Internationalisation of family-owned businesses in the Czech Republic

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Abstract: This study uses a case-study method through personal interviews with owners of seven family-owned firms in the Czech Republic in order to determine factors affecting their internationalisation. We examine four research questions on factors which have been identified by previous research to influence internationalisation of family-owned firms. The results indicate that owners' motives and size of their companies contribute to their internationalisation. On the other hand, owners' background, product characteristics, and the knowledge of foreign markets are not necessary conditions for internationalisation of family-owned firms. Finally, the results of the study appear to show that the pattern of perceptions about export costs and barriers depends upon the kinds of costs and barriers are being investigated.

Keywords: internationalisation; family-owned business; smaller firms; export; transition economies; Czech Republic.

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1 Introduction

The globalisation of the world economy has provided a great opportunity for many family-owned businesses to expand their operations to other markets around the world. Internationalisation of family-owned businesses is, however, a very challenging task. Due to their small size these businesses face many impediments when they venture into foreign markets. For example, certain characteristics of family-owned businesses, such as concentration of power, and delays or lack of succession plans hamper their efforts to internationalise.

Using a case study approach this study examines the propensities of family-owned businesses in the Czech Republic to enter foreign markets. According to Olson and Gough (2001) previous research has improved our understanding of internationalisation of family-owned businesses from developed-countries perspectives but it has not received equal attention from transition-economies perspective. Although this paper does not discuss the conceptualisation of internationalisation by family-owned businesses, within its framework, this study has attempted to take into account previous research by including the variables identified in the literature in order to develop a suitable framework for internationalisation by family-owned businesses in the Czech Republic.

2 Literature review

Research interest on family-owned businesses has increased considerably over the last two decades. Researchers from several disciplines (Chrisman et al., 2003; Gallo et al., 2004) have examined family-owned businesses growth as well as their involvement in foreign markets. Contributions of these businesses to economic growth through technological development and expansion into foreign markets have been noted (Heck and Stafford, 2001; Klein, 2000; Morck and Yeung, 2003; Shanker and Astrachan, 1996).

According to Donckels and Frohlich (1991) and Kirchhoff and Kirchhoff (1987), family-owned businesses account for more than two-thirds of all businesses and make a major contribution to wealth, competitiveness, and job creation in their countries. It is estimated that in the USA 40 to 60% of the gross domestic product (GDP) is created by family-owned businesses (Ward and Aronoff, 1990).

2.1 Owners' background and motives

Earlier studies dealing with internationalisation of family-owned businesses have examined the extent that characteristics of owners such as age, education, and knowledge of foreign languages, are linked to their export activities (Davis and Harveston, 1999). They argue that the level of internationalisation of first-generation family-owned businesses run by their founder is directly proportional to the age and education of the founder and the degree to which he or she invests in technology and uses the internet. Gallo and Garcia (1996), on the other hand, found that multi-generational family-owned businesses achieve a higher level of internationalisation and that family-owned firms' managers find that their reluctance to internationalisation diminishes when there are other family members to back them up.

Researchers have also identified a variety of motives which are most important in making a decision to enter export markets. Graves (2008) has identified three key determinants of the internationalisation pathways taken by family firms. These are:

1. the level of commitment toward internationalisation
2. the financial resources available
3. the ability to commit and use those financial resources to develop the required capabilities.

Other researchers (Czinkota and Tesar, 1982) have categorised owners/managers motives either as proactive, (i.e., those that systematically explore possibilities of entering foreign markets, or reactive, (i.e., those which do not actively explore such opportunities). Proactive reasons are based on a firm's internal situation and are firm initiated, while reactive reasons are based on a firm's behaviour with respect to the environment and are in response and adaptation to changes from outside the firm. For example, many studies (Kaynak et al., 1987; Bilkey and Tesar, 1977) have cited the receipt of an unsolicited order as the reason for the first export activity of the firm. Others cited the existence of underutilised production capacity (Brooks and Rosson, 1982), uniqueness of the product or a technological advantage (Pope, 2002), and competitive domestic market (Rabino, 1980; Bilkey, 1978; Pavord and Bogart, 1975; Alexandrides, 1971) for beginning to export. Several other studies have also suggested that companies begin to export in response to environmental changes, such as declining and/or saturated demand in the home market (Kaynak et al., 1987; Rabino, 1980). In general, firms with proactive motives become international because they want to while reactive firms become international because they must.

2.2 Firm's characteristics

Firm characteristics, including years of business experience, size, age, and ownership structure are often regarded by researchers as critical factors in explaining the internationalisation of family-owned businesses. Gallo and Estapė (1992), for example, found that family-owned businesses tended to internationalise later and much slower than non-family businesses. Other studies also found a positive relationship between firm size and internationalisation. Baird et al. (1994), for example, found that international firms are larger and tend to be industrial firms rather than retail or service firms. Dhanaraj and Beamish (2003) confirmed this finding using a sample of Canadian firms. Mittelstaedt et al. (2003) also found that very small manufacturing firms (companies with fewer than 20 employees) in South Carolina are far less likely to engage in exporting than small firms with 20 to 500 employees. They concluded these firms simply do not have the resources (time, money, and personnel) to engage in exporting. In addition, Gallo and Sveen (1991) found that other factors such as, company's culture, strategy, and organisational features may hinder the internationalisation process.

Several studies (Pope, 2002; Sriram et al., 1989; Ganier, 1982) have examined the extent that the level of technological superiority and R&D intensity of a product were related to a firm's internationalisation. They have suggested that small exporters are able to compete in foreign markets because of their technological capabilities. Cunningham and Spigel (1971), for example, found the most important factors contributing to a firm's successful exporting are the design and quality of the product. Possession of patents and distribution efficiencies are also seen as effective factors in initiating an export program (Pavord and Bogart, 1975). According to Tesar (1975), firms offering products with unique features are more likely to be exporters. Christensen et al. (1987) have reported that successful exporters generally emphasise quality control and seek unique product attributes. A study by Kirpalani and Macintosh (1980) relates several marketing variables to export success and concludes that pricing and promotion are significantly associated with a firm's export success.

2.3 Knowledge of foreign markets

Previous research (Anderson, 2006; Kaynak and Kothari, 1984) have contributed the lack of export activities of smaller businesses to their inability to gather market information, maintaining a continuous flow of communication with foreign customers, and lack of experience in planning and targeting export sales in world markets. According to Atherton and Sear (1997) new market development requires the firm to research the market, establish a local presence, sell, process and fulfil orders, and ship and deliver. The most obvious reason companies do not seek to develop new markets is simply their failure to recognise that new markets exist. This lack of knowledge could be due to either the lack of an effort to find out what opportunities exist or the lack of an opportunity to explore new markets (Kroth 1991).

2.4 Costs and barriers of internationalisation

The literature on the internationalisation of firms has identified several costs and barriers which might serve as potential inhibitors to exporting (Moini, 1997; Wright, 1993). According to Wright (1993) both personal costs (i.e., stress on family life) and personnel costs (i.e., hiring new people and paying sales representatives' commissions) should be considered before deciding to export. Eshghi (1992) and Yang et al. (1992) concluded that obtaining the information necessary to enter the export market is one of the biggest problems faced by would-be exporters. According to Alexandrides (1971) the main area where help was most needed by both exporters and non-exporters was in locating perspective clients in foreign markets. Similarly, other studies (Naidu and Rao, 1993; Moini, 1991) have found that both non-exporters and exporters believed that poor knowledge of potential markets hinders their export activities.

Knowledge and skills about export procedures, documentation, and government regulations are the other critical requirements for successful foreign market entry by smaller firms. A US Senate (1982) study has reported that the most noted obstacles to exporting involved the expense, time, and paperwork required to comply with foreign regulations. In addition, different product standards and procedures in other nations may convince many smaller firms that they lack a competitive edge in dealing with foreign customers (Pope, 2002).

A large body of empirical evidence has also revealed that cultural and language barriers are obstacles to exporting (Barker and Kaynak, 1992; Mayo, 1991). While Mayo (1991) suggested that one reason first-time exporters fail to enter foreign markets is their inability to understand and adapt to foreign cultural and business practices, Naidu and Rao (1993) have reported no significant differences between exporters and non-exporters with respect to language and cultural barriers.

Problems caused by financial barriers are also major impediments to internationalisation of smaller firms (McKendrick et al., 1996; Naidu and Rao, 1993). Several studies have shown that financing problems, such as getting payments (Tesar and Tarleton, 1982), honouring letters of credit (Rabino, 1980), dealing with banking inefficiencies (US Senate, 1982), and inadequate capital (Bilkey, 1978), were obstacles to exporting. The US Senate (1982) study indicated that more than half of the responding firms cited practical, everyday business problems such as getting payments, obtaining credit, and dealing with banking inefficiencies, as obstacles to exporting. In contrast, other studies have found these financing problems not to be significant barriers (Naidu and Rao, 1993; Yang et al., 1992; Moini, 1991).

Increasing trade deficits and other economic problems have forced many nations to develop policies and strategies to encourage non-exporting firms to enter the export field. Previous studies (Cavusgil and Naor, 1987; Cavusgil, 1983) have shown that smaller businesses in particular can benefit from export assistance programs. However, Moini (1998) found that exporters and non-exporters reported a lack of awareness of available export assistance programs. He found that current export assistance programs are not reaching their targeted audiences in an effective manner. He concluded that there is a need for an increase in firms' commitments to export-related activities, especially in the first few years when they begin to penetrate foreign markets.

3 Research methodology

This research project uses a case-study method. The choice of a case study method is theoretically driven. It is a highly valuable qualitative research strategy and has been applied successfully in previous research on the international efforts of entrepreneurial firms. Recent studies of the activities of small businesses have demonstrated that case research has a high exploratory power and allows dynamic decision-making processes to be more deeply investigated (Rialp-Criado et al., 2003). In particular, the case-based methodology is applicable to the discovery of the process of developing a foreign market.

It overcomes some methodological limitations associated with previous research (Aldrich and Martinez, 2001).

The data collection was carried out through personal interviews with owners at seven family-owned businesses in the Czech Republic. The participating businesses were carefully selected in order to represent a broad range of manufacturing and service sectors. One firm was involved in metal fabricating, one in plastic manufacturing, one in violin making, two in tourism, one in wine making, and one in architectural design. During the interviews, questions were asked and notes were taken by the interviewers. Complete write-ups were prepared on each case company, focusing on the specific characteristics of each case situation.

This research study assumes that family-owned businesses' global market entry is influenced by variables which can be divided into four groups:

1 owners' background and motives

2 firm's characteristics

3 knowledge of foreign markets

4 costs and barriers of exporting.

Each of these determinants is, in turn, composed of many subsets of independent variables. For example, it is assumed that the degree to which a firm will enter into export activities depends on the owners' background, which includes a set of variables which measure owners' demographics, such as age, education, and knowledge of foreign languages. In addition, owners' motives, such as systematically exploring foreign market entry, focusing on export growth, or obtaining financial services are another set of variables that measure the extent to which a firm may engage in export activities.

As was indicated in the literature review a firm's characteristics can influence its decision to become international or not. These characteristics, for example, are composed of a set of variables which measures the size of the firm, years of experience, key decision makers, and the corporate structure.

The next group of variables which affect foreign market entry were related to the knowledge of target markets. These variables include owners' knowledge of the top foreign markets for their products, economic conditions and the level of competition in those markets, development of a business and marketing plan for targeted markets, and advertisement in international journals.

The final group of variables includes the costs, barriers to entry, and government assistance programs that affect exporting, such as financial, cultural, language, political, logistic, and many others. Government assistance, such as trade leads, overseas trade missions, export counselling, market plan development, trade and catalogue shows, as well as trade financing and export tax credits can also help family-owned businesses in their global market entry. Accordingly, the following questions emerged from the above and were examined by this study:

Question 1 Are owner's background and motives affecting internationalisation decision?

Question 2 Do firm's and product characteristics have an effect on its decision to internationalise?

Question 3 Is knowledge of foreign markets helpful in internationalisation of the firm?

Question 4 Do costs, barriers to entry, and the government assistance programs affect family-owned businesses decision to internationalise?

4 Research findings

In this section we cross-analysed the seven case studies in order to identify the propensities of family-owned firms in the Czech Republic to enter foreign markets, their owners' background and motives, corporate characteristics, knowledge of foreign markets, and identify costs and barriers that impede their entry into foreign markets.

4.1 Are owner's background and motives affecting internationalisation decision?

The experience and background of owners and their motives make out important resources of a firm and are important drivers or facilitators for their foreign market entries. Reid (1981) has reported that when research is done on exporting, particularly when small businesses are being investigated, we must pay attention to individual characteristics and how these affect the processing of export-related information and influence export behaviour. In this study we made an effort to include businesses that are not currently exporting in order to get their perceptions of foreign market entry costs. There are two firms (see Firms 3 and 5 in Table 1) that are not exporting their products at the present time.

As it is presented in Table 1 the results of this study indicate that owners' background is not a necessary condition for foreign market entry. Owners of non-exporting businesses who participated in this study tend to be relatively younger, not necessarily less educated and had very little knowledge of foreign languages. However, some of the exporting firms' owners are not younger, nor better educated, and do not know more foreign languages either.

Using Czinkota and Tesar's (1982) framework owners' motives were categorised into proactive and reactive categories. The results presented in Table 1 indicate that the process of systematically exploring export possibilities was a very important factor in foreign market entry. Exporting firms in this study put more effort into systematically searching for export potentials. For example, two of the exporting firms indicated that they have qualified staff to manage their international expansion; they focus more on sales growth than profit maximisation; and many have no problem in obtaining financial services. However, other two exporting firms indicated several problems in obtaining financial services, such as collection of foreign invoices. In addition, they are willing to sacrifice short-term profits during the start-up period of internationalisation for sales growth. Furthermore, exporting firms utilise large percentage of their production capacity.

Table 1 Owners' background and motives

	Firm 1	*Firm 2*	*Firm 3*	*Firm 4*	*Firm 5*	*Firm 6*	*Firm 7*
Owner's age?	45–54	35–44	35–44	25–34	45–54	55–65	55–65
Owner's educational level?	College graduate	Post graduate	College graduate	High school graduate	High school graduate	College graduate	High school graduate
Owner's knowledge of foreign languages?	English (poor)			English (good)	English (poor)		English (poor)
	German (poor)	German (good)		German (poor)	German (poor)	German (poor)	German (excelle nt)
	Russian (poor)	Russian (poor)	Russian (poor)		Russian (poor)	Russian (good)	
						French (poor)	
Systematically explore exporting?	Yes	Yes	No	Yes	No	Yes	Yes
Actively exporting in the past?	Yes	Yes	Yes	Yes	No	Yes	Yes
Currently exporting?	Yes	Yes	No	Yes	No	Yes	Yes
% of sales that are exported?	1–5	100	0	35–74	0	10–19	10–19
Qualified staff for exporting?	No	Yes	No	No	No	No	Yes
Focus sales growth or profit?	Growth	Growth	Growth	Growth	Growth	Growth	Growth
Sacrifice profit for growth?	Yes	Yes	Yes	No	Yes	Yes	Yes
Problems in obtaining financial services?	Collection of invoices	Collection of invoices	No	No	No	No	No
Percent of production capacity?	26–50	76–100	50	76–100	76–100	76–100	76–100

On the other hand, non-exporting firms indicated that they were not systematically exploring such opportunities. But they also concentrated on sales growth; were willing to sacrifice short-term profits for sales growth; and indicated no problem in obtaining financial services. From the above observations, we can confirm previous research findings (Czinkota and Tesar, 1982) that, in general, owners' motives have an effect on the Czech family-owned firms' decision to enter foreign markets or not.

4.2 Do firm's and product characteristics have an effect on its decision to internationalise?

Past research has suggested that firm characteristics, including sales volume, number of employees, and years of experience are critical measures in the small businesses foreign market entry (Dhanaraj and Beamish, 2003; Mittelstaedt et al., 2003; Christensen, et al., 1987; Reid, 1982). As presented in Table 2, all participating firms in this study were small businesses, ranging from 1 to 100 employees. In terms of annual sales, participating firms reported a sales volume ranging from less than 250,000 Czech korunas to 200,000,000 Czech korunas for the year 2007, and all of the firms in the sample had been in business for 11 years or more.

In this study we found that exporting firms tend to be larger; they have the larger number of employees; the most amount of sales in 2007; but are not necessarily the oldest firms. In general, we can conclude that a firm's characteristics can have an impact on the owners' decision to enter into foreign markets or not. These results confirm findings from previous research (Dhanaraj and Beamish, 2003; Mittelstaedt et al., 2003; Reid, 1982) which found that firms' characteristics, such as size, years of business experience, etc., have significant association with export involvement.

Product characteristics, such as the level of technological superiority and R&D intensity of a product, have been identified as a key variable in small businesses foreign market entry (Pope, 2002; Sriram et al., 1989; Ganier, 1982; Cavusgil and Nevin, 1981). However, an important characteristic of many past research projects is the treatment of the subject firms in the studies where all were treated as homogeneous, despite most studies included two or more types of industries in their sample. In those cases where there was some differentiation of industries, researchers generally found that there were differences in export behaviour (Cannon and Willis, 1983; Ganier, 1982).

The results, presented in Table 2 confirm findings reported by Cannon and Willis (1983) and Ganier (1982). These results indicate that while only all of the exporting firms characterise their products as unique, only one of the non-exporting firms believes its products are unique. While, only one of the respondents believed his products require training and modification to international standards, several offered after-sale support. None of the products required alteration in packaging for international sales. This was more common among products targeted towards consumers.

Respondents also discussed who the end users of their product were. While five of the firms sold to consumers and businesses, two firms were targeting governments and manufacturers as their end users. All responding firms believed they have a price competitive advantage over their foreign counterparts. However, there was no consensus on the profitability of the international sales. The interesting finding was that both non-exporting firms believe foreign sales were more profitable. Owners of non-exporting firms had great reservation on the credit terms of their transactions. They both indicated they would only consider prepayment for all their transactions. The executives from exporting firms, though, had some bad experience in collecting payments from their foreign customers, were willing to consider payment terms between 30 to 90 days.

Table 2 Firms' characteristics

	Firm 1	*Firm 2*	*Firm 3*	*Firm 4*	*Firm 5*	*Firm 6*	*Firm 7*
Type of business?	*Architectural design*	*Foreign tour operator*	*Winery*	*Violin maker*	*Tourism*	*Plastic manufacturer*	*Metal fabricator*
Person interviewed?	Owner	Owner	Owner	Owner	Owner	Owner	Owners
Strategic decision maker?	Owner	Owner and partner	Owner	Owner and his father	Owner and his partner	Owner and his family	Owners and manager
Who made international decision?	Owner	Owner and partner	Owner	Owner	Owner	Owner	Manager
Current ownership structure?	*Independent*	*Independent*	*Independent*	*Independent*	*Independent*	*Independent*	*Independent*
Years in business?	17	15	17	15	17	11	18
Number of employees?	5–10	50–100	8	1	8	35	40–50
Last year sales?	6 million CZK	200 million CZK	6 million CZK	250,000 CZK	2 million CZK	35 million CZK	20 million CZK
Product unique	Yes	Yes (some)	Yes	Yes	No	Yes	Yes
International price competitive?	Yes	Yes (their prices are 50% cheaper)	Yes (their price is about average)	Yes (their prices are 50% cheaper)	Yes (their prices are 10% cheaper)	Yes (their prices are 50% cheaper)	Yes (their prices are 50% cheaper)
International more profitable?	No	Yes	Yes	Yes	Yes	Yes	Yes

Table 2 Firms' characteristics (continued)

	Firm 1	*Firm 2*	*Firm 3*	*Firm 4*	*Firm 5*	*Firm 6*	*Firm 7*
End users?	*Governments and manufacturers*	*Consumers, associations and agents*	*Consumers and distributors*	*Consumers and businesses*	*Consumers and businesses*	*Manufacturers*	*Consumers and businesses*
Require much training?	Some	No	Yes	Yes	No	Yes	No
After-sale support	Yes	Yes	No	Yes	No	Yes	Yes
Modification for international?	Yes	No	No	No	No	No	No
Alter packaging for international?	No	No	No	No	No	No	No
Export license?	No	Yes	No	No	No	No	No
Payment terms?	30–60 days (prepaid for Africa)	Prepaid	Prepaid	Prepaid	Prepaid	Prepaid (sometimes 60–90 days)	Prepaid (sometimes 30 days)

Table 3 Foreign market information

	Firm 1	*Firm 2*	*Firm 3*	*Firm 4*	*Firm 5*	*Firm 6*	*Firm 7*
Know top international market?	No	Yes, Croatia, Italy	Yes, Slovakia, Poland	Yes, Germany	Yes, Austria, Netherlands	Yes, Slovakia, Poland, Bulgaria, Spain, Germany, Russia	Yes, Austria, Netherlands
Favourable international markets?	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Domestic and international competition?	Yes, firms with ability to compete in major designs	Yes, other tour agencies	Yes, cheap foreign competition	Yes, large number of competitors in Czech Republic	Yes	Yes	Yes
Import duty?	No	Yes	No	No	No	Yes	No
Have international agent?	No	No	No	Yes	No	No	No
International business market plan?	No	No	No	Yes	No	No	No
Advertise in international journal	No	No	No	No	No	No	No

4.3 Is knowledge of foreign markets helpful in internationalisation of the firm?

The most obvious reason smaller firms do not seek foreign market entry is simply their failure to recognise that new markets exist. The results presented in Table 3 suggest that most of the participating firms know the top foreign markets for their products. Generally, family-owned businesses in the Czech Republic are targeting the neighbouring countries, such as Slovakia, Germany, and Austria. This is consistent with previous studies (Glas et al., 1999) which found that small firms generally start their foreign market entry by exporting to their neighbouring countries first before venturing to distant nations. Participating owners also believe that the economic conditions in those targeted markets are favourable to selling their products and most of them had some sense of international competition. However, only one firm has developed any business plan for the targeted markets, and believed their business require agents in overseas markets. Furthermore, none of them have advertised in international journals in the past. Also, several of the participating firms have no idea what the level of import duty was for their products in each of overseas target market.

4.4 Do costs, barriers to entry, and government assistance programs affect family-owned businesses decision to internationalise?

Although research literature on this topic suggests that smaller firms have the capacity to export, many appear not to fully maximise their potential gains from exporting. The results presented in Table 4 indicate that only two exporting firms were proactive in their approach to foreign markets. They have a person or department devoted exclusively to building export sales. The other three exporting firms were reactive. These firms do not have a specific export program but respond to export opportunities if they arise. The non-exporting firms in the study were also reactive. Both indicated that their firms would respond to such opportunities but is not actively seeking opportunities in foreign markets.

The riskiest adventure occurs when a company is not totally committed to internationalisation. Successful exporting requires a well-thought out strategy and commitment of human and financial resources. All currently exporting firms in the study have indicated they plan to increase their human and financial commitments to exporting in the future. On the other hand, the non-exporting firms have no such plans.

The major challenges to exporting firms in the study were financial, foreign marketing practices, locating prospective clients/customers, and ethical and cultural differences. Similarly, conforming to foreign regulations was other obstacle for Czech family-owned businesses wanting to sell their products in foreign markets. Non-exporters have more difficulty in adapting to foreign ethical practices and languages than exporters. For Czech family-owned firms to thrive in international markets, they must be ready to venture out to every potential market even those with different cultures and languages. Ability to communicate with clients overseas and knowledge of different cultures are antecedents of attitudes toward exporting. From these results one can conclude that non-exporting firms suffer from lack of knowledge, skills, and commitment of resources that are essential for a successful foreign market entry. These are mainly internal factors and are certainly within the control of management. However, international trade requires a unique range of knowledge and skills. Most of smaller firms not already active in international trade are very deficient in these areas. Half-hearted efforts in acquiring the knowledge and skill make the process to successful exporting both slow and difficult. Thus, companies must encourage their management to gain the knowledge and skills needed for exporting.

Table 4 Export costs, barriers and government assistance

	Firm 1	*Firm 2*	*Firm 3*	*Firm 4*	*Firm 5*	*Firm 6*	*Firm 7*
Importance of international?	My firm does not have a specific 'export' programme but responds to export opportunities	My firm has a person or department whose duties include building export sales	My firm does not have a specific 'export' programme but responds to export opportunities	My firm does not have a specific 'export' programme but responds to export opportunities	My firm does not have a specific 'export' programme but responds to export opportunities	My firm does not have a specific 'export' programme but responds to export opportunities	My firm has a person or department whose duties include building export sales
Plan to include international effort?	Yes	Yes	No	Yes	No	Yes	Yes
Challenges to international?	Financial	Regulations	Language	None	Locating prospective clients	Locating prospective clients	
	Ethical difference				Ethical difference		Ethical difference
							Cultural difference
Type of useful assist?	Not used any of them	Not used any of them	Trade shows (somewhat useful)	Trade shows (somewhat useful)	Not used any of them	Trade and catalogue shows (very useful)	Project financing (very useful)

Interestingly, government promotion programs can be particularly helpful when family-owned businesses become aware of export opportunities but need additional technical assistance to consummate an export sale. Creating good personal contacts with export markets is important. Frequent visits to foreign markets and attending trade shows are absolutely critical in developing the export markets. Participating firms in this study indicated that the Czech government hardly provides any such assistance for smaller firms in the country. However, some of the exporting firms have stated that any support such as help with participating in trade shows, assistance with trade lead, export counselling, and exporting financing can be very useful to them.

5 Summary and conclusions

This study attempts to shed some light on the foreign market entry of family-owned businesses in the Czech Republic. It examined four research questions on factors which have been identified by previous research to influence smaller firms foreign market entry. First we examined the owners' background and motives. The general findings presented in the previous section concluded that owners' background, such as age, education, and knowledge of foreign languages did not contribute to their decision to enter foreign markets or not. These findings are in contrast to the earlier studies (Moini, 1998; Reid, 1981) which reported that executives at regular exporting firms have a higher level of education. These contradictory findings might be due to the small number of cases examined in this study. In terms of owners' motives, this study confirmed that exporting family-owned businesses were more motivated, but were not necessarily utilising a larger percentage of their production capacity and did not have fewer problems in obtaining financial services than non-exporting firms.

Second, we examined firms' characteristics. Study's findings concluded that exporting family-owned businesses in the Czech Republic tend to be larger than their non-exporting counterparts. They have more employees and a larger sales volume than non-exporting family-owned businesses. We also examined the product characteristics of the participating firms. These characteristics included uniqueness of products; price competitiveness; end-users; required training and after-sale support; and modifications to meet international standards and packaging requirements. From responses to our interview questions it seemed both exporters and non-exporters treated international sales as they would any other domestic business opportunity.

Third, the knowledge of top international markets as a critical factor in the family-owned businesses foreign market entry was examined. In general, family-owned businesses in the Czech Republic named their neighbouring countries as their top international markets and all thought that foreign markets were favourable for their products. They were also aware of both domestic and foreign competition. However, only one firm has developed any international business market plan.

Finally, costs and barriers to exporting and government assistance programs were examined. The major challenges to international business efforts of exporting firms in the study were:

1 financial challenges

2 ethical and cultural differences

3 conforming to foreign regulations

4 locating prospective clients/customers.

Overall, the results appear to show that the pattern of perception about export costs and barriers depended upon the kinds of barriers being investigated. Exporters, for example, attached more importance to barriers that were largely beyond their control (financial barriers and ethical differences). These barriers cannot be overcome by a firm's internal action or education. On the other hand, non-exporters viewed barriers such as:

1 language

2 locating prospective clients as more menacing than exporters.

These obstacles can be overcome by internal actions of the firms.

Although all of participating firms were unaware of any government support for their international Endeavour, they believed any support such as help with participating in trade shows, assistance with trade and catalogue shows, and exporting financing could be very useful to them. We also found that two of the exporting firms interviewed were actively search foreign market opportunities by assigning a person or department whose duties included building export sales. The other three exporting firms were reactive. In addition, most of the exporters expected to increase their human and financial resources commitment to exporting in coming years.

6 Implications

The results of this research have several direct implications for two different set of actors. First, government policy makers in the Czech Republic need to understand the necessary linkages between their family-owned businesses foreign market entry and the country's future economic growth. For the Czech Republic to improve its economic status in the European Union it must support its smaller firms so that they are more competitive in the global marketplace. As our participating owners indicated, the Czech government provides hardly any support to its smaller firms at the present time. However, if the Czech government has such programs, participating owners were unaware of them. Under such circumstances, the effectiveness of those programs is questionable. Although there is no guarantee that the existence of such government programs will lead to successful exporting by family-owned businesses in the Czech Republic, many studies in other countries have concluded that the use of government export assistance can contribute to a successful export development strategy (Cavusgil, 1983). Thus, if the Czech government wants to improve economic conditions in the country by increasing in the level of Czech exports, it needs to create an effective program that educates owners of non-exporting firms on the opportunities that are available overseas and alleviates their fear of exporting.

Second, owners of small family-owned businesses in the Czech Republic must also realise that doing business in foreign markets has become a matter of survival and not a choice. Furthermore, exporting owners should recognise that exporting activity is not a short-term strategy, to compensate for slow domestic demand, but rather a long-term one. They need a marketing mix which is more strategic than tactical in nature, i.e., selecting overseas distributors and product adaptation. These strategies require a substantial resource commitment on the part of a firm which many may not be able to make. This is especially true in the Czech Republic in which, under the communist regime in the past, international business decisions were made by government ministries, and thus most of the new executives lack the experience and knowledge of trading in a global market place. These executives must overcome these shortcomings quickly. Otherwise, they will fall even further behind. From the results in Table 4, it is clear that issues such as financial barriers, ethical and cultural differences, foreign market practices, and locating prospective clients are considered to be the greatest challenges to exporting firms in the Czech Republic. Unfortunately, these factors are external to the firms and require support from the government and domestic financial institutions. However, it seems natural for firms with no export experience, who may perceive exporting as a short-term strategy in designing and implementing their marketing strategy, to be more concerned about barriers such as language which could be overcome by a firm's internal actions.

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