geographical diversity at their first foreign market entry. The low geographical diversity may be because those companies did not own huge capital at the starting point nor had their founders much entrepreneurial or especially foreign market experience before. Some of them even did not speak foreign languages at first, and some were only limited to speak the Russian language. Thus, one would expect that these companies would develop rather gradually. To sum up, Czech companies are oriented to the nearest geographical sub-regions and cultural clusters.

It has been found out that Czech family businesses used for their first entry to the foreign market primarily export entry modes. Ever the most widely used mode has occasionally been direct exporting (51% respondent). In general, companies do not prefer the investment entry modes and contractual entry modes when risks are higher. Also in the field of entry modes, we can see similar results among particular size categories. All respondents have chosen export methods as the first entry modes, and respondents mostly took advantage of only one input method (Table 9).

Table 9 Number and choice of particular entry modes: according to company size

	Mean	Median	Min.	Max.	S.D.	Mode
Total	1.33	1	1	4	0.681	Export methods
Large enterprises	1.40	1	1	4	0.812	Export methods
SME	1.32	1	1	4	0.665	Export methods
Microenterprises	1.29	1	1	4	0.632	Export methods
Small enterprises	1.37	1	1	4	0.706	Export methods
Medium enterprises	1.33	1	1	4	0.739	Export methods

Source: personal research

The hypotheses 4a and 4b were tested through Regression Analysis. Table 10 presents the results of the analysis. I hypothesized (H4a and H4b) that the company size and company age relates positively to the number of entry methods. The dependent variable is the number of entry modes at the first international entry. The independent variables are the company size and company age.

Table 10 presents the results of a regression analysis in which the number of entry modes on the company size in Model 1was first. The second stage subsumes the company age and the company size (Model 2). The overall regression equations in Models 1 and 2 are not statistically significant ($F = 0.000$, $p > 0.10$; $F = 0.984$, $p > 0.10$), which suggests that the company size and company age do not explain the number of entry modes at the first foreign entry. The independent variables explain 0.0 % of the variance in Model 1 and 0.7 % in Model 2.

Table 10 Regression analysis for hypotheses 4a and 4b

	R^2	Adj. R^2	ΔR^2	F	ΔSig. F	Durbin-Watson
Model 1	0.001	-0.003	0.000	0.000	0.991	
Model 2	0.082	0.000	0.007	0.984	0.162	1.828
Model 1	B	β	t	Sig.	Tolerance	VIF
Constant	1.326		32.033	0.000		
Company size	1.1E-06	0.001	0.012	0.991	1.000	1.000
Model 2	B	β	t	Sig.	Tolerance	VIF
Constant	1.306		29.775	0.000		
Company size	-6.1E-05	-0.038	-0.596	0.552	0.813	1.230
Company age	3.8E-03	0.090	1.403	0.162	0.813	1.230

N = 297, p<0.01**

Source: personal research

In Hypothesis 4a, it was hypothesized that larger companies (companies with employees more 250) enter more markets at the first international entry. This hypothesis is not supported ($\beta = 0.001$, p > 0.10). In Hypothesis 4b it has been hypothesized that older companies enter more markets at the first international entry. This hypothesis is not supported ($\beta = 0.090$, p > 0.10).
The hypothesis H4c was tested through ANOVA Analysis. Table 11 presents the results of the analysis. The dependent variable is the number of entry modes at the first international entry. The independent variable is the business activity. This hypothesis is not supported.

Table 11 ANOVA analysis for hypothesis 4c

	Sum of Squares	df	Mean Square	F	Sig.
Between groups	0.612	2	0.306	0.658	0.519
Within groups	136.708	294	0.465		
Total	137.320	296			

Source: personal research

The hypotheses 5a, 5b, and 5c were tested through Categorical data analysis. Table 12 presents the results of the analysis. The dependent variable is the choice of entry mode at the first international entry. The independent variables are company size, company age, business activity. Hypothesis 5a presumed that the entry mode is influenced by the size of the company. This hypothesis is supported; the strength of this relationship is medium (V = 0.586). Hypothesis 5b presumed that the entry mode is influenced by the age of the company at the first international entry: This hypothesis has been confirmed.

The strength of this relationship is medium (V = 0.484). Moreover, finally in Hypothesis 5c, it was assumed that the entry mode is influenced by the business activity: This hypothesis is supported. The strength of this relationship is medium (V = 0.444).

Table 12 Categorical data analysis for hypotheses 5a, 5b, 5c

	Pearson Chi-Square	Cramer's *V*	Asymp. Sig.
5a	4996.64	0.586	0.000
5b	2086.48	0.484	0.000
5c	116.985	0.444	0.093

Source: personal research

The average ratio of foreign sales to total sales at the first international entry was for Czech family businesses 20.78 %. Majority of Czech family businesses reached foreign sales about 10%. As shown in Table 13, with the increasing company size has grown the proportion of foreign sales to total sales.

Table 13 Foreign sales at the first international entry: according to company size (%)

	Mean	Median	Min.	Max.	S.D.
Total	20.78	10	0	100	24.67
Large enterprises	25.37	15	0	90	26.95
SME					
- Microenterprises	23.31	10	0	100	27.04
- Small enterprises	19.89	10	0	100	23.47
- Medium enterprises	15.60	10	0	90	20.44

Source: personal research

The hypotheses 6a and 6b were tested through Regression Analysis. Table 14 presents the results of the analysis. I hypothesized (H6a and H6b) that the company size and company age relates positively to the foreign sales at the first international entry. The dependent variable is the foreign sales at the first international entry. The independent variables are the company size and company age. Table 14 presents the results of a regression analysis in which the number of entry modes on the company size in Model 1was first. The second stage subsumes the company age and the company size (Model 2). The overall regression equations in Models 1 and 2 are not statistically significant (F = 0.007, p > 0.10; F = 0.236, p > 0.10), which suggests that the company size and company age do not explain the number of entry modes at the first foreign entry. The independent variables explain 0.0 % of the variance in Model 1 and 0.2 % in Model 2.

Table 14 Regression analysis for hypotheses 6a and 6b

	R^2	Adj. R^2	ΔR^2	F	ΔSig. F	Durbin-Watson
Model 1	0.000	-0.003	0.000	0.007	0.934	
Model 2	0.002	-0.005	0.002	0.236	0.495	1.768
Model 1	B	β	t	Sig.	Tolerance	VIF
Constant	20.742		13.832	0.000		
Company size	2.8E-04	0.005	0.083	0.934	1.000	1.000
Model 2	B	β	t	Sig.	Tolerance	VIF
Constant	21.105		13.254	0.000		
Company size	1.4E-03	0.024	0.370	0.712	0.813	1.230
Company age	-6.6E-02	-0.044	-0.683	0.495	0.813	1.230

N = 297, p<0.01**

Source: personal research

In hypothesis 6a, it was hypothesized that larger companies (companies with employees more 250) had higher foreign sales at the first international entry. This hypothesis is not supported (β = 0.005, p > 0.10). In Hypothesis 6b it has been hypothesized that older companies had higher foreign sales at the first international entry. This hypothesis is not supported (β = 0.044, p > 0.10).

The hypothesis H6c was tested through ANOVA Analysis. Table 15 presents the results of the analysis. The dependent variable is the foreign sales at the first international entry. The independent variable is the business activity. In hypothesis 6c, it was assumed that the foreign sales at the first international entry are influenced by the business activity of the company. The hypothesis is not supported.

Table 15 ANOVA analysis for hypothesis 5c

	Sum of Squares	df	Mean Square	F	Sig.
Between groups	1897.593	2	948.796	1.565	0.211
Within groups	178192.3	294	606.096		
Total	180089.9	296			

Source: personal research

Jones and Coviello (2005) noted that while contemporary understanding of internationalization is informed by integrating multiple theoretical perspectives, there remains a need to incorporate entrepreneurial behavior into models of internationalization. The model of internationalization might explain a company´s internationalization decision, its actions, and its dynamic processes.

When interpreting the results of research, the Czech family businesses shared some common characteristics; therefore cluster analysis was carried out to define certain internationalization models. To perform the cluster analysis, the hierarchical clustering method and Ward´s technique with Euclidean distance was first used to select an appropriate number of clusters and to explore the possible occurrences of outliers. Then the final number of clusters was identified by examining the dendrogram generated with Ward´s method and the agglomeration distance coefficients: five clusters were determined. To validate clustering results, the k-means clustering was used on the dataset as recommended by Lopez et al. (2009). It was found that the cluster assignments using k-means were fairly consistent with the hierarchical procedure used initially. Table 16 shows the results of the k-means clustering procedure.

Table 16 Cluster means for each variable

	Cluster					
	1	2	3	4	5	F value
Average company size	114	98.8	116	351.8	172.6	1735.41**
Average international experience	1.5	1	3	2	1	3.201*
Average number of markets	1.5	1	26.9	2.3	18.2	3.963**
Average company age	16	22.4	21.3	48	57.8	38.406**
Average timing of entry	1.6	11.6	1.4	29.2	18	45.985**
Average percentage of foreign sale	20.7	11.7	76.9	19.4	39.6	1.332*
Number of companies in cluster	146	101	19	26	5	

* p < 0.05   ** p < 0.01

Source: personal research

Particular clusters (or models) are shown in Figure 1 with the help of a positional map (a bubble chart). The positions of particular clusters (models) are determined based on the numbers of markets and timing of entry. The following two criteria have been chosen based on theories of internationalization. The size of the bubble in the chart is given by the number of companies in the cluster.
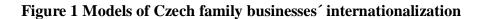
The present study aimed to identify basic internationalization models of Czech family businesses. The research was carried out with the help of cluster analysis whose aim was to have determined basic models based on selected variables. These variables were chosen in harmony with existing research studies. Based on the cluster analysis five basic internationalization models have been identified.
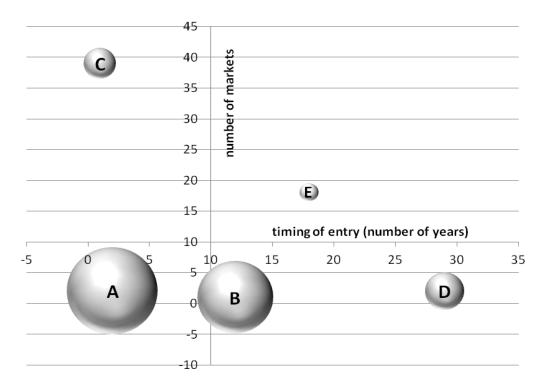
Model A represents the largest number of family businesses. The group consists of relatively young small companies whose average timing of foreign market entry is between one and two years from starting their business. Geographical diversification of the companies is rather limited – the companies entered on average one foreign market.

Most companies have chosen the markets which are geographically and psychically close the Czech market. The companies due to their early timing of foreign market entry resemble born global companies.

Model B shares some basic characteristics such as age or size with Model A. The main differences between the companies in Model A and Model B lie in their timing of entry and percentage of the foreign sale. The family businesses within Model B entered foreign markets on average within 22 years from starting their business. The percentage of total sales outside the local market was, on average, less than 12 %. Model B represents the stage approach to the internationalization process: the companies in the model have acquired characteristics typical of gradually globalizing companies as has been previously described.

Model C consists of relatively young small family businesses which are similar to those in Model A and Model B. However, as regards some basic characteristics of internationalization process the model is quite different. The average timing of foreign market entry is within one year from starting their business. On average, the companies entered 27 foreign markets. As in Model, the most companies have chosen markets which are geographically and psychically close to the Czech market. The percentage of foreign sales is nearly 80 %. The companies in the model exhibit characteristics typical of global born companies; it is possible to claim that Model C represents the global approach to the internationalization of entrepreneurial activities.

Figure 1 Models of Czech family businesses´ internationalization

Source: personal research

Model D consists of elderly large established family businesses. The average timing of foreign market entry is nearly 29 years. The companies entered, on average, two foreign markets which have been in close geographic and psychic proximity to the Czech market. The percentage of foreign sales is less than 10 %. The model testifies to the relative inflexibility of large Czech companies.

Model E represents elderly established medium-sized family businesses. The average timing of foreign market entry is 18 years. The companies entered, on average, 18 foreign markets and the percentage of foreign sales is nearly 40 %. Due to their geographical diversification and the percentage of foreign sales, the companies in the model are very close to typical born global companies.

The hypotheses 7a, 7b, and 7c were tested through categorical data analysis; Table 17 presents the results of the analysis. The dependent variable is the choice of internationalization model at the first international entry. The independent variables are company size, company age, and business activity.

Table 17 Categorical data analysis for hypotheses 7a, 7b, 7c

	Pearson Chi-Square	Cramer´s V	Asymp. Sign
7a	509.768	0.655	0.000
7b	403.161	0.583	0.005
7c	5.286	0.094	0.727

Source: personal search

Hypothesis 7a assumes that the internationalization model is influenced by the age of the company at the first foreign market entry. This hypothesis has been confirmed: the strength of this relationship is medium (V = 0.655). In Hypothesis 7b it was assumed that the internationalization model is influenced by the size of the company at the first foreign market entry. This hypothesis has been confirmed: the strength of this relationship is medium (V = 0.583). Hypothesis 7c assumes that the internationalization model is influenced by the type of business activities: this hypothesis is not supported.

5. DISCUSSION

The main research question of the paper is to find out what are the specifics of the internationalization process of entrepreneurial activities of Czech family businesses, whether it is possible to determine any specific model of internationalization of Czech companies and whether the course of the internationalization process of entrepreneurial activities has an impact on the current internationalization dynamics of Czech SMEs.

The processes of internationalization of entrepreneurial activities of Czech family businesses seem to be highly stochastic as there is no sound evidence of any specific procedures and strategies regularly followed. It is possible to claim that Czech family businesses prefer to follow the stage model of internationalization and that the most Czech companies fall into the category of gradually globalizing companies. Certain indistinctiveness of the Czech family businesses regarding preferred internationalization

processes may reflect a relatively high individualization and subjectivity of the internationalization process of Czech companies. An important factor hidden behind entering the foreign market is expectedly the size of the enterprise subject, and it knows the target market. Small and young companies enter foreign markets sooner than larger companies. This finding is in harmony with the results of other research studies on the flexibility of small companies in the field. On the other hand, larger and older companies have more disposable resources which allow them to enter more markets at once. Based on the results of analyzing the influence of knowledge level and international experience on the internationalization process of Czech family businesses is minimal. These findings are in contrast with the results of relevant research studies according to which these influences are treated as critical factors for success in foreign markets.

Research study shows that Czech family businesses that have a higher preference for export entry modes. In general, companies do not prefer the investment entry modes and contractual entry modes when risks are higher. Czech family businesses are indecision about the choosing the foreign entry mode influenced by the many factors. The greatest influence on the choice of foreign entry mode has entry mode variables. Entry mode variables constitute variables assessment characteristics of particular entry mode. Among the characteristics can be included flexibility of the method, risk of the method and degree of the method control.

The regional diversification of Czech family businesses activities was monitored regarding markets, geographic sub-regions, and cultural clusters. The surveyed Czech family businesses operated in their initial stage of their internationalization process approximately on one market (mostly operate in Slovakia, Poland and Germany), on one geographic sub-region (mostly operate in sub-regions Eastern Europe and Western Europe) and on one cultural cluster (mostly operate in cultural clusters Eastern Europe and German). The results of research among Czech family businesses show predominant diversification strategy – concentration strategy. The concentration strategy is dominant in companies, regardless of their age and size. Furthermore, it was found out that the majority of Czech family businesses operate in the geographical sub-region of Eastern Europe. When choosing the target foreign market, Czech family businesses are influenced by many factors. The greatest influence on the choice of a target foreign market has market variables.

The findings of cluster analysis confirm the existence of five basic internationalization models of the Czech family businesses. There is a model representing early internationalization model (born global companies) and also a model representing the stage model (gradually globalizing companies). The majority of the Czech family businesses oscillate between these models, and neither company can be characterized as having complex qualities of the models. This leads us to conclude that at present most Czech family businesses perform on international markets following both basic models of internationalization (the stage model and the early internationalization model).

It is important to note some of the limitations of this research. First, the findings may apply mostly to medium-sized companies and large companies. It cannot be said

whether the results would hold in micro companies and small companies, and in Czech family businesses. Several other implications also emerge from the present research study. For international business researchers, the results suggest that investigation of the internationalization process in aggregate, or international activities in a single activity, provides the best and multifaceted picture of multinational managerial decisions and the internationalization process. The paper provides information on the international activities (international strategy) of Czech companies. There appear to be some potential areas for further work such as performance on international markets etc. The research focused on activity locations in a region of the world with a good deal of variation regarding market size, growth rates, levels of development, openness, tax rates, and other features.

6. CONCLUSION

The historical context of a centrally planned economy in the Czech Republic until 1989 suggests that internationalization has been an innovation for almost all Czech companies after 1989. Until that time the foreign trade was a monopoly of the state, and only a limited number and type of state companies referred to as 'foreign trade enterprises' were privileged to operate directly abroad. Expectedly, some Czech companies have served in international markets before that time, but it was mainly exported to other socialist or ideologically similarly countries, which was not such a challenge as it would have been when exporting to developed market economies. Moreover, the companies that wanted to operate in foreign markets before 1989 had to use official Czech Foreign Trade Enterprises as an intermediary.

The opening of new markets such as in the Czech Republic has created the potential for company expansion and investment. The internationalization process of companies and company´s decision to sell its products in international markets has been the subject of intense academic research in the past 40 years. Several theories and conceptual frameworks have been developed outlining a company´s decision to initiate the internationalization process. According to Lopez et al. (2009) studying the phenomenon of internationalization in small, open economies (such as the Czech Republic) should be of growing interest because, given the limited potential of the local market, incentives to internationalize should be strong. The findings show that Czech companies entered international markets faster than it had been envisaged in the models. However, the analysis of the internationalization process of selected Czech companies indicates that the degree and level of the companies´ internationalization are still significantly low.

The research focused on the internationalization of Czech companies with particular emphasis on the models of internationalization adopted: the outcomes signal that there have been five internationalization models under operation in the Czech Republic. Some companies choose early internationalization while others prefer more restrained, slower pace of internationalization following a traditional stage model. This leads us to conclude that at present most Czech companies perform on international markets following both basic models of internationalization (the stage model and the early internationalization model).

In fact, there is still a big gap between which aspects of internationalization are investigated in the Czech Republic and more developed countries. Czech research has concentrated so far on the questions studied elsewhere a decade or more ago. The way companies internationalize is still an interesting and worth to study the matter. It is even more interesting and also important to understand how the internationalization happens in emerging economies like the Czech one where the previous international experiences were very limited. The literature review confirms the existence of the stage model and early internationalization model in other Central and Eastern European countries. According to Jarosiński (2013) the studies implemented are based only on case study analyses. Then it would be interesting to perform a contrastive cross-country quantitative and qualitative research on internationalization models in CEE countries and seek to find parallels between European countries.

ACKNOWLEDGEMENT

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