

The internationalization of small and medium-sized enterprises in the viticulture

LEA KUBÍČKOVÁ, ALEŠ PEPRNÝ

*Department of Marketing and Trade, Faculty of Business and Economics,
Mendel University in Brno, Brno, Czech Republic*

Abstract: Small and medium enterprises (SMEs) are an important part of the Czech economy, they significantly contribute to the job and GDP creation, they are the source of innovation and technological progress. The paper is focused on the internationalization of SMEs, specifically in the wine sector, which is a specific sector closely linked to the specific area and it is significantly subjected to natural and climatic conditions. The authors focused on the specification of the most important aspects of the internationalization of Czech wine-growing small and medium enterprises based on the research via interviewing 450 SMEs wineries. The authors thus identified the key success factors in the process of internationalization of SMEs in the wine business.

Key words: SMEs, internationalization process, viticulture, key success factors

In the recent years, there is seen the acceleration and deepening of globalization, which brings the convergence, and links the world economies. This leads to a gradual merger of the world into one as a whole. Globalization is a process of integration at the global level. This is more or less a spontaneous process, while the process of integration is a process controlled and organized from above by the international or supranational institutions and bodies (without taking into account the existence of the so-called informal integration). Globalization is not spread evenly in all regions of the world, it is based mainly on its most advanced components such as the USA, Japan or Western Europe. Globalization is closely linked to the internationalization of firms, but also to the development of multinational companies. The elimination of barriers and the increasing competition in domestic markets is reflected in the efforts of companies to expand into foreign markets. With the increasing globalization and the increasing competitive environment, enterprises, and especially small and medium sized businesses, demonstrate rapidly the changes. The global economy was gradually and spontaneously created in the context of globalization. The role of foreign trade and foreign investment increased. There was the combination of financial markets and the concentration of capital. Multinational corporations have been significantly influencing economic events.

In the literature, there are presented many different perspectives on the process of globalization and internationalization of companies, there are often

discussed different options of large companies on one hand and of small and medium-sized enterprises on the other hand.

Small and medium enterprises (SMEs) are an important market sector of the economy. They are the driving force of business, growth, innovation and competitiveness. They have been involved also in the creation of employment and GDP. In an economic grouping of the EU, SMEs have a significant socio-economic and political role. It is not only due to their large number, but also in terms of providing jobs, social stability and the dynamics of innovation development. Therefore there is given attention to the development of SMEs and economic legal and organizational support is emphasised. The advantage of small and medium-sized enterprises is their ability to respond quickly and flexibly to the market changes. On the other hand, they often have to cope with the lack of capital and have a more difficult access to foreign resources than large firms.

The process of globalization leads to a strong internationalization of the world economy, it leads to the development of international relations and economic interdependence of countries. Competition from abroad has been growing. For small and medium-sized businesses, it is difficult to be competitive in this battle. They must be interested in the issue of internationalization, because internationalization is one of the ways to counter the growing competition.

For this reason, SMEs have been increasingly subjected to the examination in an attempt to identify the factors influencing the success of their international

activities. Identifying the key factors influencing the success of SMEs in the foreign markets can affect positively other small and medium-sized firms in their plans to participate in the international trade. However, not all companies have the same conditions for entering the international arena. In some sectors, there are provided export supports of SMEs, which is important for the businesses that do not have a sufficient capital for the good starting point. Some of the industries, due to the nature of their production, can enter the foreign markets more easily than the others.

Very specific is the wine industry. It is closely linked with a certain area and it is significantly subjected to the natural and climatic conditions.

The aim of this paper is to specify the most important aspects of the internationalization of Czech wine-growing small and medium-sized enterprises and to define the key success factors in the process of internationalization of SMEs in the wine business.

MATERIALS AND METHODS

The problem of determining the indicators of success of SMEs in foreign markets is specified in the literature. However, the authors devote their attention to the internationalization process as a whole more than to the specific definition of the key success factors of SMEs in foreign markets. Harrison et al. (2000) argue that if the company is to be successful internationally, the internationalization process should include the following five basic principles: (1) A well-developed and clearly defined mission that reflects the true commitment to international business; (2) The ability to recognize and adapt quickly to the consumer preferences. The use of the opportunities in the international market and the use of those products, which reflect the competitive advantage of firms; (3) The ability to understand the consumer's behaviour of different cultures and to evaluate the nature of the differences; (4) The ability to innovate and maintain high quality products that can compete in both the domestic and international markets; (5) Conducting of effective market research and its requirements.

There are many factors that influence the success of small and medium-sized businesses. Kislingerová and Nový (2005) established a model for business success of small and medium-sized enterprises. To simplify the model, the authors merged the success factors into three areas, which include both the entrepreneur's personality (personal initiative, risk taking, willingness to take responsibility, etc.), business operations and management, and the third area is an environment in which the business takes

place. According to Nový and Kislingerová, business environment determines the success of SMEs.

Another successful model of the evaluation of small and medium-sized enterprises is the model of critical success factors (Vodáček and Vodáčková 2004). It is designed for Czech SMEs which have been working or are going to work in the conditions of the EU advanced market economies.

The model is conceived as a set of factors that are interconnected through links and via these links, they interact. These are the factors of internal environment – strategy, leaders, structure, staff, IS/IT and the processes which are also affected by the cultural, knowledge and innovative facilities. The positive, neutral or negative cooperative business environment interacts with these factors. The interaction of these critical success factors varies according to the degree of the mutual alignment of the various factors via the desirable or undesirable direction. Harmonious factors are a key prerequisite for the successful operation of small and medium-sized enterprises. It is true that the functioning of each factor cannot be properly understood and interpreted without its incorporation into the interplay of all other components of the model. The model aims to capture the characteristics of an integrated system of the managerial work of SMEs. This model does not bore directly on the specifics of the internationalization process of SMEs. The question is why some companies engage in the global commerce slowly, other quickly and why some small and medium-sized businesses are directly “born” for the global market. A lot of theories currently devote much time to this question, as Gankema et al. (2000); They came out with two different theories of internationalization, which are the so-called Upssala model (Johanson and Vahlne 1977) and the so-called I-model (“Innovation-Related Internationalization Model”) (Cavusgil 1980). The most famous and oldest Upssala model explains two methods (models) of the firms internationalization process (Johanson and Vahlne 1990). According to the first model, running operations in a particular foreign market are developing gradually in different stages. This means that the company is increasing its involvement in the international trade gradually, in each stage. In 1975, Johansson and Wiedersheim-Paul described four different stages of this process.

They are characterized as follows:

1. stage: no regular export activities,
2. stage: export via independent agents,
3. stage: setting up a subsidiary abroad aimed at selling,
4. stage: international production/establishment of production unit.

According to the second model, the company gradually aims at entering new markets with a higher so-called “psychic distance”. It means to enter the markets which are unknown, different “foreign” or culturally distant markets, or to reach those about which they have no information and in most cases with a greater geographical distance. Psychic distance is defined as the number of factors that hinder the flow of information from market to market (Johanson and Vahlne 1977). Consequently, fewer companies can understand these markets and they see in them the threat of uncertainty. Therefore, the firms first enter the markets, about which they have enough information, where they can see the opportunity and where the likelihood of failure is thus minimized. The best way to minimize the perceived uncertainty and to identify opportunities is by using the empirical knowledge, e.g. using the knowledge based on experience. These companies acquire the knowledge mainly through the personal experience in the specific markets. That is why the companies engage in foreign trade gradually, when they manage one step, they go further. Usually the company starts to invest in one or several near-by markets.

Johanson and Vahlne (1990) created a few basic assumptions to generalize the model:

1. The companies seek to increase the long-term profit,
2. The companies try to minimize the risk
3. The companies try to make these assumptions work at all levels within the company
4. The state of internationalization process affects the perception of opportunities and risks, which in turn influences the fundamental decisions and the current activities of the company.

The Upsala model is based on four core concepts, there are taken into account four key factors: market commitment, market knowledge, current activities a commitment decision.

Further, it is also possible to include the theory dealing with the process of internationalization classified as the “theory of learning firms”, which is quite often mentioned in the literature, where individual companies start practically in ignorance and gradually increase their knowledge of the markets, gradually reduce their risk and thus they are more likely to engage in internationalization. Another theory says (Johanson and Mattson 1988) that the internationalization of the market affects the process of internationalization of firms, so firms operating in a highly internationalized market can skip the first few steps. There are also some publications (e.g. Oviat and McDougall 1994; Knight and Cavusgil 1996), where the authors have provided the evidence of another, specific type of

exporters. These companies were called the “Born Globals”. We understand this as enterprises which have their focus on international markets and even directly on the global market. It is immediately after their creation, which means that these companies did not undergo any phase of development, but they jumped them all.

At this point, it should be noted that some small and medium-sized businesses, such as the aforementioned “Born Globals” (further BGs), often begin their activities in several markets simultaneously, then their product is developed specifically for the international (or global) market.

Mentioning the so-called Born Globals, it should be noted that the literature is inconsistent in the definition of the term. In some literary sources (e.g. Knight and Cavusgil 1996 or Harveston et al. 2000), there can be found a definition: BG is a company characterized as a business with the export ratio of more than 25%, which was carried out within 3 years from the date of foundation. However, at present this definition may seem rather very general and vague. If such a small Norwegian company exports 30% of its products to Sweden and Denmark (within 3 years from the foundation), it hardly can be called global. It is therefore necessary to clearly define what type of market, to which market and how much output the firm should export so that it could be called the BG. Today, the majority of SMEs have usually the percentage of exports exceeding 25%. Therefore, elsewhere (e.g. Luostarinen and Gabrielson 2004) the BG firm is defined as a small and medium-sized enterprise, whose export reaches at least 50% within 3 years from the start. Luostarinen and Gabrielson also introduce an additional category of business called the True Born Global. They name certain SMEs, which have an export higher than 50% within three years at which at the same time export on multiple continents.

In connection with the controversy of the degree of the firms internationalization, there can be also discussed the degree of the company globalization. Also there is no uniform definition of these concepts. As already mentioned, Luostarinen and Gabrielson understand these two concepts as follows:

- (1) The “internationalization degree” – the degree of internationalization relates to the ratio of export of the evaluated company. The higher the export ratio, the higher the degree of internationalization.
- (2) The “globalization degree” – the degree of globalization relates to the number of continents to which the company exports its products. The higher the number of continents to which the firm exports, the higher the degree of globalization.

There exist several strategies, how small and medium-sized enterprises can pursue internationalization. One possibility is to focus on one type of product that the firm produces. It is the type of product that may be a key factor influencing the internationalization process of the firm. An increasing competition in global markets leads to shortening of the product life cycle and in particular, to the increase of innovation. Shorter product life cycle places emphasis on finding new opportunities and especially their timely and speedy exploitation. The shorter product life cycle also means a shorter time in which the investments put into the product development are returned. Therefore, especially companies with a small domestic market will need to apply to global markets, so they spread their costs such as the research and product development.

Another frequently mentioned factor of the success in the international market is the experience of the founders (or managers) of the company. The international experience is defined as the understanding and realistic perception of the operations, risk and returns on foreign markets. With a senior business experience, there is a decreasing risk associated with investing of a big amount of capital. International business experience is measured by various indicators, e.g. Eramilli (1991) suggests the following two key characteristics: It is the *geographic scope*, which defines the width of the business experience (i.e. the number of different countries, where the company conducts its activities) and the second is the *length of experience* (number of years for which the firm is active in the international arena). In this context, it may appear that the BGs are regarded as inexperienced according to this approach, as the characteristic "length of experience" is very small. However, empirical studies (e.g. Oviatt and McDougall 1994; Reuber and Fischer 1997; Ellis 2000) show that the key employees of BGs have very often an extensive experience from their previous jobs, so the "handicap" of small businesses is offset by the years of experience. Other studies suggest a possible co-operation (partnerships) with foreign partners. This partnership can provide more important resources, such as specific skills or financial resources. These resources are particularly important when a new, young company with a shortage of its resources tries to increase its foreign sales. Cooperation will enable the company to enter new markets more quickly, which empirically demonstrates i.e. Ellis (2000). The differences in the rate of conversion of the traditional BGs and MNEs to international or globally operating companies can be large with respect to different environmental conditions in which the companies operate. If environmen-

tal conditions are changing rapidly, it is possible to speak about the so-called increasing globalization. Then the process of internationalization is likely to accelerate as well. This statement is proved by Knight and Cavusgil (1996). It is important to note that the competitive position of the industry in one country significantly affects the company's position in the other country and vice versa. With the increased globalization, the access to foreign markets is much easier for the company than before, but on the other hand, there is an increasing globalization and growing competition in international markets.

In various industries, SMEs have different possibilities to participate in the internationalization process, such as the wine sector. It is a very specific sector and the authors deal with it. This sector is closely linked to certain regions, and they are significantly subjected to natural and climatic conditions. Competition in the sector is strong, both for small producers and among the strongest players of the market. Major competitors are also imported wines, the import of which has been growing in the recent years. There is only a limited number of wine exporters in the foreign markets, the problem is mainly in the lack of production that does not cover the demand of the domestic market even partially. Wine firms do not have too much motivation for export. Any direct support for exports has not been introduced in the Czech Republic. Subsidies can be used only in the cases of exports outside the European Union. SMEs in the wine business can take advantage of the state aid, the European Union resources or from the NGOs. The subsidy policy is very important for small and medium-sized enterprises which face the lack of capital and a difficult access to the foreign sources. Drawing support can help to these companies to develop their business and to increase competitiveness.

The identification of the key success factors of the internalization of small and medium-sized wineries remains a central issue of success. The knowledge of the factors, that determine the success of SMEs in foreign markets, gives space to the small and medium-sized businesses to focus on the following key areas and to positively influence their success in the internationalization process.

To be able to identify the key success factors of wine SMEs, there was conducted a survey of 71 small and medium sized wineries in the Czech Republic in 2010. The aim of this survey was to identify the characteristics of the common features of exporting companies, e.g. the size of the company, respectively the number of employees, the management proficiency and the length of business operation in the domestic market before entering the international market, the

territorial status. Further, the aim was to identify the dominant forms of globalization and the reasons for entering the foreign markets and to define the target market of exports, e.g. the number of target countries of export, their nominal destination, the part of the market which is operated by the company, the strategy pursued and the duration of its operation on the international market. Finally, the authors were interested in the determination of the characteristics of the exported product, e.g. the type of the product and its advantages. Based on the available secondary sources, it was found that the internationalization of small and medium-sized winery in the CR is not researched anywhere. The data of the wineries export activities could be traced in the situation and outlook report on grapes and wine, available on the website of the Ministry of Agriculture. All data are processed here only for the wine industry as a whole. It was not possible to perform the breakdown of the large, small and medium-sized wine-growing businesses. This information was confirmed by the Ministry of Agriculture, where they found that they have the data on the production of the individual firms, but this data are not publicly accessible.

To collect the necessary primary data, there was chosen the form of written inquiries. The data were collected electronically through the Rela system. Before starting the questionnaire, there was carried out the so-called pre-test, which should detect any obscurity and ambiguity of the questions. The questionnaire was filled in by 10 SMEs, and its final vision was formulated thanks to their comments. This version was sent to 450 small and medium-sized companies in the wine sector, whose contacts were obtained through the wine website www.wineofczechrepublic.cz. The questionnaire was available for two months, while almost all respondents responded within 14 days after receiving an e-mail. The obtained data were converted to the MS Excel format, which was modified and then exported to the Statistic format, where further processing took place. From the

total of 450, there were returned only 71 completed questionnaires.

RESULTS AND DISCUSSION

Based on the preliminary investigation, it was found that there is a very small number of small and medium-sized wineries exporting to the foreign markets. This was confirmed also by the survey, where from 71 responses only 12 firms reported that they were engaged in internationalization. Despite the small sample of the analysis, it was possible to make a conclusion on its basis concerning the characteristics of the exporting SMEs in the wine industry.

Within the marketing research, there were established five hypotheses. For each of these hypotheses, it was first necessary to formulate a zero and the alternative hypothesis. The null hypothesis (H_0) indicates the independence of characters and the alternative hypothesis (H_1) talks about their relation.

First hypothesis: The form of internationalization affects the choice of customer's products.

- H_0 : The customer's choice of products is not dependent on the form of internationalization.
- H_1 : The customer's choice of products depends on the form of internationalization. Whether we reject or do not reject the hypothesis depends on the p -value. In case of this hypothesis, p -value = 0.1992. Because $p > \alpha$, respectively $0.1992 > 0.05$, we do not reject the null hypothesis on the five percent level of significance. We can say that the form of internationalization does not affect the customer's choice of products (Table 1).

Second hypothesis: The number of employees in the firm influences the form of entry into foreign markets.

- H_0 : The form of entry into the foreign market is not dependent on the number of employees in the company.

Table 1. Dependence testing of questions Q1 and Q2

Statistics	Statistics: Q1: Who is the most frequent customer of your products? Q2: What form of entry into foreign markets has your company chosen?		
	chi square	degree of freedom	p -value
Pearson's chi square	6.000000	df = 4	$p = 0.19916$
M-V chi square	8.317766	df = 4	$p = 0.08062$
F_i	0.707107		
Contingency coefficient	0.577350		
Cramer's coefficient V	0.707107		

Table 2. Dependence testing of questions Q3 and Q4

Statistics	Statistics: Q3: What form of entry into foreign market has your firm chosen? Q4: How many employees does your company currently employ?		
	chi square	degree of freedom	<i>p</i> -value
Pearson's chi square	2.500000	df = 2	<i>p</i> = 0.28651
M-V chi square	3.277932	df = 2	<i>p</i> = 0.19419
<i>Fi</i>	0.456436		
Contingency coefficient	0.415227		
Cramer's coefficient <i>V</i>	0.456436		

- H_1 : The form of entry into the foreign market is dependent on the number of employees in the company.

The calculated p -value = 0.2865, which implies that $p > \alpha$, respectively $0.2865 > 0.05$. The null hypothesis at five percent level of significance is not rejected again. We can therefore say that the number of employees in the firm does not affect the form of entry into foreign markets (Table 2).

Third hypothesis: The number of languages which the company management disposes of has an impact on the number of exporting countries.

- H_0 : The number of exporting countries does not depend on the number of languages, of which the company management disposes.
- H_1 : The number of exporting countries is dependent on the number of languages, of which the company management disposes.

Based on the calculated values, it was found that $p = 0.0850$. The p -value implies that the $p > \alpha$, respectively $0.0850 > 0.05$. We do not reject the hypothesis in the five percent level of significance again. Let us consider that the level of significance would be set at $\alpha = 0.10$. The situation would change. The null hypothesis of independence would be rejected at ten per cent level of significance. In this case, it would be possible to proceed to the alternative

hypothesis. The dependence is also supported by the Pearson's contingency coefficient, which is 0.6934. This figure shows a strong dependence. It can therefore be specified (assuming that we consider $\alpha = 0.10$) that the number of languages, of which the company management disposes, has an impact on the number of exporting countries (Table 3).

Fourth hypothesis: The form of entry into foreign markets influences the choice of strategy on this market.

- H_0 : The choice of strategy on the foreign market is not dependent on the form of entering this market.
- H_1 : The choice of strategy on the foreign market is dependent on the form of entering this market.

For the fourth hypothesis, the p -value = 0.2899. It is thus clear that $p > \alpha$, respectively $0.2899 > 0.05$. We do not reject the hypothesis of independence at the five percent significance level. We can say that the form of entry into foreign markets has no bearing on the choice of strategy on this market (Table 4).

Fifth hypothesis: The period of the company operation in the foreign market has an impact on its market orientation.

- H_0 : The market focus is not dependent on the time of the company operation in the foreign market.

Table 3. Dependence testing of questions Q5 and Q6

Statistics	Statistics : Q5: How many countries does your company export its products to? Q6: How many languages does the management of your firm speak?		
	chi square	degree of freedom	<i>p</i> -value
Pearson's chi square	11.11111	df = 6	<i>p</i> = 0.08501
M-V chi square	10.72345	df = 6	<i>p</i> = 0.09732
<i>Fi</i>	0.962251		
Contingency coefficient	0.693375		
Cramer's coefficient <i>V</i>	0.680414		

Table 4. Dependence testing of questions Q7 and Q8

Statistics	Statistics :		
	Q7: What is your company's strategy on the foreign market? Q8: What form of entry into the foreign market has your business chosen?		
	chi square	degree of freedom	<i>p</i> -value
Pearson's chi square	2.476191	df = 2	<i>p</i> = 0.28994
M-V chi square	3.255734	df = 2	<i>p</i> = 0.19635
<i>Fi</i>	0.454257		
Contingency coefficient	0.413585		
Cramer's coefficient <i>V</i>	0.454257		

- H_1 : The market focus is dependent on the time of the company operation in the foreign market.

p-value = 0.3423. The results show that $p > \alpha$, respectively $0.3423 > 0.05$. We do not reject the null hypothesis on the five percent level of significance. It can therefore be stated that the duration of the company operation in the foreign market has no effect on its market orientation.

From the results of the tested hypotheses, it is clear that we have managed to demonstrate the dependence only of one of them, and only on the level of significance = 0.10. This situation was mainly due to the small scale of the test sample, which greatly influenced the results (Table 5).

The main objective of marketing research was to identify the key success factors of the internationalization of small and medium-sized wineries. Based on the data processed from the questionnaires, it can be said that the key success factor is especially the high quality of exported wines. In the highly competitive battle in the global marketplace, there can be only accepted the wines with a high quality and a specific flavour. The success of SMEs in the wine industry is also dependent on the existence of contacts abroad, the correct estimation of the consumer preferences and the effective form of promotion. The wine business is often promoted on the world wine trade fairs, organizing the wine tasting, or through their own

websites that are almost a necessity for successful entrepreneurs. On the basis of primary data, there can be further specified the features of exporting SMEs in the wine industry. These are especially small businesses that are in the Velké Pavlovice area and the number of employees is not more than 10. The firm's management speaks two foreign languages in the average. The companies decided to expand into foreign markets after about 4–5 years of operating in the domestic market.

Another objective that was achieved by processing the data of the research was to identify the predominant form of internationalization of SMEs and the reasons of SMEs entering foreign markets. The survey showed that small and medium enterprises, which started to export their products to the international field, are not newcomers in the domestic market. They have had already some experience with sales, and because there appeared foreign demand for their products, they decided to expand into these markets. The driving force was an effort to increase the profitability of their business, the existence of contacts abroad, or the interest of the management or the owners in internationalization. Another driving force was the effort to expand the portfolio of customers in the domestic market. The predominant form of internationalization of SMEs in the wine sector is direct and indirect export.

Table 5. Dependence testing of questions Q9 and Q10

Statistics	Statistics:		
	Q9: What is the focus of the company with its products in the most important exporting country? Q10: How many years has your company act in the international market?		
	chi square	degree of freedom	<i>p</i> -value
Pearson's chi square	9.000000	df = 8	<i>p</i> = 0.34231
M-V chi square	9.22582	df = 8	<i>p</i> = 0.32362
<i>Fi</i>	0.866025		
Contingency coefficient	0.654654		
Cramer's coefficient <i>V</i>	0.612373		

The issue of defining the target market for the export can be summarized thanks to the data obtained through the questionnaire: Czech wine-growing small and medium-sized enterprises mainly export to two countries. As the target countries, there are chosen usually the neighbouring countries, especially Slovakia. It is the most important customer, as well as Germany and Poland. In the target countries, the wine companies pursue the strategy of market orientation and focus on a particular market segment. They have been operating in the foreign market about three years. It may be a reflection of entering the Czech Republic into the EU. After that, the small and medium-sized wine growers became more active in the international arena.

The most exported products are quality wines with special attributes, especially semi-dry and dry white wines. Semi-dry and dry red wines take place also in exports. As mentioned above, the key factor for success in foreign markets is high quality products.

The Czech Republic cannot compare its area of vineyards to the European wine-growing superpowers. The situation improved slightly before joining the EU, when the wine growers planted one thousand hectares of vineyards. Unfortunately, the domestic production is not able to meet the market demand at least partially. Of the nearly 19 000 wine growers, only 200 manage to farm more than 5 hectares of land. It is therefore expected that into this group, there will belong especially larger wine companies, which can significantly influence the events in the wine market in the country. On the contrary, 95% of wine growers who farm the vineyards of the size up to 1 ha are more subsistence-oriented or sell wine only to the family, friends and to occasional buyers. The third group are mostly small families, wine companies or companies that supply their products to special retailers and wine shops.

Competition in the wine industry is strong. The competition is the fight between the strongest players in the market and between small producers. Also there is the competition between the growers who sell wine "from the yard". The domestic market is dominated by few large companies that determine the industry trends. Lately there are mergers of wine companies into larger groups, especially because of improving the competitiveness and bargaining position with suppliers and customers.

Wine consumption in the CR has been constantly increasing in the last three years. Even though it has stagnated on 18.5 litres per person per year, the future prediction is assumed as progressive. The prediction was based on the analysis of the time series, with the view of the decade. It is expected that

in 2019, the consumption could reach up to 20 litres per person per year. The increasing popularity of wine among Czech consumers is mainly due to the extensive promotions under the auspices of the Wine Fund (e.g. the sales promotion and St. Martin rose wines or building of the wine trails etc.). Although the popularity of wine has been growing, the CR is still considered as the nation of beer. The average consumption of beer proves it. It fluctuates around 160 litres per person per year.

From the above mentioned findings, it is clear that wine is a positive and perspective expanding industry with the potential growth. In the sphere of viticulture and winemaking, there can also be drawn a considerable amount of aid. The small wine growers should take advantage of it. They often face a lack of capital. On the other hand, it should be noted that this industry is subjected significantly to the climatic and natural conditions and it is closely associated with only certain areas.

Going international is not an easy task for small and medium sized wine growers. They face both the lack of capital and the lack of production. Export is thus primarily the matter of larger companies. Nevertheless, you can find several small businesses that are expanding into foreign markets. Direct support for export is not implemented in the Czech Republic so far. All export costs are paid by the company itself. Only in the case that the company decides to export their products outside the EU, it may obtain an export subsidy. Indirectly, the export is mainly supported by the contributions to the product promotion.

Another problem which the growers must face is that Czech wines are not recognised in the foreign markets. Businesses should not forget the effective promotion, which may be the first step to the successful internationalization. They may utilize a series of programs of the Wine Fund, which supports the promotion of Czech wines. The participation of the companies in the world wine trade fairs and exhibitions is considered very important. It can be a stepping stone in establishing contacts with the potential foreign buyers for the companies. For SMEs to succeed in the wine industry in the highly competitive struggle on the foreign markets, their production should focus primarily on the production of quality and, if possible, special wines. Companies are able to compete internationally through the high quality, which is the key success factor. However, there arises the problem which has been already mentioned and it is the insufficient production. There is the possibility of the SMEs mergers to become more competitive. It will reduce their costs associated with export, and they will also divide the risk of the international business.

After examining the various forms of internationalization on the basis of the survey of SMEs, the most useful seems to be the direct and indirect export. Each of these forms of entering the foreign market has its advantages and disadvantages. It is difficult to determine whether these forms are optimal for the wine business. The choice of the entry form is affected by many factors for each individual firm. It depends highly on the temperament of the manager, eventually on the owner. It depends on the knowledge and experience and the willingness of the company to take risks. Significant are also the objectives and business strategy, but also business conditions in the country. The main reason why small and medium-sized wine growing businesses do not export their products to the foreign markets is especially the sufficient domestic demand. This was proved by the obtained data. A relevant weight is also put on the lack of capital, high transportation costs and the lack of experience with internationalization.

REFERENCES

- Cavusgil S.T. (1980): On the internationalization process of firms. *European Research*, 8: 273–281.
- Ellis P. (2000): Social ties and foreign market entry. *Journal of International Business Studies*, 31: 443–469.
- Eramilli M.K. (1991): The experience factor in foreign market entry behaviour of service firms. *Journal of International Business Studies*, 22: 479–501.
- Gankema H.G.J., Snuif H.R., Zwart P.S. (2000): The internationalization process of small and medium-sized enterprises: An evaluation of stage theory. *Journal of Small Business Management*, 38: 15–27.
- Harrison A.L., Dalkiran E., Elsey E. (2000): *International Business: Global Competition from a European Perspective*. Oxford University Press, Oxford; ISBN 0-19-878213-6
- Harveston P.D., Kedia B.L., Davis P.S. (2000): Internationalization of born global and gradual globalizing firms: The impact of the manager. *Advances in Competitive Research*, 8: 92–99.
- Johanson J., Mattsson L.G. (1988): Internationalization in industrial systems – a network approach. In: Hood N., Vahlne J.E. (eds.): *Strategies in Global Competition*. Croom Helm, New York.
- Johanson J., Vahlne J.E. (1977): The internationalization process of the firm A model of knowledge development and increasing foreign market commitments. *Journal of International Business*, 8: 23–32.
- Johanson J., Vahlne J.E. (1990): The mechanism of internationalisation. *International Marketing Review*, 7: 11–24.
- Johanson J., Wiedersheim-Paul F. (1975): The internationalisation of the firm – four Swedish cases. *Journal of Management Studies*, 12: 305–322.
- Kislingerová E., Nový I. et al. (2005): *Business behavior in a globalizing environment (in Czech)*. C.H. Beck, Prague; ISBN 80-7179-847-9
- Knight G.A., Cavusgil S.T. (1996): The born global firm: A challenge to traditional internationalization theory. *Advances in International Marketing*, 8: 11–26.
- Luostarinen R., Gabrielsson M. (2004): Born Finnish perspective of international entrepreneurship. In: Dana L.-P. (ed.): *Handbook of Research on International Entrepreneurship*. Edward Elgar, Cheltenham, UK and Northampton, MA, USA, pp. 383–403.
- Oviatt B.M., McDougall P.P. (1994): Toward a theory of international new ventures. *Journal of International Business Studies*, 25: 45–64.
- Oviatt B.M., McDougall P.P. (1997): Challenges for internationalization process theory: The case of international new ventures. *Management International Review*, 37 (Special Issue): 85–99.
- Reuber A.R., Fischer E. (1997): The influence of the management team's international experience of the internationalization of SMEs. *Journal of International Business Studies*, 28: 807–825.
- Vodáček L., Vodáčková O. (2004): *Small and Medium-Sized Businesses: Competition and Alliances in the European Union*. 1st ed. Management Press, Praha; ISBN 80-7261-099-6.

Arrived on 9th February 2011

Contact address:

Lea Kubíčková, Aleš Peprný, Mendel University in Brno, Zemědělská 1, 61300 Brno, Czech Republic
e-mail: lea@mendelu.cz, Ales.Peprny@seznam.cz
