

# **Slovak Small and Medium Enterprises on Common European Market**

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*Abstract:*

*The aim of the article is to present the position, opportunities and threats for slovak small and medium enterprises on common european market. Special attention is given to factors that small and medium enterprises in Slovakia can use to leverage their resources and to overcome barriers to be successful on common european market.*

*Key words:; small and medium enterprises, common european market, opportunities and threats.*

## **Introduction**

Slovak small and medium enterprises think mostly positively to become full member of the European Union. They expect an easier access to almost four million large internal market of European Union, easier access to new technologies and knowledges, to various sources of financial means. Last but not least, they expect reduction of former biocratic hindrances and more business ethics in business life which the small and medium entrepreneurs very often miss. Of course, the expectations are not only positive. Small and medium enterprises are fully aware of the fact that membership in the European Union brings also stronger competition.

Small and medium enterprises in Slovakia have two ways how to deal with the process of economic integration and internationalisation of businesses:

- to monitor all aspects of economic integration and internationalisation of businesses and modify steadily its strategy and behaviour,
- actively join in internationalisation process.

The first approach has a character of passively confirmation to internationalisation's trends. This way choose mostly small firms in Slovakia

which want to produce for local markets or firms which don't have enough money, qualifies staff or essential know-how to enter international markets.

The second approach assume active joining in internationalisation process. This strategy don't see internationalisation as a threat of its entrepreneurial activities but perceive it as an opportunity. This approach is as a rule connected with a change from a national to a multinational company.

## **1. Slovak small and medium enterprises on common european market**

Competitiveness of small and medium sized enterprises (SMEs) in Slovakia is an effect of a number of economic, social and even cultural factors. The SMEs potential is a resultant both of the behaviour of entrepreneurs themselves and the state, as well as the so-called external conditions.

For slovak small and medium enterprises the membership in European Union offers a number of *challenges* (opportunities):

- a bigger market,
- easier access to new technologies,
- higher quality of services for enterprises due to stronger competition,
- the possibility to take advantages of the structural funds and other forms of assistance – on the basis of the same conditions the small and medium enterprises from the current EU member states have.

On the other hand, in order to survive slovak small and medium enterprises have to increase their competitiveness and adjust to the EU standards. Both are costly and time-consuming.

We can assume 2 main *threats* for slovak small and medium enterprises due to the European integration:

- the rise of competition on domestic market as well as
- the necessity to bear considerable financial costs for adjustment to EU standards.

Not each company is able to manage these challenges. Those businesses, which are run in a modern way and have been already active on foreign markets, are at good starting point. On the contrary, local companies, with no strategy for the future – in compliance with the Single European Market requirements can be shocked by the consequences of the integration.

In order *to be competitive* on the domestic and foreign markets small and medium enterprises *in Slovakia* have to *fulfill several basic conditions*, among them the following:

- to achieve high quality of their products and services,
- to apply modern and efficient technologies,
- to introduce an effective managerial and promotion scheme and put more effect into networking,
- to possess skilled personnel and management staff,
- to enter an easily accessible and widespread system of economic information on products and services.

## **2. Ways to leverage SMS's resources and overcome barriers to internationalization**

There are *five factors that small and medium enterprises in Slovakia can use to leverage their resources and overcome barriers to internationalization*.

The first factor is to build and obtain *managerial skills*. Management is science and art. The first can be acquired; the second one can be developed through commitment and by „learning by doing“. For many enterprises, then, venturing into global markets implies a change in management strategy. There is a lot of evidence that successful internationalising SMEs have a particular management style. Generally they have a well-structured management, which concentrates on core activities, often buying-in not only physical inputs, but also business services.

The second factor is *good planning*. Entry into international market must be carefully prepared for. In general, enterprises are waiting a few years entering these market to set concrete goal for sale revenue and profits. As earlier SMEs set goals for volume sale, expenses and profit, they move higher, because they could control the whole process of international activities.

The third factor is *to find appropriate foreign strategic liaisons/partners*, who know the domestic environment, legislative and non-legislative barriers, and the customer requirements. It all includes the right market orientation. This encourages a culture of learning about the markets and activities required to enter foreign markets. In connection with this it is extremely important that the new accession countries reinstalled the confidence between them and strengthen to build strategic alliances within and linked to the CEFTA agreement. In the course of the process of enlargement of the EU it would be necessary to have a deeper integration among the Central-European economies.

The fourth factor is *technical capability and knowledge*. Many experts believe, that the key to a successful launch onto the global market is the capability of technical advantage, derived from advanced scientific knowledge. Yet, while it is undoubtedly important to continue to encourage the exploitation of new scientific knowledge, this must be understood in the right context.

The fifth factor for success is *quick adoptivity and respond*. What really characterises the successful globalizing enterprise, wheather large or small, is that it correctly identifies market opportunity and is able to organise itself quickly to respond to that opportunity.

National SME's authority - National Agency for Development of Small end Medium Entrepreneurship (*NADSME*) in Slovakia initiated measures to support the development of small and medium entrepreneurship sector and to promote internationalization of small and medium enterprises. The three major tools of primary importance were oriented to the following issues:

- *Information centres for small and medium enterprises*

In order to minimize lack of information, it was necessary to have a comprehensive databank providing the necessary information to small and medium enterprises via easy access. Such databases include all types of relevant business information that can be defined. Especially European Information Centres acting through the whole country are of big help to small and medium enterprises.

- *Training programmes in the field of internationalisation*

The operation of small and medium enterprises is not anymore only local/national, but European/global. Because of the complexity of the legislation, problems for the application at the local levels, a specific know-how is required for surviving and growth. Many special tailor-made training programmes for small and medium enterprises were offered, similar to programmes offered by EU trainig institutions and consulting companies, which purpose is to reply to those new needs which appear in the concrete application of the European politics at local level.

- *Promotion of foreign direct investment*

Foreign direct investment is a reservoir for economic development by bringing a package of capital, technology, managerial skills and access to market and this is why there is a need to be tapped much more than in the past. Foreign direct investment by small and medium enterprises are still relatively low. Special attention should be devoted to cross-border cooperation, which also strenghten the good neighbourhood among the central european countries. In a liberalizing and globalizing world economy competition is everywhere and small and medium enterprises therefore increansingly need to supplement their national sources of efficinecy, management skills and competitiveness (by means of foreign direct

investment). As regards outward foreign direct investment domestic small and medium enterprises could become supplier to big and multinationals firms.

### **Conclusion**

There are many opportunities available for our small and medium enterprises in international operations on common european market, but there are also many risks involved. For slovak enterprises, wheater they are big or small, the survival issues on common european market are innovationn, innovation, innovation. Small and medium sized businesses have proven again and again their creativity to overcome bottlenecks. There is no reason that they had to fear the internationalisation of businesses as an unavoidable threat.

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