ENTREPRENEURSHIP INTERNATIONALIZATION – CASE OF SLOVAK FAMILY BUSINESSES

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Abstract: Small and medium-sized enterprises are well positioned identities in the national economies of the EU countries. The SME sector is represented by a large proportion of family businesses, which are not addressed adequate attention. As a result of the competitive environment, the small and medium-sized enterprises are forced to seek opportunities for further development and potential growth on the market. As a potential opportunity, family businesses are trying to get involved in international entrepreneurship. Research in this field can be described as unique, however increased attention these businesses would deserve from the representatives of academic life and the state. This article presents the partial results of research supported by GAAA 19/2018 with a focus on internationalization of family businesses, a research conducted on a sample of 240 family enterprises. Selected statistical methods were applied to investigate the issue. Partial results of the research revealed that family businesses are trying to get engaged in international business activities. Since these business entities are more vulnerable, they feel more cautious about extending their business activities beyond the borders compared to non-family type of businesses.

Keywords: Family businesses, small and medium enterprises, internationalization, international entrepreneurship

1 Introduction

The SME sector represents a significant part of business activity not only in Slovakia, but in the European Union as well. It can be considered as a core sector of the economy, represented by 97-99% of the business entities. It is an important reason why to address adequate attention to family businesses. Partial problem emphasized regarding the sector of small and medium-sized enterprises is that they are not addressed adequate attention by governments or professional organizations. As there is no single definition applied for family businesses, neither a single family register exists that makes the research even more complicated in domestic and international measures. We can only rely on estimates of the research conducted to quantify the family enterprises. Family business have no long tradition in Slovakia. They were established as a response to economic changes and transformation in the society. In developed economies family business have long established position alongside the non-family enterprises. They are considered to be viable and innovative in the western economies. More effective, transparent and targeted measures are necessary to support family businesses. Partial problem lies in definition applied for family businesses, neither a single family register exists that makes the research even more complicated in domestic and international measures. We can only rely on estimates of the research conducted to quantify the family enterprises. Family business have no long tradition in Slovakia. They were established as a response to economic changes and transformation in the society. In developed economies family business have long established position alongside the non-family enterprises. They are considered to be viable and innovative in the western economies. More effective, transparent and targeted attention is deserved by family owned enterprises also in Slovakia. Strengthening their position in V4 is also vital. In particular, the term family business refers to entrepreneurship in small and medium-sized enterprise sector, trade law, business economics and corporate governance. This is an interdisciplinary field of research, therefore a number of issues regarding family businesses concern a wider spectrum of business entities. The problems of family businesses have to deal with are largely the same as those faced by non-family small and medium sized enterprises (Vílčeková et al., 2018). On the other hand, they are also struggling with specific problems. The global trends are also gradually affecting the activities of family businesses, which are facing the challenge of choosing a strategy for their further development.

The domestic business environment provides limited opportunities for further development due to fierce competition on the market. The management therefore is seeking other opportunities for organic development. Strategic management aims to find an appropriate corporate strategy to achieve success (Saník and Gajdová, 2015). The opportunity to promote the development of business entity and ensure demand for its products and services is to penetrate international markets. Being a member of the EU, Slovakia can utilize all those opportunities provided by the market of 28 member states. Perspective development of the entrepreneurial sector is seen by Andronicanu et al. (2018) in the field of activities comprehensively understood as sustainable development. According to Balcerzak and Pietrzak (2017), sustainable development in the EU countries has to be in line with the main objectives of the EU, which has repeatedly declared its interest in development of the small and medium sized business sector, also represented by family businesses. This idea is also supported by Grabara (2017), who emphasizes that the Central European countries have many common features the businesses can benefit from, and have a potential to establish their activities on individual markets. Slovakia, the Czech Republic, Poland and Hungary are not only geographically close, but the markets, the market structure, the conditions of entrepreneurship, the competitiveness of businesses and the market itself are similar. These similarities can be detected in the Benelux countries thoroughly examined by Koraus, Mazák and Dobrovič (2018). The business environment is shaped by the ongoing globalization, which according to Zeibote, Volkova, and Todorov, (2019) or Reklarte (2015) has significant influence on internationalization of enterprises, by active support Zaušková and Grib (2016), who investigated the impact of globalization on entrepreneurial activity of businesses found that globalization does not only affect the decision-making of management on strategic issues or the future of the enterprise, but also the marketing activities and the innovation processes. It is undisputable that globalization is increasingly affecting the regional markets, dominated by small and medium-sized enterprises. Pietrzak et al. (2017) examined the business environment under the influence of globalization tendencies, especially in the Polish regions, where part of the Slovak businesses (mainly in the northern part of Slovakia) conduct their business activity. Adamowicz a Machla (2016), Nesterak and Gródek-Szostak, (2016) or Macháček, (2017) emphasized the importance of regional activity of businesses and discovered that the support provided by regional governments is minimal, often only verbally declared. According to Gajdová (2013) and Virglerová et al. (2016), the strategic view should focus on the local, regional and national development of the business sector. Representatives of this group are the small and medium-sized enterprises, certain part of them represented by family businesses. Since they differ from non-family enterprises in several terms, they have different needs, requirements and attitude (Dvorský et al. 2016). The next chapters of this article will address the specific problems of family enterprises and their effort to penetrate international markets.

2 Literature review

There are several motives for enterprises to extend their activities on international markets. According to Mitkas and Maditinos (2017), the main incentive to enter international markets is the possibility of higher revenue, profit and acquiring new theories. Beside the opportunities that entry to international markets can offer, there are also barriers to entrepreneurial development. Conducting business activity on international field can spur the innovation activity of enterprises, as well as it might contribute to increasing competitiveness. According to many authors, the owners of family business face barriers on the domestic markets that do not allow them to expand their business or make investment to grow. This issue is addressed by Andrejovská a Pulíkova (2018), Mihóková et al. (2018), Okanazu (2018) and Kljucnikov et al. (2017). They emphasized the significant tax burden on businesses and distorted financial discipline as a result. These obstacles do not contribute to business development. The financial risk these business face, has negative impact on their finances and ability to develop on the market (Virglerová et al. 2016). The discussed issue is not a specific phenomenon of the Slovak market. These barriers are described by foreign authors e.g. Baloch et al. (2018). As one of the proposed solutions, they indicate the need for more substantial financial reforms that can contribute to development of the business sector. Horecký (2018) can see the possibility of
Entrepreneurship is a gradual expansion of business activities and the international economic interdependence. The world economy as a result of international division of labour and economic differences, the cultural diversity etc. environment e.g. international business practices, the political and social environment of knowledge about business partners etc. We often face the fact that family business is owned and run by female entrepreneurs. The problem of internationalization is examined particularly on the example of transnational enterprises. Less attention is devoted to internationalization process of small and medium-sized businesses, and even less attention is paid to family enterprises on international markets. This article would also like to present up-to-date data of a primary survey focusing on the internationalization effort of this specific group of enterprises. Several foreign authors can be find addressing the issue of internationalization of family enterprises. The influence of family on internationalization process of the business was addressed by Claver et al. (2010) and Monini et al. (2010). Models of internationalization and strategies applied by small and medium-sized businesses were addressed by Rexhepi et al. (2017), Saman, S. (2017) or Ubrežović and Hotzinger (2015). The analysis provided by the authors has led to formulate a number of issues to be addressed by companies internationalizing their business activities. The most important are the following: more and more businesses are directly or indirectly forced to penetrate international markets, where they can optimize the redistribution of their production; the international markets provide an opportunity to apply differentiated strategies to address new segment of customers; expanding business activities results in increased cooperation with new foreign partners; small businesses are provided an opportunity to respond more flexibly to the needs of the foreign market compared to large enterprises; internationalization of the business activity requires specific knowledge about the target market and up-to-date information about the current situation and the possible future development scenarios. Companies in certain phase of their development and lifecycle have to make decisions that move them out from stagnation and can provide possibilities for growth (Novotná et al., 2015). Such an opportunity is the penetration of the international markets, which is associated with new opportunities to operate in a new business environment with a possibility of utilizing the market gap. However, business owners must bear in mind the need for greater security and caution (Korášová et al., 2017) in the international environment that results from inadequate information about the market, intense competition and the lack of knowledge about business partners etc. We often face the fact that family business is owned and run by female entrepreneurs. Female entrepreneurs show different attitude towards problem solution, they are more hard working and cautious (Sulikova, Strazovska, 2016). They show less willingness to take risk and therefore there is a presumption that they feel more confident as entrepreneurs in domestic environment.

The expansion of entrepreneurial activities i.e. internationalization is about conducting activities beyond the borders of the home country, crossing regional borders and being represented in different sectors of the national economy. Entrepreneurship is even getting more and more difficult in the domestic environment, this is the reason businesses are considering expanding their activities to other countries. While conducting business in international business environment, it is important to respect several aspects of the international environment e.g. international business practices, the political and economic differences, the cultural diversity etc. Internationalization is not a simple process. It takes place in the world economy as a result of international division of labour and the international economic interdependence. International entrepreneurship is a gradual expansion of business activities beyond the domestic market that results in more complicated trade relations. Penetration of international markets is fundamentally the strategic decision of the company management. The company should coordinate the entry into new markets and implement these activities gradually. The internationalization of business activities starts with a simple form of expansion on foreign markets e.g. exports (Klijunčíkov and Popesko, 2017), and continues with more sophisticated forms of market entry e.g. licenses, joint ventures etc. (Milosovicová et al., 2018). The penetration of foreign markets requires a change in management, logistics, marketing and other activities that need to be addressed special attention (Khublová, 2016). Professional experience of the older generation might be useful for the younger generation (Volodymyrivna et al., 2016; Koráb, 2014), especially in the field of customer relationship management, analytical approach to the market, establishing new business partnerships and so on. The generation gap and replacement of different positions might also be a specific problem of family businesses. Some of the companies underestimate the importance of these changes that can result in failure entering the international business environment. There are basic rules applied in international entrepreneurship, which acts as a prerequisite to succeed in international market environment. These are the following e.g. cultural traditions and practices (Šenkár, 2018), international business ethics, global principles for the definition of the markets ant their mutual interaction. Last but not least, the human resources are at the forefront in both the commercial and public sector (Ciobanu a Androniceanu, 2018), as well as their role is essential in conducting business activities both on domestic and international markets (Lorincová, 2018).

3 Data and methodology

The evaluation of entrepreneurial activities of family businesses found in scientific literature is primarily elaborated on theoretical level, less attempts can be found on practical level. Even the theoretical elaboration of the issue is not at a sufficient level considering the domestic scientific literature. Adequate foreign literature sources we can find about the family entrepreneurship. Therefore, one of the partial objectives of this article is to widen the theoretical background with a particular focus on internationalization of family enterprises. The second sub-goal is to identify the motives that incentivises the family businesses to enter the international market. The main objective is to explore the measure of internationalization in the sector of family businesses on a selected research sample. The article provides an up-to-date information on theoretical background of the discussed issue with a help of domestic and foreign scientific literature, while bringing the most up-to-date information from the terrain. We obtained empirical data during the realization of an 18-month research, with a focus on internationalization of business activities of family enterprises. We applied a questionnaire survey in Western Slovakia. We used a random selection of enterprises using the Finstat database. A total of 450 business entities were approached, representing the small and medium-sized business sector in Bratislava, Trnava, Nitra and Trnčin regions. During the initial selection process, we selected the businesses with family business character. Subsequently, we reduced the sample to 250 family enterprises willing to participate in the research. Not all of the businesses were willing to answer all the questions involved in the survey and therefore the incomplete questionnaires had to be excluded in order to maintain the objectivity of the research. The final statistical file was made up of 240 family businesses. Advanced statistical methods, Chi-Square Test and Friedman test were applied to process the obtained empirical data. Chi-Square Test expressed as the following:

\[ \chi^2 = \sum_{i=1}^{n} \frac{(o_i - e_i)^2}{e_i} \]
Friedman Test expressed as the following:

\[ X^2 = \frac{12}{k \cdot p \cdot (p+1)} \sum_{i=1}^{k} (T_i - k \cdot (p+1))^2 \]

In addition to questionnaire survey, we also conducted in-depth interviews with the owners of family businesses regarding the questions we were more interested in to be answered. As a supplementary method, the methods of descriptive statistics were applied.

4 Results and discussion

In territorial terms, Slovakia is divided into 8 self-governing regions. The first phase of our field research was conducted in Western Slovakia, in the territory of Bratislava, Trnava, Nitra and Trenčín regions. In the research sample, we can identify small and medium-sized family businesses representing each of the regions involved in the survey. In analytical terms we can refer to four clusters the family business are grouped in on the basis of statistical feature: company address. The findings are shown in Figure 1.

Figure 1 Number of family businesses

Source: own processing

Figure 1 indicates that the highest number of business entities represented Nitra region. Altogether 71 family enterprises were from Nitra region, 66 represented Trnava region, 54 were from Trenčín region and the lowest representation with 49 businesses was registered in Bratislava region.

The selected sample of 240 family enterprises included businesses from different sectors of the national economy. We were interested in the main field of activity, as well as the number of businesses in different sectors. The findings of primary research are shown in Figure 2. The question regarding the main field of business activity we found important because of our main objective – study the measures of internationalization process among the family businesses. We assume that the degree of internationalization and penetration of international markets is partially linked to the field of business operations.

As it is presented in Figure 2, the majority of family businesses represented the production sector (62 enterprises), almost half of them are conducting activity in the agricultural sector (35 enterprises in forestry and fishing), as well as close is the number of businesses operating in accommodation and catering services (34 enterprises). Retailing and wholesaling is provided by 32 enterprises, 22 companies operate in transport and logistics, while financial services are provided by 17 companies. 14 businesses operate in the real estate sector, construction industry is represented by 13 companies and cleaning services are provided by 11 companies.

Figure 2 The number and main field of the business activity

Source: own processing

The following question divided the research sample into two parts: businesses internationalizing their activities and those do not intend to enter international markets and do not want to extend their business activity in international business environment. The findings are shown in Figure 3.

65 businesses out of 240 enter the international markets, representing 27.08% of the total number of businesses involved in the research. These businesses use various ways to internationalize their business activities. The remaining 175 enterprises, representing 72.92% of the business entities surveyed, do not engage into the internationalization activity.

Figure 3 Internationalization of entrepreneurship

Source: own processing

We were closely interested in businesses internationalizing their activities. We found it important to identify the field of business activity characterized by internationalization. We assumed that not every field of business activity, not all the sectors of the national economy in which family businesses operate in is interesting or suitable for internationalization. The results are shown in Table 1.

Table 1 The most important fields of business activity showing internationalization character

<table>
<thead>
<tr>
<th>Fields of business activity</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Industrial production companies</td>
<td>31%</td>
</tr>
<tr>
<td>Retailing and wholesaling</td>
<td>21%</td>
</tr>
<tr>
<td>Transport and logistics</td>
<td>18%</td>
</tr>
<tr>
<td>Construction industry</td>
<td>16%</td>
</tr>
<tr>
<td>Accommodation and catering services</td>
<td>14%</td>
</tr>
</tbody>
</table>

Source: own processing

In terms of entering international markets, the industrial production companies (up to third of the businesses) have the biggest interest in conducting business activity on international markets. A little over a fifth is made up of those businesses involved in trade activities. Less than a fifth of businesses internationalizing their activities operate in the field of transport and logistics. In the construction sector, 16% of the businesses, while in providing accommodation services and catering 14% of the businesses internationalize their activities. We have analyzed...
the reasons behind the internationalization efforts of the family businesses in 5 most important areas of business. The in-depth interviews with the company owners revealed that production companies use international markets to sell their products with higher margins and thus more profit. Construction companies reported to receive orders based on reliability, quality work and being a cheaper workforce. The internationalization of the business activity in the field of accommodation and catering services is reflected in increasing number of guest nights, and the use of catering services mainly by foreign tourists. In this particular case we have identified a retrograde type of internationalization, when an enterprise does not leave the domestic business environment but is able to attract foreign visitors who are willing to pay higher price for the quality services provided than the domestic customers. This is economically more beneficial for the enterprise and therefore the company is targeting foreign customers applying the appropriate marketing tools. In case of family businesses providing their business activity in other fields, involvement in international business activity was only the minimal. This is the reason we have selected the five most important fields of activity, where internationalization of business activity can be identified.

In business cluster entering international markets resp. internationalizing their business activities we were trying to examine those major motives that accelerated the internationalization process. We have quantified these findings using descriptive statistical methods, as well as the non-parametric Friedman Test. The results of our analysis are presented in tables (Table 2, Table 3).

Table 2  Quantification of motives that result in international entrepreneurship of family businesses

<table>
<thead>
<tr>
<th>Motives that result in international entrepreneurship of family businesses</th>
<th>Quantified Score</th>
</tr>
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<tbody>
<tr>
<td>Saturated domestic market</td>
<td>5.80</td>
</tr>
<tr>
<td>Fierce competition on the domestic market</td>
<td>6.32</td>
</tr>
<tr>
<td>Success of other businesses in the sector</td>
<td>4.76</td>
</tr>
<tr>
<td>Gaining perspective markets</td>
<td>5.04</td>
</tr>
<tr>
<td>Involve the enterprise in network cooperation</td>
<td>4.26</td>
</tr>
<tr>
<td>Previous personal experience of the owner of business with international entrepreneurship</td>
<td>3.98</td>
</tr>
<tr>
<td>Effective utilisation of the production capacity</td>
<td>5.15</td>
</tr>
<tr>
<td>Closeness of foreign markets</td>
<td>4.44</td>
</tr>
</tbody>
</table>

Source: own processing

Table 3  Testing statistics of the significance of the differences between the motives of internationalization of entrepreneurship

<table>
<thead>
<tr>
<th>Statistical Analysis</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-square</td>
<td>18.124</td>
</tr>
<tr>
<td>Df</td>
<td>9.6</td>
</tr>
<tr>
<td>p</td>
<td>0.072</td>
</tr>
</tbody>
</table>

Source: own processing

Based on previous experience of solving similar issues in research projects, we based our research on the hypothesis that the motives for internationalization of business activities are perceived in different terms by family businesses in relation to entering international markets. We tested the hypothesis at significance level $\alpha = 0.05$.

$H_0$: there is no significant dependence between motives that encourage family businesses to internationalize their business activities.

$H_1$: there is significant dependence between motives that encourage family businesses to internationalize their business activities.

The result of the statistical analysis, when the value of $p=0.072$ indicates the approval of hypothesis $H_0$ according to which there is significant dependence between the motives that encourage family businesses to internationalize their business activities. It means that businesses are motivated by several factors to internationalize their business activities, and there is no statistically significant dependency between them.

6 Conclusion

The entrepreneurial activity of family businesses results in significant benefits to local, regional and the macro economy. Businesses having a character of family business belong to small and medium-sized company sector. It means that these types of businesses are in family ownership, the management of the company is represented by family members, and family members are employed in the company. Family businesses in Slovakia are not addressed adequate attention. This specific group of business would deserve far more attention by professionals. The gradual development tendency, development activities and many specifies predetermine family businesses to deserve the attention of the government, academics and other stakeholders. The main objective of this article was to address the issue of internationalization in the family business sector.

Partial objective was to uncover the motives that incentivised the family businesses to enter the international markets. Based on our primary research, conducted in four governing regions of Slovakia: Bratislava, Trnava, Nitra and Trencin we can summarize that 65 businesses from the selected statistical sample of 240 family businesses have internationalized their business activities. It represents 27.08% of the businesses involved in the research. In terms of business sector resp. field of entrepreneurship, the highest interest in internationalization is shown by businesses involved in production activity, trade, transport and logistics. Investigating the motivation behind the internationalization of businesses, we found that the most motivating determinants are the following: saturated domestic market, fierce competition on the domestic market and the success of other companies in the same sector. We also verified the validity of the hypothesis, whether the motives of internationalization are perceived in different way by the family businesses in relation to entering international markets. Based on the statistical results we can summarize that several factors motivate the family businesses to internationalize their activities, and there is no statistically significant dependence between them.

Literature:

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**Primary Paper Section: A**

**Secondary Paper Section: AE, AH**