

Chapter 6

Small and Medium Enterprises in the Slovak Republic: Status and Competitiveness of SMEs in the Global Markets and Possibilities of Optimization

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ABSTRACT

The main goal of this chapter will be the clarification of SME's in Slovak republic as the main creator of value in the Slovak republic, which is one of the semi-developed countries in EU. In the Slovak Republic have small and medium enterprises irreplaceable role particularly in job creation and regional development. This chapter has three main sections, which are interlinked. First main section is about the current conditions of SMEs in Slovakia, where are explained in detail business environment in Slovakia and also support for SMEs. Second main section deals with SMEs and international cooperation, where are described business risk, internationalisation of SMEs in EU markets and analysis of SMEs possibilities. Third main section is about entry strategy into foreign markets and competitiveness of SMEs and in this section you can find entry strategies of enterprise on foreign markets and competitiveness of Slovakia and Slovak SMEs.

INTRODUCTION

Considering the fact that the world economy is still recovering from financial crisis, which began in 2008, a number of economies urgently need to create employment opportunities for their citizens. With the creation and growth of SMEs (SMEs), this sector became an important part of most economies, especially taking into account the significant contribution of SMEs to employment and gross domestic product (GDP).

DOI: 10.4018/978-1-5225-1949-2.ch006

Furthermore, entrepreneurship has become the basic cornerstone of effective operation of a market economy. For the Slovak Republic, whose main objective is to reach the level of developed European countries in the shortest possible period of time, business development has extraordinary importance. Business performance became a driver of changes, a measure of economic development, a tool of SME adaptation and a condition to stay within major global economic trends.

The main objectives of this chapter are to evaluate the situation with SMEs in Slovakia and their competitiveness.

This chapter consists of three main sections. The first section focuses on current conditions of SMEs, the business environment and level support to SMEs which is one of the biggest problems in Slovakia. The second part deals with SME growth and entry strategy opportunities in the global market, possibilities of optimization of international cooperation of SMEs. The objective of the final third section is to evaluate an entry strategy into foreign markets for competitiveness of SMEs because this could also improve their position in the EU market.

BACKGROUND WITH LITERATURE REVIEW

While evaluating SME dynamics in EU member states the author observed some encouraging post crisis trends. Despite the fragile economic environment, the latest estimates indicate that SMEs in a growing number of countries are starting to recover and to contribute to economic growth of the respective countries (European Funds and Slovakia, 2014). Although there are still many countries where the situation got worse, the overall average trend is that SMEs record a recovery. While in 2009 SMEs in 22 EU member states recorded a negative growth of real gross value added and employment, the situation in 2011 was more positive, with only three member states finding themselves in such a bad position, while further 13 countries recorded positive real gross value added and employment growth. In 2012 there remained only two member states with a negative growth rate of both indicators (European Funds and Slovakia, 2014) revealing a possible recovery process.

All businesses, SMEs included, enter the market with two goals: meeting the needs of customers and making a profit. Usually there are a lot of potential customers, they are diffused and differ in their purchase requirements. Therefore, instead of business competition across the market with lots of competitors, they have to define the most attractive customer groups which they could efficiently satisfy. The starting point in choosing target groups, to which the company wants to focus on, is to understand the needs, motives and behavior of customers, overall market development as well as future trends (Belás, Demjan, Habánik, Hudáková, & Sipko, 2015).

SMEs provide an irreplaceable contribution to economic growth, employment and competitiveness of each country, but because of their size they are sensitive to changes in the external environment and their productivity is disturbed by existence of business barriers. SMEs are not able to maintain control of markets in which they operate or take higher business risk and they have insufficient capital. It is their valid need to receive active and effective support, especially in specific sectors such as agriculture, science and research, start-up of entrepreneurship and employment of the first employee.

In this regard it can be noted that SME development is one of the priorities of economic development of the Slovak economy. The most important factor of this development is the creation of an appropriate business environment implying simplification of legislation, reducing administrative, social contributions and tax burdens, reinforcement of infrastructure and improvement of access to capital. Therefore,

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