

Study of SMEs Internationalisation Activities in the Ústí Region

Executive Summary

Characteristics of the Region from an SME Internationalisation Perspective

The Ústí Region is a significant industrial centre with a high concentration of industrial enterprises in the fields of power engineering, chemistry and automotive. There is a high number of jobs in large companies (over 50%). The Czech Republic itself has been strongly focused on export since the 19th century. Currently it is mainly in the fields of machine engineering, automotive & chemistry and more recently, ICT.

Export Composition of the Ústí Region (% share of total exports)

| Industrial Sector | % |
|---|------|
| Oil, oils from bituminous rocks, waste oils | 8,42 |
| Parts & accessories for motor vehicles | 7,43 |
| Glass | 6,08 |
| Furniture & parts, mats, mattresses and other upholstered furniture | 4,16 |
| Pipes, tubes, hollow profiles, iron, steel fittings | 4,00 |
| Paper and paperboard | 3,83 |
| Ethylene polymers in primary forms | 3,72 |
| Vacuum valves, X-ray electrons, diodes, transistors etc., parts | 3,13 |
| Other electrical devices (batteries, bulbs etc.) | 2,91 |
| Polyacetates, polyethers and epoxy resin | 2,61 |
| Other plastics in primary forms | 2,23 |
| Other means for power distribution | 2,09 |

The statistics show that export from the Ústí Region is relatively high (5th – 6th place out of 14 Czech Republic regions). However, most exports are from large, mainly international companies linked to their values chains. Despite this, there are examples of successful companies in the region which fulfil the ambition “born global”; companies primarily focused on foreign markets.

SMEs Situation

About 173,000 entrepreneurs operate in the Ústí Region but the overwhelming majority are self-employed people (individuals) or people with a trade licence but not doing any business. The actual number of real, functioning businesses is estimated to be around 22,000 (trading companies including micro-businesses), of which some 10% could be included export support programmes.

The results analysis of the SBA initiative (Small Business Act) showed that the share of manufacturing SMEs trading outside the EU was four times lower in the year 2015 than those trading in the European Union. At the same time the level of internationalisation was shown to be the weakest part of the whole SBA in the Czech Republic. According to the analysis, this situation is a result of the heavy administrative burden for exporters which they face even when exporting to EU countries.

The Economic Chamber confirms the following:

- 25% of SMEs in the EU export, of which around 50% export to countries outside the EU (13 % in the Czech Republic),
- 29% SMEs in the EU import, of which 50% import to countries outside the EU (14% in the Czech Republic),
- 7% SMEs within the EU cooperate with foreign partners,
- 7% are subcontractors of a foreign company,
- 7% have foreign suppliers,
- 2% of SMEs are active in FDI (foreign direct investment)

SWOT Analysis of Ústí Region from the perspective of Business Internationalisation

Strengths

Most large companies export
 There is an export knowledge
 (mainly 'back office')
 Position, transport accessibility

Weaknesses

Low level of SME internationalisation
 Lower level of knowledge among key staff
 Availability of information in the region

Opportunities

Government export-support programmes
 Availability of resources from ERDF
 Network of export support services on the national level

Threats

Exchange rate risks
 Administrative demands of export
 Transformation of companies into fields with higher added value

Key players on a National Level, Regional Partners supporting of Company Internationalisation.

The Ministry of Industry and Trade (MIT) – it has been authorised by the government to implement export policy. It is a guarantor of the CR export strategy. It has set up a specialist agency CzechTrade to support foreign trade and an agency CzechInvest for foreign investments (FDI) and SME support. It is a managing authority of the SME support programmes.

The CR Ministry of Foreign Affairs – it provides territorial information through the network of embassies and supports export in target countries.

CzechTrade – an agency for SMEs which has set up a specialised business information portal. It provides information support for exporters ('green line', market analysis) and arrangements for common participation at trade fairs.

The Economic Chamber – assists with export documentation, education and facilitates business contacts.

EGAP and the Czech Export Bank – they deal with funding exports including insurance for high-risk countries where standard export funding within the commercial sphere is not possible.

European Business Network – it operates here through a main partner organisation, the Czech Republic Technological Centre of the Academy of Science.