

# SMEs in a Small Open Economy – Case of the Czech Republic

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**ABSTRACT**— *Small and Medium Sized enterprises (SMEs) play an important role in all economies. They stimulate growth, innovation, and competitiveness and create new jobs. SMEs are important for their focus on specific exporting and importing commodities specific services. In Europe, SMEs are considered to have been contributing to the economic development and stabilization of the economy and as such, this sector has an important place in the Europe 2020 Strategy. In the Czech Republic, SMEs' share of the absolute number of companies, of employment, of the added value and of the volume of foreign trade is vitally important and is comparable with other states of the European Union. SMEs are involved in all major areas of business. They are part of the everyday business environment and a cornerstone of the economy. The article is focused on definition of SMEs, on aspects playing a major role in their process of internationalization, and on their place and importance in the Czech economy, including some examples.*

**Keywords**— Small and medium sized enterprises, European Union, Czech Republic

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## 1. INTRODUCTION

Economic development and international trade flows are outcomes not only of the activities of multinational corporations and other big companies, but also of small and medium sized enterprises. The size of the SME sector exceeds that of the MNCs in the share of international trade and share of the overall employment in most economies. SMEs are important for their focus on specific exporting and importing commodities specific services which they provide (Cihelkova, 2004). In Europe, SMEs are considered to have been contributing to economic development and stabilization of the economy and as such, this sector has an important place in the Europe 2020 Strategy. Six of the seven Europe 2020 flagship initiatives will help SMEs to achieve sustainable growth (European Commission, 2010a). SMEs stimulate growth, innovations, and competitiveness and create new jobs more than other companies and represent considerable employment potential namely at the regional and local levels (Eurostat, 2011).

In the Czech Republic in 2010, SMEs' share was 99.84% (financial sector excluded) of the absolute number of companies, 60.85% of the overall employment, 54.43% of the added value and more than 50% of the volume of international trade (MPO: 2012). According to the Czech Statistical Office (2007), the value added by Czech SMEs is on a level comparable to other states of the European Union.

SMEs are involved in all major areas of business. They operate across the fields in heavy industry, agriculture, trade, high-tech sector, health care, services and other sectors. They are part of the everyday business environment and a cornerstone of the economy.

This article is focused on definition of SMEs, on aspects playing a major role in their process of internationalization, on their place and importance in the Czech economy including some examples. This research is a basis for drafting a concept of further SME development and export promotion.

## 2. SME DEFINITION

The definition of a SME differs country to country. Defining a SME means providing characteristics of a micro, small and medium sized enterprise; different quantitative terms and criteria such as the number of employees, annual turnover, balance sheet, and value of assets are used in various countries (Cernohlavkova, Sato, Tauser, 2007). This was a reason for confusion, statistical errors and complications with allocation of support and funds granted to SMEs of EU Members States by European institutions in the 1990s. In the single (common) market, it was essential to provide a

single definition in order to implement measures favoring SMEs in improvement of their consistency and effectiveness, and in limiting distortions of the competition.

The EU regulation that provides definition of a SME was approved in 1996 and has been amended several times since then. The definition applies for all EU Members States and is implemented by the European Commission for the policies, programs and measures that the EU operates for SMEs. Member States use the definition on a voluntary basis, but the European Commission invited them, together with the European Investment Bank (EIB) and the European Investment Fund (EIF) to apply it as widely as possible (European Commission 2005).

The European Commissioner responsible for enterprise and industry (G. Verheugen) in 2005 underlined the positives of SMEs as the engine of the European economy, an essential source of jobs and innovations, creators of entrepreneurial spirit and competitiveness approaches, indicated the new definition as a major step towards an improved business environment and promotion of entrepreneurship, investments and growth.

The definition is based on a set of indicators consisting of: number of employees (fewer than 250 persons) and annual turnover (not exceeding 50 million euro), and/or an annual balance sheet total not exceeding 43 million euros (European Commission 2005). Figure 1 shows the definition of SME in detail.

Enterprise/Criteria	Headcount Annual work unit	Annual turnover	Annual balance sheet total
<b>Micro</b>	< 10	≤ € 2 million (previously not defined)	≤ € 2 million (previously not defined)
<b>Small</b>	< 50	≤ € 10 million (In 1996 € 7 million)	≤ € 10 million (In 1996 € 5 million)
<b>Medium</b>	< 250	≤ € 50 million (In 1996 € 40 million)	≤ € 43 million (In 1996 € 27 million)

**Figure 1:** The new SME threshold and definition by European Commission in 2005  
*Source: European Commission (2005)*

Together with the measurable criteria, a SME should meet also the criterion of autonomy. Practically it means that the company is not anyhow linked with other companies owning more than a 25% share on the equity or voting rights (Cernohlavkova, Sato, Tauser, 2007). According to Vojík (2009), the EU is preparing an amendment to the definition, which will increase the number of employees to 500 in order to reflect changes in the ongoing globalization.

The set of multiple criteria for SMEs provides clear limits for companies that wish to enjoy incentives and preferential treatment tailored for this sector of economy.

### 3. SMEs IN THE CZECH ECONOMY

As mentioned, small and medium sized enterprises are an important sector of the economy of the Czech Republic. These companies contribute more than 50% of the GDP and are the biggest employers.

SMEs are relatively flexible and provide quick responses to changes in the external environment; they are, however, also very sensitive to this environment. SMEs have high absorption potential of the work force and the ability to fill gaps and niches in the market that are left by large companies because of their lower resolving power. SMEs are also quickly available for subcontracting.

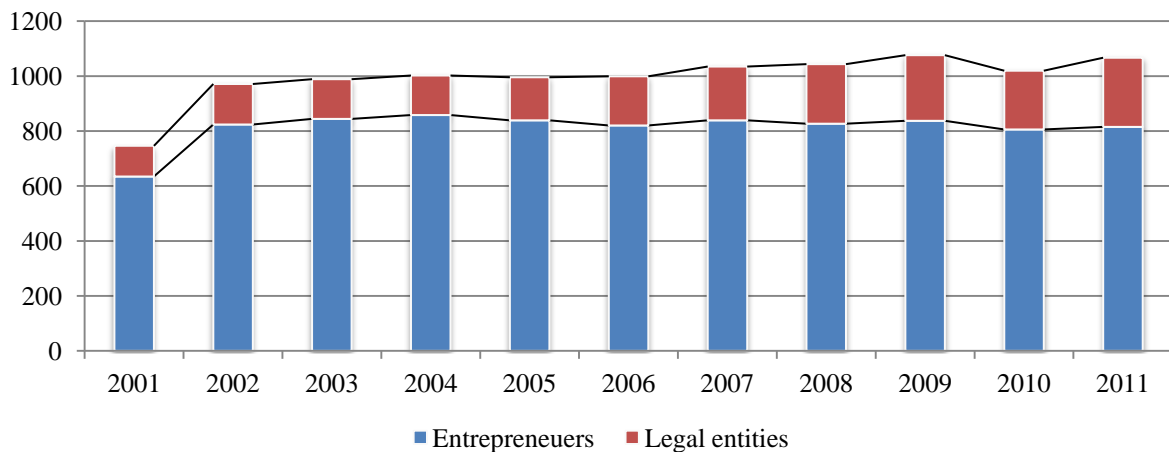
On other hand, SMEs do not have quick and easy access to financial funds and they have a lower ability to control and eliminate the consequences of fluctuation of external factors, namely in the initial stages of the company's development.

The mentioned importance of SMEs for an economy and their vulnerability lead governments to giving constant attention to the support of these companies. The support is perceived as a mitigation of challenges that SMEs face, not as favoring certain businesses at the expense of others (Czech Statistical Office, 2007).

The importance of the SME sector for the Czech economy is illustrated further. Data for a 10-year period (since 2001 to the latest data available for 2011) are used and only legal entities and individual entrepreneurs with less than 250 employees are considered. This approach ensures a high quality of judgments about the importance of the SME sector.

One of the most important indicators of the importance of SMEs for the Czech economy is the number of companies active in business (Figure 2). There is a positive trend in the overall number of companies operating a business with a slight fall in 2005 and 2010. The year 2010 and its drop was influenced and connected with the residual effects of the world economic crisis. Figure 2 also shows the ratio of entrepreneurs and legal entities. The share fluctuates for the first years of the monitored period around 16% to 17% of legal entities and 84% to 85% of the entrepreneurs, when it starts rapidly rising in the middle of the period and hitting 30% of the legal entities and 70% of the entrepreneurs in 2011. Because the absolute number of SME companies is more or less constant with some little increase, this trend is indicative for changes in the business environment as more and more entrepreneurs are establishing legal entities in order to expand their business and to be considered “more professional”.

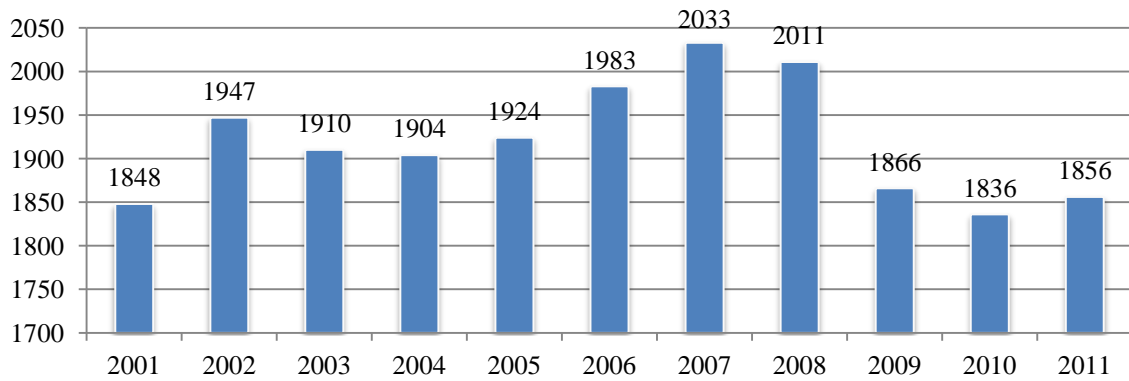
An important finding is that the share of SMEs in the total number of all active enterprises in the Czech Republic in year 2011 was 99.4% (financial sector excluded).



**Figure 2:** Number of small and medium sized enterprises in the Czech economy in thousands (2001 - 2011)  
*Source: Ministry of Industry and trade (2012)*

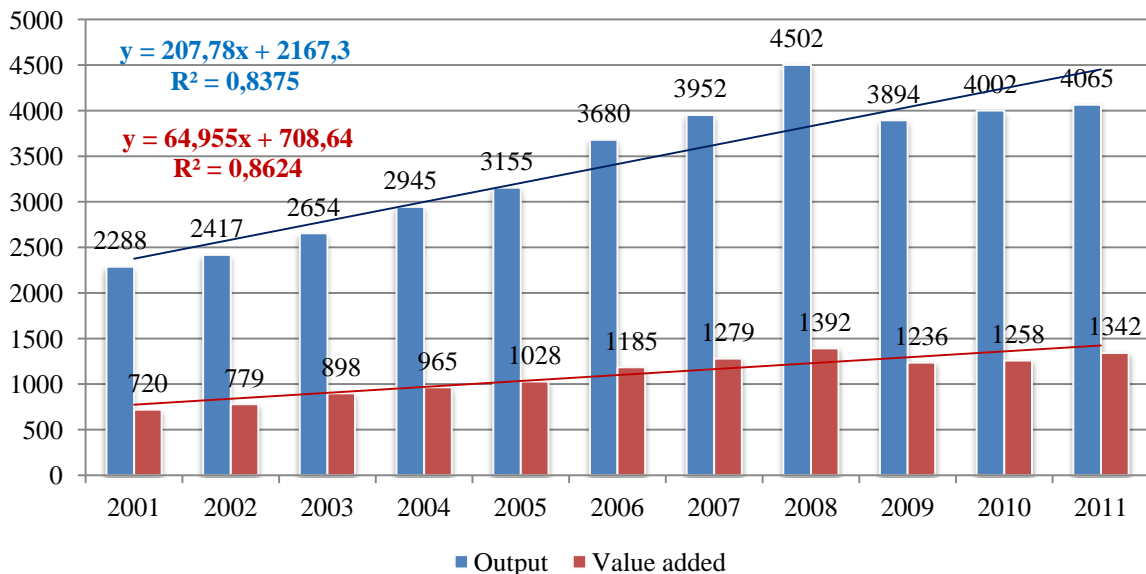
Number of employees (Figure 3) did not show any trend. This indicator is very sensitive to the changes that have taken place in the legislation over time and reflects all the tightening or loosening regulations. The peak employment and share was achieved in year 2007 (more than 2 million employees in SMEs). The difference between years 2007 and 2010, when the employment reached the 10 year minimum, amounted to almost 200 000 jobs, and was due to the overall rise of unemployment from 4.4% in year 2008 to 7.3% in the year 2010 in the Czech Republic. It illustrates how the SME segment is sensitive to the changes and fluctuations in the economy.

When focusing only on year 2011, the total number of employees in SMEs compared to year 2010 increased by 20 thousand which is 1.09% totaling 1856 thousand employees. It could herald a new positive trend which comes after a gradual, slow pace recovery from the crisis. In the same year the proportion of employees in SMEs was 60.85%.



**Figure 3:** Number of employees in small and medium sized enterprises in thousands (2001 - 2011)  
Source: Ministry of Industry and Trade (2012)

Figure 4 records the output accounted over the period and created value added. The peak was reached by both indicators in year 2008 and followed by a steep fall in 2009 to start a recovery again. Output compared to value added was rising at a faster pace pulled by growing overall GDP in the economic boom. The share of SMEs of the total output has been fluctuating around 50% when reaching 49.5% in year 2011. The accounting value added contributed to the total created value by 54.43%. As for the industrial sectors, SMEs in the construction business produced value added of 129 186 million Czech Crowns (CZK), in trade of 247 370 million CZK, in services value added amounted to 340 296 million CZK and in industry to 407 968 million CZK (MPO, 2012).



**Figure 4:** Output and value added by small and medium sized enterprises in billions CZK (2001 - 2011)  
Source: Ministry of Industry and Trade (2012)

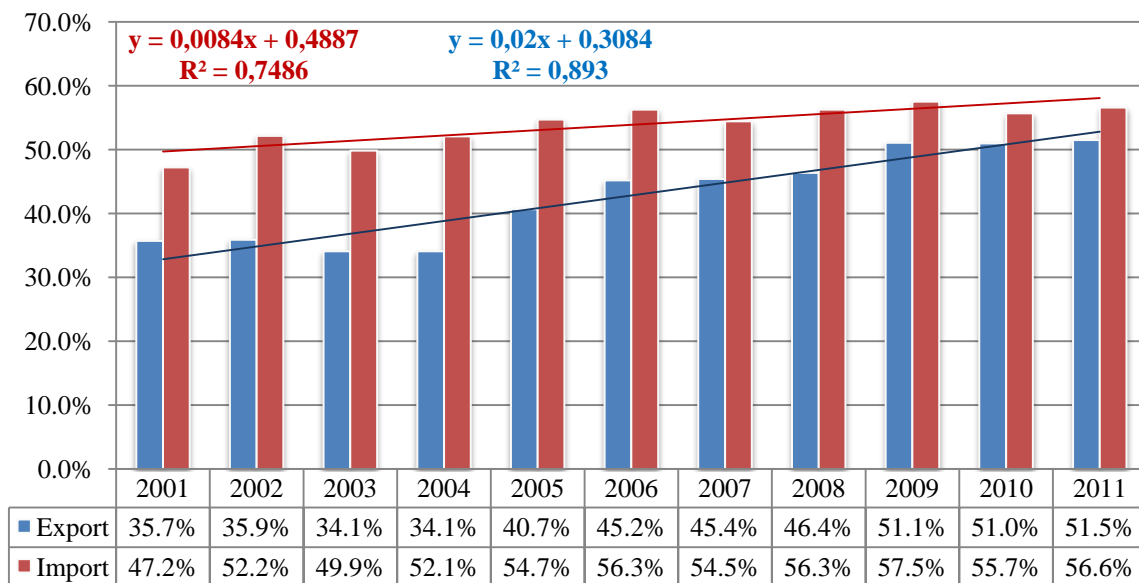
Labor costs over the period 2001 to 2011 were increasing gradually from 283 207 million CZK up to 474 685 million CZK. In 2011 the average salary level in the SME segment reached 21 313 CZK which was 10.24% lower than the national average salary in the private sphere.

Investment in the SMEs sector had risen from 169 280 million CZK to 339 288 million CZK (200% of increase) and was dedicated namely to high technologies, which confirms that innovations build SMEs' competitiveness.

#### 4. IMPORTANCE OF SMEs FOR FOREIGN TRADE OF THE CZECH REPUBLIC

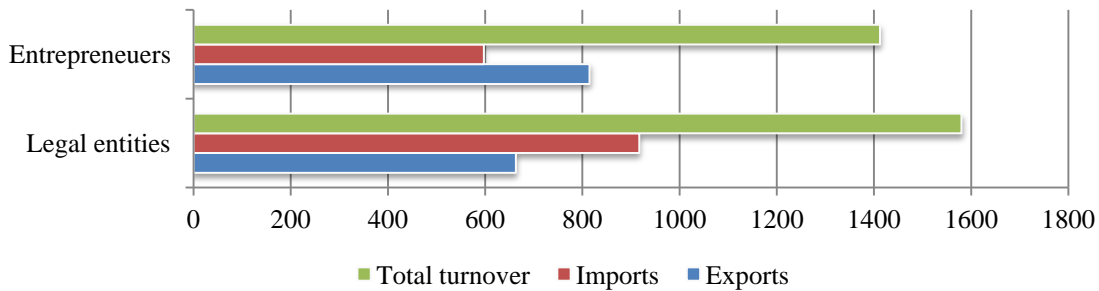
International trade is crucial for the open Czech economy with a relatively small internal market. In order to enhance competitiveness and to benefit from economies of scale, Czech companies need to expand their scope of operations to foreign markets and SMEs play a specific role in these activities. “In an increasingly international marketplace, many companies are finding that prosperity is best achieved from specialization, as opposed to diversification. While the majority of the world’s largest companies continue to provide multiple services to numerous markets, they now purchase many components and goods from smaller companies that serve one particular niche. As the global marketplace continues to develop, SMEs provide an effective tool for economic growth through participation in global supply chains” (GFP 2005).

Figure 5 provides information about the share of the SME’s segment in the total Czech exports and imports and confirms an important SME contribution to foreign trade. In importation, SMEs had the highest share of 57.5% in 2009, which meant in absolute values 1.144 billion CZK out of 1.989 billion CZK of the overall imports. Also in exportation, the share of SMEs is about 50% -- the highest share of 51.5% was achieved in 2011. In absolute values, it represents 1.478 billion CZK out of 2.869 billion CZK generated by exports. The trade balance of SMEs is, however, constantly negative, but with a positive trend in exportation. Whereas imports have been oscillating around 50% from the beginning of the observed period and have accounted only for moderate increases; exports sharply rose from a 35.7% share in year 2001 up to maximum share of 51.5% in year 2011. This trend is captured by the linear line where the difference in slope and steepness is obvious.



**Figure 5:** SMEs and the evolution of their contribution to international trade - in % (2001 – 2011)  
Source: Ministry of Industry and Trade (2012), own interpretation of the data

Figure 6 examines, in more detail, the previous data and attempts to highlight the composition of international trade of SMEs based on the legal form and size of the companies. As stated, SMEs tend to import more than they export and Figure 6 confirms this finding using the example of 2011 when imports together for both categories reached 1.514 billion CZK compared to exports reaching 1.478 billion CZK. Total turnover produced by the selected categories accounted for entrepreneurs 1.412 billion CZK and for legal entities 1.580 billion CZK. This means that legal entities were a slightly more important sub-segment of Czech foreign trade in 2011 than entrepreneurs of the SMEs sector.



**Figure 6:** International trade of SMEs in the Czech Republic according to legal form in billion CZK (2011)  
Source: Ministry of Industry and Trade (2012)

Despite the fact that entrepreneurs were, in 2011, less productive in total turnover, they were more successful in exporting than the legal entities and therefore contribute more into overall positive trade balance of the Czech Republic. The difference amounts to almost 10% when entrepreneurs cover 55.1% of all the exports in the SMEs segment. Conversely the legal entities stand for a majority of imports with a share of 60.5% which means a difference of 21% between these two segments.

The explanation could be quite superficial and simple. As entrepreneurs are usually individuals who have their own company and actually are employing themselves or a few more employees, they often run specialized family businesses in certain fields or branches and therefore are dependent on just a couple of products that represent the core of their business. They have to be successful on the market, if not, they terminate their business. This motivates them to place their products in foreign markets in order to ensure additional sales and income. On the other hand, the integration into foreign supply chains is easier for SMEs while legal entities may intend to include foreign entrepreneurs into their set of suppliers. On the contrary, legal entities can be seen as trading companies that care only about sales of whatever products on whichever market while being interested only in volumes. It seems that all the advantages are on the side of legal entities as these are usually more financially strong, with solid background and plenty of resources which should favor them in placing their exports internationally. The reality differs from theory and to explain this, an additional survey would have to be done.

## 5. INTERNATIONALIZATION OF SMEs

The European Commission (2010b) is aware of the fact that “A considerable number of European SMEs are engaged in international activities, but only a small percentage is involved in internationalization beyond the Internal Market of European Union.”

Due to advancing globalization, high integrity and intense global economic growth in third party markets has become more and more important for the development of international activities of European SMEs. This is a reason why SMEs are one of the main agenda items of the Strategy for Europe 2020. According to surveys (European Commission 2010; MPO 2012), 26% of European SMEs are engaged in export of their products or services, but only 13% of them export to markets outside the European Union. Given the fact that SME exportation represents more than 50% of the whole export of the Czech economy, the share of SME exportation on third party markets is an explanation for the excessive concentration of the Czech export on the European Union (about 80%). It is also one of possible explanations for the decreasing passive outcome of the Czech trade balance with non-EU countries, in which the SME importation represents an important share, and it happens despite the surplus of the overall trade balance (191 billion CZK in 2011). Other reasons for the low engagement of Czech companies, namely SMEs, in international markets outside of the EU are obstacles and challenges that these enterprises meet in overseas markets and which are very difficult to be faced successfully and effectively, from access to information through technology transfer organization to the protection of industrial and intellectual property. In the Czech export outside of the EU, only 17% of Czech companies are engaged.

Given the specific and important role of SMEs in the Czech economy and characteristics of the SMEs, the internationalization of SMEs cannot be managed without governmental support. Before finalizing the analysis and before the measures of such support are proposed, it should be correctly understood what is the meaning of internationalization and how to estimate it.



### **5.1 Characteristics of Internationalization**

Internationalization is generally understood as exportation and importation, but also other characteristics and indicators have to be used in order to estimate its level. There are certain so-called “natural rules” that can help us when describing the characteristics of internationalization.

The link between the size of the company and level of internationalization is one of them. The larger the company, the more it tends to internationalize. In Czech exports, 24% of micro, 28% of small and 53% of medium sized SMEs are engaged – in importation, they achieve 28%, 39% and 55% respectively.

Another possible approach is to consider obvious negative correlation between the size of the SME’s home country population and its level of international activity. The average number of exporters in European Union is around 25% of economic subjects. Bigger countries such as Germany, France and UK score under the average, whereas smaller countries like Czech Republic, Denmark and Sweden have much higher percentage of exporters.

The sectors with the highest share of SMEs exporting internationally are mining (58%), manufacturing (56%), wholesale trade (54%), research (54%), sales of motor vehicles (53%), renting (39%) and transport and communication (39%) (European Commission 2010b).

In the scope of engagement in international trade, the maturity and age of the company play a significant role. There is a gradual increase from 15% for companies up to four years of age to about 30% for companies that have existed over 25 years. Such companies also usually start their internationalization by importation – it happens twice as often as starting with exportation. Almost half of SMEs started with both exports and imports at the same time. Involvement in E-commerce is also positively correlated with higher activity in exports.

Barriers for internationalization represent major obstacles that do not allow SMEs to trade on foreign markets. These barriers can be internal such as the price of their product, overall efficiency, productivity and competitiveness compared to other companies or external such as lack of capital, adequate information, adequate public support and the administrative burdens associated with trade.

### **5.2 Effects of SMEs’ Internationalization on Business Performance**

Internationalization strongly relates to the business performance of SMEs, which is reflected in other indicators and performance measurements that influence the whole economy.

There is a positive correlation between being internationally active and reporting high turnover growth. More than 50% of SMEs that invest abroad and SMEs that are involved in international subcontracting reported increasing turnover in 2007-2008, whereas only 35% of SMEs that are not active internationally reported positive change in turnovers. Internationally active SMEs reported higher employment growth between years 2007 to 2008 than other SMEs (European Commission 2010b).

The results obtained from the survey of the European Commission were:

- Exporter’s employment growth 7%, non-exporters 3%.
- Importer’s employment growth 8%, non-importers 2%.
- SMEs both importing and exporting 10% employment growth; others 3%.
- SMEs with FDI employment growth 2007-2008 16%, others 4%.

Another strong relationship exists between internationalization and innovations. Around 26% of internationally active SMEs introduced products or services that were new for their sector in their country, and the same reported only 8% of other SMEs. Internationally active SMEs are also involved in innovation processes that are new for their sector in the country.

## **6. EU SMALL BUSINESS ACT**

“Adopted in June 2008, the Small Business Act for (SBA) reflects the EU Member States' political will to recognize the central role of SMEs in the EU economy and for the first time puts into place a comprehensive SME policy framework for the EU and its Member States. It aims to improve the overall approach to entrepreneurship, permanently anchor the 'Think Small First' principle in policy making from regulation to public service, and to promote SMEs' growth by helping them to tackle the remaining problems which hamper their development” (European Commission 2011b). Under this Act, the European Commission has established so-called “Market Access Teams” (MAT) on the markets of 30 key economies with the goal to help European SMEs to deal with specific particular access markets problems. The Small Business Act and its 10 core principles have to be used as guidelines for the EU Member States when designing the system of SMEs support. Hence it is necessary to include these 10 principles, as seen in Figure 7.

Principal	Description of the principle
1.	Create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded
2.	Ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance
3.	Design rules according to the “Think Small First” Principle
4.	Make public administrations responsive to SME needs
5.	Adapt public policy tools to SMEs’ needs: facilitate SMEs’ participation in public procurement and better use State Aid possibilities for SMEs
6.	Facilitate SMEs’ access to finance and develop a legal and business environment supportive to timely payment in commercial transactions
7.	Help SMEs to benefit more from opportunities offered by the Single Market
8.	Promote the upgrading of skills in SMEs and all forms of innovation
9.	Enable SMEs to turn the environmental challenges into opportunities
10.	Encourage and support SMEs to benefit from growth of markets

**Figure 7: Small Business Act - 10 core principles**  
Source: European Commission (2008)

## 7. EUROPEAN UNION CONTEXT FOR CZECH SMES

Structural business statistics can be analyzed by enterprise size class (defined in terms of the number of persons employed). The overwhelming majority (99.8%) of enterprises active within the EU-27’s non-financial businesses in 2012 was estimated to be small and medium sized enterprises (SMEs) – some 20.7 million as can be seen at Table 1.

Italy had the highest share of the total number with more than 3 792 SMEs. The second highest share was held by France and third by Spain. The Czech Republic placed 7<sup>th</sup> out of the whole EU. The highest share of micro companies was achieved by Greece (96.6%); in Slovakia, small-sized companies represented 16.1% and middle-sized 3.7%. The lowest share of micro companies was in Slovakia 79.7% and of larger companies in Greece (0.05%). Czech Republic has more or less comparable data as its neighboring countries.

**Table 1: Analysis of the number of enterprises by enterprise size class, non-financial business economy (estimates for 2012)**

		EU	IT	FR	ES	DE	UK	PL	CZ	EL	SK
<b>Total number of enterprises</b>	In Thousands	20771	3792	2458	2457	2107	1653	1397	940	759	68
<b>Micro</b>	In %	92,2	94,6	93,1	93,9	83,3	89,4	95,7	95,5	96,6	79,7
<b>Small</b>		6,5	4,8	5,8	5,3	13,7	8,7	3,0	3,7	3,0	16,1
<b>Medium</b>		1,1	0,5	0,9	0,7	2,6	1,5	1,1	0,7	0,4	3,4
<b>Large</b>		0,2	0,1	0,2	0,1	0,5	0,4	0,2	0,1	0,1	0,7

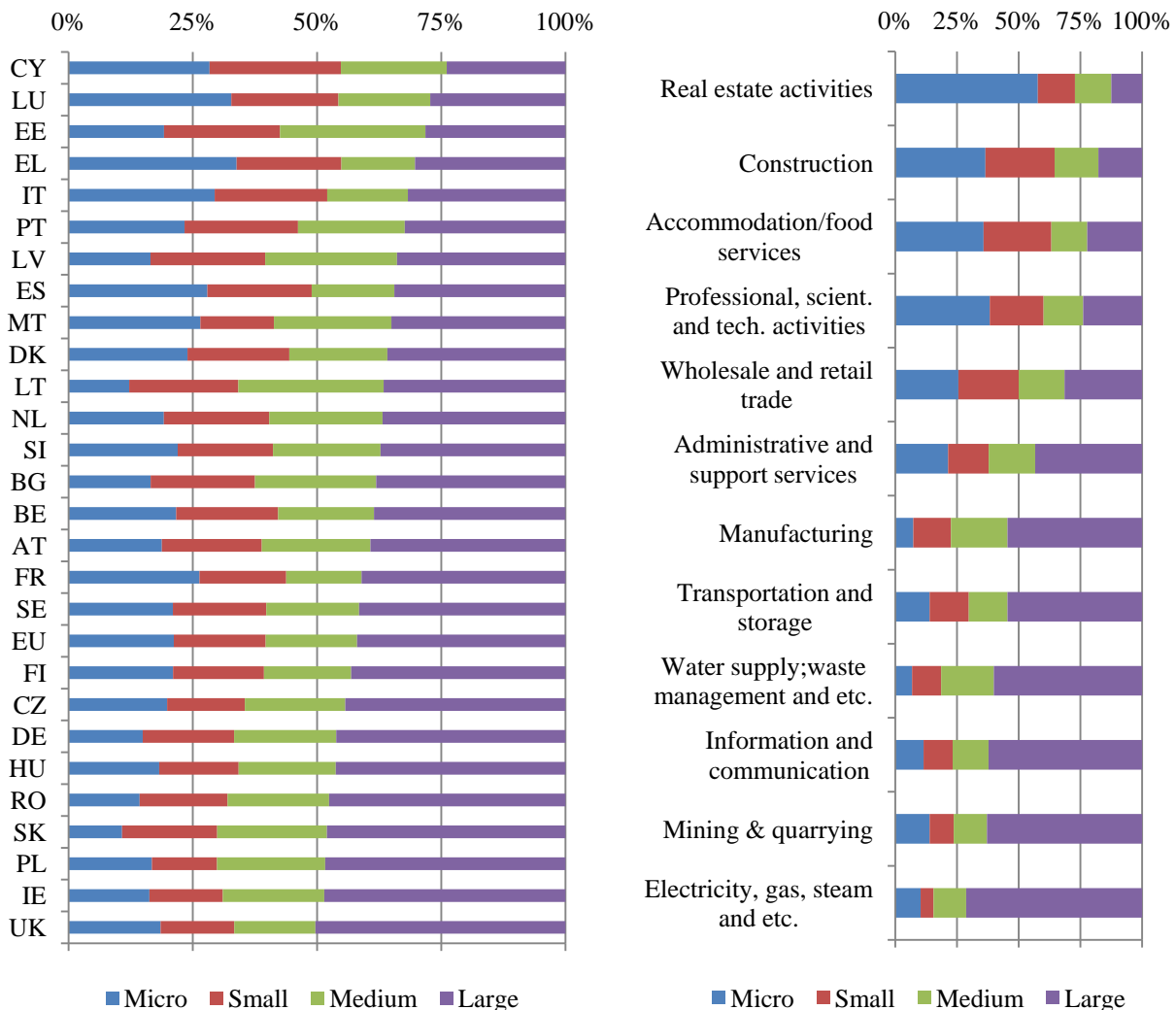
Source: Eurostat (2012a), own interpretation of data



The relative importance of SMEs was particularly high in Italy, Portugal and Spain. Some of these differences may be explained by the relative importance of particular sectors in the national economies or by cultural and institutional preferences for self-employment and/or family-run businesses.

According to latest data and estimates, all the European SMEs together generated 58.1% of value added within the non-financial business economy in year 2012. More than 92.0% enterprises in the EU-27 were micro enterprises and their share of non-financial business economy value added was considerably lower at 21.2%. These data are available for examination in Figure 8. Czech Republic followed the EU-27 average values with nearly 2/3 of value added produced by SMEs. Two extremes are Cyprus with more than 75% share of value added generated by the SME sector, and the UK, where large companies contribute more than 50% to total value added. Greece with its highest portion of micro companies owns the first place in share of total value added produced by this type of enterprises.

The Czech Republic implemented the EU Small Business Act into its Law No. 47/2002 Coll. The law deals with the system and instruments of the governmental support for SME and defines the forms of support: financial contribution, subventions, guarantee, credit with a lower interest rate and indicates fields in which the project could be supported: investment, economic and technical consultancy, business information, research and development, new jobs, participation in fairs.



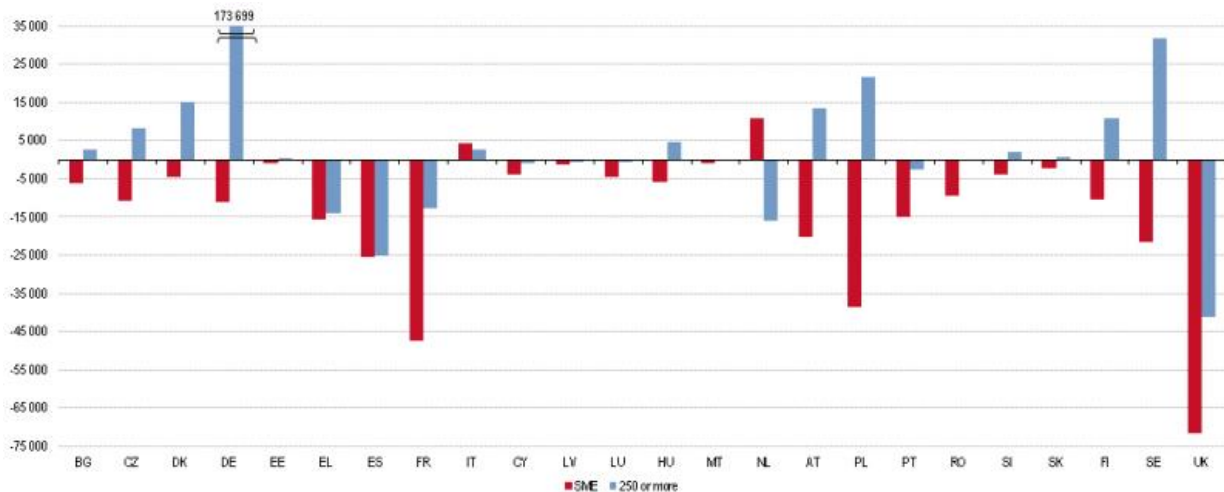
**Figure 8:** Value added by enterprise size class, non-financial business economy, EU-27 and by industry in % (estimates for 2012)

Source: Eurostat (2012a), own interpretation of data

The second part of Figure 8 displays the main business sectors with SMEs' share for the whole EU. The real estate activities, construction, accommodations and food services, professional, scientific and technical activities represent sectors with more than 75% share of the total value. The weakest are energy supply and mining and quarrying. The respective categories of the SME segments which are the most competitive are: Micro – Real estate, Small – Construction and Middle-sized – Manufacturing.

In Figure 9, analyses of trade balances of EU countries show that in 2010 SMEs accounted for a considerable share of overall EU trade. Indeed, SMEs stood for 55% of all imports and 47% of exports within the EU (intra-EU trade). Concerning the extra-EU trade, SMEs were responsible for 47% of imports while contributing by 39% to all exports indicating that SMEs tend to be engaged more in trade within the EU than outside it. Figure 9 also shows that in most countries, the imports made by SMEs exceeded exports and thus caused negative trade balances which had to be offset by large companies' positive trade balances. In most European countries, large companies accounted for trade surpluses.

Czech Republic experienced the same situation when its SMEs ended year 2010 with a negative trade balance although the Czech Republic has maintained, for a long time, considerable trade surpluses with most European Union Member States (Figure 9). A conclusion to this analysis is that in the Czech economy, there is a critical importance of large companies for the trade balance which is, however, due to the fact that their exportation or importation do not mean a change in the ownership of the product that is transported over the borders (Czech National Bank 2010).



**Figure 9:** Trade balance of intra-EU trade by enterprise size in thousand EUR (2010)  
Source: Eurostat (2012b)

## 8. EXAMPLES OF SUCCESSFUL CZECH SMEs

Czech SMEs are able to compete on world markets in different fields of business. For instance, a company called “Crocodille” that is a completely Czech owned SME, started its business just after the dissolution of Czechoslovakia. It produces sandwiches and other delicatessen products, operates on Central European markets and achieves steady economic results with high profitability. After capturing the majority of the domestic market, it pounced on foreign markets and shortly after became a market leader.

Another example is the Sindat Group and its holdings, which specialize in high-tech production, innovations in the nanotechnology industry as well as other activities. It is a prime example of an innovation driven company that gains competitive advantages from flexibility and adaptability to external changes.

The enterprise Emco is a great illustration of a globally prosperous company, exclusively owned by Czech entities. It is engaged widely in international trading. Emco belongs among the most important food producers in the Czech Republic; it has more than 50% of the market share in the muesli segment. It is present on 30 world markets and it has its own factories in Russia. It is one of the few companies that is successfully present on the highly developed and competitive USA market as well.

Other SME companies are internationally successful in other sectors, for example in heavy industries and chemical engineering, production of high value added goods (Panep – medical equipment, Aries – compression stockings ) or services (Opametal – recycling of used raw materials). The common feature of these companies is the craving for success and continuous development of their products as well as precise internal processes.

## 9. CONCLUSION

Small and medium sized enterprises are vital for all EU economies and as well as for the Czech economy. Through the statistical data analysis, it is proven that SMEs are indispensable for the economy namely because they fulfill core functions consisting in the main source of employment, innovations and competitiveness. Each sub-segment of the SME sector (micro companies up to 10 employees, small companies with less than 50 employees and medium sized companies with less than 250 employees) plays a significant role in various industries; they are usually responsible for a considerable contribution to the GDP and foreign trade of a country. In the Czech Republic, the share of the total number of companies (excluding the financial sector) is over 99%; the share of employment in the Czech economy exceeds 60%. The share of total output achieves almost 50% and the contribution to total value added is almost 55%. The SMEs represent more than 50% of the exportation and more than 56% of importation. It is a reason for minimizing the regulatory burdens on SMEs, in particular for micro enterprises. In order to achieve this goal, the EU Member States implement the “Think Small First” principle that is the basis of the EU Small Business Act and actions applicable at Member States level. The Czech Republic follows this policy as well.

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