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Competitive Strategies: A New Perspective on the Internationalization of Czech Enterprises

Šárka Zapletalová

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Silesian University in Opava
School of Business Administration in Karviná
Institute of Interdisciplinary Research
Univerzitní nám. 1934/3
733 40 Karviná
Czech Republic
http://www.iivopf.cz/
email: iiv@opf.slu.cz
+420 596 398 237

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Abstract
Šárka Zapletalová: **Competitive Strategies: A New Perspective on the Internationalization of the Czech Enterprises**

The entrance of an enterprise on the market itself allows for a significant business opportunity. The entrance and activities of entrepreneurial subjects on the international markets can be complicated owing to a number of factors that are given by the environment on one hand, and by the position and situation of the entrepreneurial subject itself on the other hand. The companies that decide to enter international entrepreneurship must be aware both of entrepreneurship opportunities and risks, which are inseparably connected with entrepreneurship. Entrepreneurial activities on international markets bring significant changes in strategy and strategic management of enterprise and are conditioned by them as well. This paper aims to investigate the competitive strategies of Czech companies on the international markets at the first foreign entrance. The paper is based on data collected in interviews with managers and founders of Czech enterprises. The companies included in the study are those that have already undertaken internationalization activities and are incorporated in the Czech Republic. Strategies of the Czech enterprises have been researched using the method of questioning: the main primary data collection instrument was a questionnaire-interview.

Key words

Czech enterprises, internationalization, international markets, Porter’s competitive strategy, strategy

JEL: F23, M16

Contacts

Šárka Zapletalová, Department of Business Economics and Management, School of Business Administration, Silesian University, Univerzitní nám. 1934/3, 733 40 Karviná, Czechia, e-mail: zapletalova@opf.slu.cz.

Introduction

The entrepreneurial subjects who are applying the growth strategy must decide soon or later about the internationalization strategy if they plan expansion not only on the domestic market, but also on the international markets. The entrance of a company on the market itself allows for a significant opportunity, so long as the said company possesses the proper readiness which grants it the chance to develop entrepreneurial activities (business) in the international markets. The internationalization of entrepreneurship activities counts among strategic long-lasting decisions; these decisions bring significant changes in running a company and are conditioned by them as well. Michael Porter revolutionized thinking about competitive strategies twenty years ago with the development of three generic strategies that companies can adopt to outperform industry rivals: overall cost leadership, differentiation, and focus (Porter, 1980a). Porter (1980a) transformed the theory, practice, and teaching of business strategy. He described competitive strategy as taking offensive or defensive actions to create a defendable position in an industry, to cope successfully with the five competitive forces and thereby yield a superior return on investment for the company. When engaging in cost leadership, the company produces products for a wide customer group with lower costs resulting from economies of scale. When following a differentiation strategy a company attempts to differentiate the product offered that is perceived industry-wide as unique, thereby increasing and/or capturing consumers who have relatively inelastic price sensitivity of demand. The third generic strategy is the focus strategy in which the company targets a particular buyer group, segment of the product line, or geographic market. Many companies have ignored any strategy all together (Porter, 2001; Barney, 1997) or have defined price as the primary and in many cases sole competitive variable (Stark et al., 2002). There are some factors, external and internal factors, behind the choice of the competitive strategy on international markets.

The objective of this paper is to investigate empirically competitive strategies of the selected Czech enterprises on international markets at the first foreign entrance. The main research question of the paper is: which factors affect the choices of the competitive strategy on the international markets at the first international entrance? In this research study, capabilities of the company (as resources, knowledge or experience) were investigated as internal factors influencing the selection of competitive strategy (Porter's competitive strategies). More specifically, the analysis is aimed at better understanding of the relationship between international competitive strategy and selected factors such as company size, industry, resources, knowledge, and experiences with international activities. The study is based on primary data collected from a recent survey of Czech companies. The relationships of interest are analyzed using relevant regression techniques. The paper is organized into three parts. The first part of the paper outlines selected theories dealing with the internationalization strategy and competitive strategy of enterprises. The second part of the paper aims to present and then interpret results of the survey carried out among Czech entrepreneurial subjects. Finally, the last section provides conclusion of the research and offers discussion of the most important implications. The results of the analysis are discussed and further recommendations are provided for managers in the last section.

1. Review of Relevant Literature

The term internationalization of entrepreneurial activities refers to all those entrepreneurial activities which involve cross-border transactions of goods, services, and resources between two or more nations. Transactions of economic resources include capital, skills, people etc. for international production of physical goods and services such as finance, banking, insurance, or construction etc. The internationalization of entrepreneurial activities is represented by geographic expansion of entrepreneurial activities across national borders (Lopez et al., 2009). Companies go international for a variety of reasons but the typical goal is the company growth or expansion. The problems of the internationalization of entrepreneurial activities have received a considerable interest among a number of significant economists (Johanson, Lopez, Andersen etc.). Studies of international entrepreneurship often focus on the pattern and speed with which new companies break into foreign markets (Jones et al., 2011; McDougall et al., 1994; Sapienza et al., 2005; Zhou et al., 2010). For more than three decades the academic community has studied internationalization and its implications for the company performance (Peng, 2001; Fong and Ocampo, 2010; Roxas and Chadee, 2011; Jiang et al., 2014, Białek-Jaworska and Gabryelczyk, 2016). In the last decade, the strategies of internationalization have been included among most relevant topics in managerial literature. New perspectives are flourishing and new approaches combine different approaches, knowledge and competences. Studies on the internal factors on the internationalization process and competitive strategy focus on having strong leadership on top, strong management team (Ghosh et al., 2001; Wijewardena and De Zoysa, 2005), entrepreneur (Knight, 2000; Benzing et al., 2009), management team's international experience (Reuber and Fischer, 1997), product quality (Wijewardena and De Zoysa, 2005), satisfying customers' needs, the ability to develop and sustain technological advantage, the ability to identify and focus on one or several market niches/regionalization (Ghosh et al 2001), the availability of financial and technological resources, strategic alliances (Hoffmann and Schlosser 2001, Wijewardena and De Zoysa, 2005; Al-Mahrouq, 2010), and competitive strategy (Lavie and Fiegenbaum, 2000; Pertusa-Ortega et al., 2009).

When a company hires international employees or searches for new markets abroad, an international strategy can help diversify and expand a business (Twarowska and Kakol, 2013). The progress and speed of business activity internalization depends on the importance and role that is assumed to the international entrepreneurship within the entrepreneurship strategy of the particular company. Strategy is a process that can allow an organization to concentrate its resources on the optimal opportunities with the objectives of increasing sales and achieving a sustainable competitive advantage (Kotler, 2012). According to Chaffee (1985), strategy is the determination of the basic long-term goals of the enterprises, and the adoption of courses of action and allocation of resources necessary for carrying out these goals. Corporate strategy applies at the level of a company engaged in different business segments: the multi-business corporation. It essentially defines the portfolio of businesses in which the corporation wants to be and the resource allocation pattern among those businesses. If the corporation operates internationally, the corporate strategy will be an international corporate strategy which will incorporate the choice of regions and countries in the corporate portfolio (Lasserre, 2007). A business strategy is then used as an umbrella term to denote the broad range of strategic options open to the company, including both organizational and functional management strategy, product/market strategies, and diversification strategies (Barringer and Greening, 1998). It consists of integrated decisions, actions or plans that will help to achieve target goals. A business strategy is a set of fundamental choices which define its long-term objectives, its value proposition to the market, how it intends to build and sustain a competitive business system and how it organizes itself. If the market in which the company operates is foreign, its business strategy will be an international business strategy that defines the way to compete across the word (Lasserre, 2007).

In the competitive strategy framework, a successful business is one which sustains an attractive relative position for the company. The success of the process of internationalization of company depends in large part on the formulation and implementation of competitive strategy (Knight, 2000). According to Sliwiński (2012), a permanent competitive strategy is obtained through synergy. When a company has permanent competitive advantage, its resources and capabilities are durable, hard to identify and hard to copy. The organization of domestic economic activity and the integration of the company in the domestic markets (Dunning, 2000) is an important factor for the definition and success of an international competitive business strategy (Feio, 1998). For companies seeking benefits from international markets, the type of competitive strategies they choose may represent an important vehicle by which they build a distinctive business position at the international level and achieve superior financial returns (Allred and Swan, 2004; Luo and Zhao, 2004).

Competitive strategies can be classified according to their level and types. There are various competitive strategy typologies. This research study focuses on Porter's typology of competitive strategies. Michael Porter has described a category scheme consisting of three general types of strategies that are commonly used by business to achieve and maintain competitive advantage. Porter (1980, 1985, 1991) suggests two generic, but fundamentally different approaches to creating and sustaining a competitive advantage: lower cost than its competition and differentiation relative to its rivals. These competitive advantages lead to three generic competitive strategies: cost leadership strategy, differentiation strategy, and focus strategy. These three generic strategies are defined along to dimensions: strategic scope and strategic strength. Strategic scope is a demand side dimension and looks at the size and composition of the market you intent to target. Strategic strength is a supply side dimension and looks at the strength or core competency of the company. In particular Porter identified two competencies that he felt were most important: product differentiation and product cost (Tanwar 2013). The two basic types of competitive advantage (differentiation and lower cost) combined with the scope of activities on international markets for which a company seeks to achieve them lead to four generic strategies for achieving above average performance in an industry: cost leadership, cost focus, differentiation, and differentiation focus (Porter, 1985).

With strategy cost leadership, the objective is to become the lowest-cost producer in the industry. The sources of cost advantage are varied. They may include the pursuit of economies of scale, proprietary technology, preferential access to raw materials and other factors. Many market segments in the industry are supplied with the emphasis used to minimise costs. If the achieved selling price can at least equal the average for the market, then the lowest-cost producer will in theory enjoy the best profits. This strategy is usually associated with large-scale businesses offering standard products with relatively little differentiation that are perfectly acceptable to the majority of customers. Occasionally, a low-cost leader will also discount its product to maximise sales, particularly if it has a significant cost advantage over the competition and, in doing so, it can further increase its market share. Maintaining this strategy requires a continuous search for cost reductions in all aspects of the business. The associated distribution strategy is to obtain the most extensive distribution possible.

Promotional strategy often involves trying to make a virtue out of low cost product features. The product is often a basic product that is produced at a relatively low cost and made available to a very large customer base. By producing high volumes of standardized products, the company hopes to take advantage of economies of scale and experience curve effects. To be successful, this strategy usually requires considerable market share advantage or preferential access to raw materials, components, labor or some other important input. Without one or more of these advantages, the strategy can easily be mimicked by competitors.

With the strategy cost focus companies compete by following cost leadership strategies to serve narrow market niches which are generally targeted the smallest buyers in an industry (those who purchase in such small quantities and those industry-wide competitors cannot serve them at the same low cost). Here a business seeks a lower-cost advantage in just one or a small number of market segments. The product will be basic, perhaps a similar product to the higher-priced and featured market leader, but acceptable to sufficient consumers.

Strategy differentiation involves selecting one or more criteria used by buyers in a market, and then positioning the business uniquely to meet those criteria. This strategy is usually associated with charging a premium price for the product (often to reflect the higher production costs) and extra value-added features provided for the consumer. Differentiation is about charging a premium price that more than covers the additional production costs, and about giving customers clear reasons to prefer the product over other, less differentiated products. Companies that succeed in a differentiation strategy often have the following internal strengths: access to leading scientific research; highly skilled and creative product development team; strong sales with the ability to successfully communicate the perceived strengths of the product; corporate reputation for quality and innovation. Vargas and Tagle Rangel found (Kumlu 2014) that those SMEs whose explicit business strategy emphasizes innovation and knowledge creation which are the basis for differentiation strategy have been able to successfully participate in global contexts. Differentiation strategy can allow small companies to minimize harmful interaction with competitors, giving rise to business export on international markets.

In the differentiation focus strategy, a business aims to differentiate within just one or a small number of target market segments. In the strategy a company seeks to be unique in its industry along some dimensions which are widely valued by buyers and perceived to be better or different from the competition. The special customer needs of the segment mean that there are opportunities to provide products that are clearly different from competitors who may be targeting a broader group of customers. Companies following focused differentiation strategies produce customised products for small market segments. They can be successful when either the quantities involved are too small for industry-wide competitors to handle economically, or when the extent of differentiation requested is beyond the capabilities of the industry-wide differentiator. The important issue for any business adopting this strategy is to ensure that customers really do have different needs and wants, in other words that there is a valid basis for differentiation and that existing competitor products are not meeting those needs and wants. It is rewarded for its uniqueness with a premium price (Porter, 1980).

All competitive strategies in themselves appear to be sensible, logical and coherent, highlighting the advantages and benefits that a company could gain by using either approach. A more common approach is to differentiate where possible and reduce the cost where necessary. Besides that, Porter`s thesis of “stuck in the middle” (Porter, 1980, 1996) argues that these two strategies cannot be combined. While a company focusing on cost leadership has to maintain a certain standard for its products, reducing the possibility to create economies of scope, a company focusing on differentiation may find it difficult to maintain low costs and compete with other companies that produce more standardized products for the same market. Many suggest that a combination of cost leadership and differentiation is not only a feasible option (Hill, 1988; Miller and Friesen, 1986), but also a successful approach to improve competitive position and to cope with rapid and complex changes in the market environment (Acquaah and Yasai-Ardekani, 2008; Pertusa-Ortega et al., 2009). Unlike Porter (1991) they argue that it is false to choose between two orientations (differentiation and cost leadership), and they advice to follow up both Cheaper and Better strategy which will gain sustainable competitive strategy. Chetty and Campbell-Hunt (2003) argue that companies must develop their strategies that are capable of capturing as many economies of scale as they can, while also supporting multiple product variants. By this new, hybrid strategy companies do not rely on a single generic strategy, but companies integrate the generic strategies and successfully pursuing the cost leadership and differentiation strategies simultaneously. Differentiation enables the company to charge premium prices and cost leadership enables the company to charge the lowest competitive price.

Man and Wafa (2009) found a significant relationship between differentiation strategy type and business performance of SMEs. According to Potinggia and Vescovi (2012) the size effects can be observed in the two levels: the first are the resources to invest to gain new foreign, overseas markets (not limited to marketing and sales but also manufacturing and logistics); at the second level, the organizational capabilities combine quickly and to move faster than multinational enterprise, typical of smaller and medium companies. In international competitive strategy the size plays a significant role in determining the innovation requested. Based on the above discussion it is proposed that:

Hypothesis 1: Competitive strategy on international markets at the first international entrance is affected by the company size.

Porter's generic strategies describe how a company pursues competitive advantage across its chosen market scope. A company also chooses one of two types of scope, either focus (offering its products to selected segments of the market) or industry-wide, offering its product across many market segments (Porter, 1980). Porter describes an industry as having multiple segments that can be targeted by a company. The breadth of its targeting refers to the competitive scope of the business. The intensity of competition in an industry determines the ability of company in the industry to sustain above average returns. According to Porter (1980) the characteristics of the industry determine the strength of the five basic competitive forces. The goal of competitive strategy for a company is to find a position in its industry where these competitive forces will do it the most good or the least harm. The success of a company's competitive strategy depends on how it relates to its environment. Not all industries have equal potential. They differ fundamentally in their ultimate profit potential as the collective strength of the forces of competitive. Based on the above discussions regarding to competitive strategies, it may be proposed that:

Hypothesis 2: Competitive strategy on international markets at the first international entrance is affected by the industry.

Enterprises seem to operate in international markets exploiting the advantage coming from its relative flexibility of governance and routines and overcome some of the issues created by insufficient resources. The resource based theory of the firm (Penrose, 1959; Wernerfelt, 1984; Barney, 1991, 2001) suggests that the allocation of organizational resources is a key determinant of companies´ strategy, performance and maintenance of competitive advantage in the markets. The lack of resources for internationalization, according to Potinggia and Vescovi (2012), is for many companies an obstacle to develop and to implement international strategies. The needs to join resources among different companies or to enter in new markets using inter-organizational relationships and agreement, or institutional mechanisms of alliances suffer from many limitations. Resource availability can be defined as the level of resources available to companies from environment (Sharfman and Dean, 1991). Since the resources are limited, companies often have to fight for these resources with their competitors. This brings about two important aspects: the availability of resources and the competition of resources. Based on the above discussions regarding competitive strategies, it may be proposed that:

Hypothesis 3: Competitive strategy on international market, at the first international entrance is affected by the company resources.

According North and Kumta (2014), the knowledge retains rationalization potentials (through the transfer best practices) and differentiation potentials (through the combination knowledge). Dixon (2000) defines knowledge as the knowledge that employees learn from doing the organization's tasks. Davenport and Prusak (1998) define knowledge as a fluid mix of framed experience, values, contextual information and expert insights that provides a framework for evaluating and incorporating new experiences and information. Knowledge is developed in a specific context. Knowledge in organizations takes many forms and can be classified from different perspectives. It includes the competencies and capabilities of employees, a company' s knowledge about customers and suppliers, know-how to deliver specific processes, intellectual property in the form of patens, licenses and copyrights, systems for leveraging the company's innovative strength and so on. Knowledge is the product of individual and collective learning and is embodied in products, services and systems. The creation and transfer of knowledge play an important role in the operative management of international companies. This involves decisions on which knowledge is created, and where and how knowledge can be transferred efficiently. Multinational companies are turning into worldwide knowledge networks with their customers and suppliers. The availability of knowledge is also a criterion for decisions pertaining to where business activities are located. This involves not only the creation of local market knowledge but also the availability of corresponding qualified employees and suppliers. Knowledge is managed through knowledge transfer mechanisms. Based on the above discussions regarding to competitive strategies, it may be proposed that:

Hypothesis 4: Competitive strategy on international markets at the first international entrance is affected by the knowledge about international markets.

Knowledge transfer in a company can be defined as the process by which one unit is affected by experiences. Experiences are built through shared hands-on experience amongst the members of the organization, and between the members of the organization and its customers, suppliers and affiliated companies. Skills and know-how are acquired and accumulated by individuals through experiences at work. International experiences are important resources for enhancing the international competitiveness of companies. Based on the above discussions regarding to competitive strategies, it may be proposed that:

Hypothesis 5: Competitive strategy on international markets at the first international entrance is affected by the experience with international activities.

2. Methodology

This research study is part of a larger research which focused on the internationalization process of Czech companies. The objective of this research study is to present the results of primary research focused on specification of competitive strategies of Czech companies on international markets at the first foreign entry. On the basis of the research results significant characteristics of competitive strategy of Czech companies will be specified. The research was carried out in the Czech Republic between May 2015 and May 2016. The competitive strategies of Czech entrepreneurial subjects have been researched with the method of the oral questioning and the main instrument was a questionnaire.

2.1. Data

The research design is based on the collection of primary data from top managers of selected Czech companies. The sample consisted of 500 Czech companies which are located in the Czech Republic. The companies under research were selected with the method of non-probability purposive sampling, or more precisely on the basis of assumption and occasional selection. The companies included in the study have already started their internationalization operations, they are incorporated in the Czech Republic and all of them are private companies.

The instrument used in the survey was a structured questionnaire containing five fields of varying degrees of complexity relating to the area of internationalization. The questionnaire consisted of closed, semi-closed and opened questions. The questions are based on information offered due to personal communication with selected experts from business and universities and on the basis of previous researches. In some questions, particularly those related to the entry mode choice and market choice, simple and complex scales were used, mostly the Likert-type scale (5 = strongly agree to 1 = strongly disagree). In addition to the interview questions the questionnaire also included 4 questions related to the company background itself (the type of a business sector in domestic market and in international markets; the size of company measured by the number of employees and the level of revenue; the year of company foundation; the year of the first foreign market entry). The questionnaire was pre-tested for instrument validity with 20 managers. In interviewing these managers, they were asked to respond to the items measuring the theoretical construct. The managers were also asked to identify any ambiguities revealed in the draft questionnaire. Some minor changes of wording were made, based on their feedback.

Because of the relatively low response rate in mail surveys in the Czech Republic, and sensitivity to Czech managers' concerns about industrial espionage, a high level of personal involvement consisting of telephone calls and personal delivery and pickup of questionnaires was necessary to collect survey data from Czech companies in this research study. First, telephone calls were placed to general managers or CEOs of the Czech companies to explain the purpose of the study and to request their participation. Thereafter questionnaires were hand-distributed to the general managers and CEOs. Trained research assistants helped the managers and CEOs complete the questionnaire, and explained any items that the respondents wished to have clarified. This procedure resulted in 400 matched questionnaires, from which 46 were eliminated due to incompleteness of responses. Thus 354 (a response rate of 70.8%) questionnaires were used in the subsequent data analysis and statistical processing.

2.2. Variables

Dependent variable is the competitive STRATEGY of Czech companies on international markets at the first foreign entrance. To establish the strategic approach on international markets, respondents were presented with a list of nine possible strategic approaches. Respondents indicated their approach used. As shown in Table 2, the majority of respondents used the differentiation strategic approach.

The group of *independent variables* consists of: available RESOURCES for international activities, KNOWLEDGE of international markets, EXPERIENCE with international activities (number of years of work in international markets), company SIZE, and INDUSTRY. Resources were measured via the list of eight the most important available resources (tangible and intangible resources) for international activities. Respondents indicated the most important resources that have been available for international activities. The mode of resources among sampled companies was foreign contacts and special knowledge. Knowledge of international markets by company management were measured by using the five-item scale (Cronbach's alpha = 0.802). The level of knowledge of international markets was intended as an above average. Experience with international activities is measured according to the number of years of management working on international markets. The median number of years among sampled companies was five. The number of years of experience with international activities ranges from ranged from zero (39%) to 60. The size of company was measured by the number of employees. The mode of company size among sampled companies was a medium sized company. The industry of companies was classified by employing the statistical classification of economic activities in the European Community NACE. The mode of industry among sampled companies was manufacturing.

2.3. Sample

The final sample consisted of 27 % of companies representing manufacturing, 19 % of service companies, and 54 % of business companies. The companies differed as to their size assessed by the number of employees so that 41 % of the sample consists of small companies (microenterprises and small enterprises), 33 % of medium ones and large ones equal 26 %. The Eurostat (2011) and Czech Statistical Office (2013) classify enterprises by a wide range of variables such as sales revenues and the number of employees. This research study follows the conventional idea (European idea) that the size of companies is defined according to EU norms. A company, which has from 1 to 10 employees and 2 million euro of turnover per year, is referred to as a micro company. A company, which has 11 to 50 employee and at most 10 million euro of turnover per year, is called a small company. A company, which has 51 to 250 employees and at most 50 million euro of turnover per year, is called a medium company. A company, which has more than 250 employees and more than 50 million euro of turnover per year, is called a large company. Average age of the respondents is twenty two years.

2.4. Analyses

The analysis draws on the method of logistic regression to test hypotheses. The normality of all the variables was checked using skewness, kurtosis, and outliner analyses, which indicated that no transformations were required. Variance inflation factors (VIF) associated with each regression coefficient showed a range of 1.005 – 1.777 and factor of tolerance showed a range of 0.344 – 0.850. These values indicate no serious problems with multicollinearity. The representativeness of the research sample was verified by using the criterion of territorial representation of businesses in the present research. The representativeness of the research sample was also verified by a chi-square test. Based on the level of significance α = 0.05, the p-value accounted for 0.128, which means that the research sample was representative with respect to the location of the business unit. The data obtained via the questionnaire research were processed by using the IBM SPSS statistical program.

The analysis began by examining the correlation between variables. All variables were screened to reveal their distribution through Pearson correlation coefficients (Table 1).

Tab. 1: Pearson Correlations

Variables	Mean	Std. dev.	1	2	3	4	5	6
Strategy	1.93	0.261	1					
Size	2.65	1.068	-0.109*	1				
Industry	7.66	7.176	0.123*	-0.035	1			
Resources	2.21	0.461	-0.035	0.065	-0.004	1		
Knowledge	3.88	0.875	-0.039	0.305**	0.052	0.107*	1	
Experiences	6.40	8.540	0.062	0.091	-0.102	-0.031	0.161**	1

* Correlation is significant at the 0.05 level.

** Correlation is significant at the 0.01 level.

Source: own research

3. Results

The competitive strategies of Czech companies on international markets at the first foreign entry were monitored in terms of Porter´s competitive strategy (generic strategies). It has been found out that Czech companies used for their first entry to the international market primarily differentiation focus (Table 2).

Tab. 2: Competitive Strategy of Czech Companies on International Markets (%)

Strategy	%
Cost leadership	5.6
Cost focus	1.7
Differentiation	41.8
Differentiation focus	50.8

Source: own research

Cost leadership strategy was most frequently reported among large companies (55%) from manufacturing industry. Companies with cost leadership strategy have declared their dominant tangible resources and below average knowledge about international markets by management. About half of the companies with cost leadership strategy reported that their managers have no experience with international activities. And the remaining managers have experience ranging from 5 to 18 of years. The average number of years of experience with the international activities of managers in these companies is 10 years.

Cost focus strategy was most frequently reported by among medium-sized companies (67 %) from agriculture, manufacturing and retail trade. Companies with cost focus strategy have declared their dominant intangible resources (special knowledge and knowledge of markets) and below average level of knowledge about international markets by management. Approximately one-third of the sample reported that their managers have no experience with international activities. And the remaining managers have experience ranging from 12 to 15 of years. The average number of years of experience with the international activities of managers in these companies is 14 years.

Differentiation strategy was most frequently reported by among medium-sized (34 %) companies from manufacturing. Companies with differentiation strategies have declared their dominant tangible and intangible resources (special knowledge and foreign contacts), and above average level of knowledge about international markets by management. About 30 % of the sample reported that their managers have no experience with international activities. And the remaining managers have experience ranging from 1 to 23 of years. The average number of years of experience with the international activities of managers in these companies is 9 years.

Differentiation focus strategy was most frequently reported among medium-sized companies (34 %) from manufacturing. Companies with differentiation focus strategy have declared their dominant intangible resources (special knowledge and foreign contacts) and average level of knowledge about international markets by management. Approximately 40 % of the sample reported that their managers have no experience with international activities. And the remaining managers have experience ranging from 2 to 60 of years. The average number of years of experience with the international activities of managers in these companies is 13 years.

3.1. Regression Results

To test the research hypotheses (Hypothesis 1 – Hypothesis 5) logistic regression models were created with competitive strategies (cost leadership, cost focus, differentiation, differentiation focus) as dependent variable and with five independent variables. Therefore, five models were created.

The results of formal tests of the hypotheses are provided in Tables 3 – 7. Goodness-of-fit tests for each successive model were conducted. The results show that the Pseudo R^2 (defined by McFadden) is improved at the 0.05 and 0.01 significance level when the explanatory variables are included in the model. In addition, the results from the Pearson and Deviance measures were used to assess the goodness of fit. The results from the Wald χ^2 statistic also confirm that the predictive power of successive models has been increased significantly.

Model 1 – Strategy and Company size

The logistic model was fitted to the data to test the research hypothesis regarding the relationship between the likelihood to choose a competitive strategy and the independent variables – company size. Variables of logistic regression models are described in Table 3.

Tab. 3: Logistic Regression Results for Hypothesis 1

Independent variables	***Dependent variables***			
	Cost leadership	Cost focus	Differentiation	Differentiation focus
Intercept α	-3.521**	-2.943**	-0.616*	0.510**
SIZE β_1	0.471	-0.188	0.159	-0.179
Wald	3.763	0.235	2.297	2.153
Odds ratio	1.602	0.829	1.172	0.836
Pearson	17.136			
Deviance	21.161			
Pseudo R^2	0.02			
Wald χ^2 statistic	5.897			

Source: own research

The analysis shows that for a selection of international competitive strategy the SIZE of company is not statistically significant predictor. The hypothesis H1 is not supported.

Model 2 – Strategy and Industry

Logistic model was fitted to the data to test the research hypothesis regarding the relationship between the likelihood to choose a competitive strategy and the independent variables – industry of company. Variables of logistic regression models are described in Table 4.

Tab. 4: Logistic Regression Results for Hypothesis 2

Independent variables	***Dependent variables***			
	Cost leadership	Cost focus	Differentiation	Differentiation focus
Intercept α	-1.163**	-2.203**	-0.235	-3.366**
INDUSTRY β_1	-0.214*	-0.266	0.005	-0.278
Wald	5.953	2.043	0.112	2.215
Odds ratio	0.807*	0.766	1.005	0.757
Pearson	89.826			
Deviance	106.175			
Pseudo R^2	0.06			
Wald χ^2 statistic	17.413**			

* $p < 0.05$, **$p < 0.01$

Source: own research

Overall, the Model 2 explains little variance in the dependent variable (pseudo $R^2 = 0.06$) but is statistically significant. The analysis shows that for a selection of international competitive strategy INDUSTRY of company is a statistically significant predictor. The hypothesis H2 is supported only for cost leadership strategy (negative link). According to the significance of the Wald statistics (5.954 at $p < 0.05$), the INDUSTRY is a significant variable. The realization of cost leadership strategy is associated with a decrease -0.214 in the variable INDUSTRY. For cost leadership competitive strategy, variable INDUSTRY has projected impacts of 0.807 (decrease 0.193) for a one standard deviation change in the explanatory variable.

Model 3 – Strategy and Resources

The logistic model was fitted to the data to test the research hypothesis regarding the relationship between the likelihood to choose a competitive strategy and the independent variables – industry of company. The variables of logistic regression models are described in Table 5.

Tab. 5: Logistic Regression Results for Hypothesis 3

Independent variables	***Dependent variables***			
	Cost leadership	Cost focus	Differentiation	Differentiation focus
Intercept α	-1.420	-5.107*	-1.354*	1.001
RESOURCES β_1	-0.364	0.759	0.521*	-0.437
Wald	0.416	0.807	4.591	0.955
Odds ratio	0.695	2.137	1.684*	0.646
Pearson	1.612			
Deviance	2.516			
Pseudo R^2	0.12			
Wald χ^2 statistic	6.340*			

* $p < 0.05$, **$p < 0.01$

Source: own research

Overall, the Model 3 explains little variance in the dependent variable (pseudo $R^2 = 0.12$) but is still statistically significant. The analysis shows that for a selection of international competitive strategy RESOURCES of company is a statistically significant predictor. The hypothesis H3 is supported only for differentiation strategy (positive link). According to significance of the Wald statistics (4.591 at $p < 0.05$), the RESOURCES is a significant variable. The realization of differentiation strategy is associated with an increase 0.521 in the variable RESOURCES. For the differentiation competitive strategy, the variable RESOURCES has projected impacts of 1.684 (increase 0.684) for a one standard deviation change in the explanatory variable.

Model 4 – Strategy and Knowledge

This logistic model was fitted to the data to test the research hypothesis regarding the relationship between the likelihood to choose a competitive strategy and the independent variables – the knowledge of international markets. The variables of logistic regression models are described in Table 6.

Tab. 6: Logistic Regression Results for Hypothesis 4

Independent variables	***Dependent variables***			
	Cost leadership	Cost focus	Differentiation	Differentiation focus
Intercept α	-1.837	-2.892	-1.517**	1.058*
KNOWLEDGE β_1	-0.096	-0.137	0.338**	0.264*
Wald	0.137	0.090	6.560	5.255
Odds ratio	0.908	0.872	1.402**	1.768*
Pearson	13.429			
Deviance	14.667			
Pseudo R^2	0.03			
Wald χ^2 statistic	7.975*			

* $p < 0.05$, **$p < 0.01$

Source: own research

Overall, the Model 4 explains little variance in the dependent variable (pseudo $R^2 = 0.03$) but it is statistically significant. The analysis shows that for a selection of international competitive strategy KNOWLEDGE of international markets is a statistically significant predictor. The hypothesis H4 is supported for the differentiation strategy (positive link) and for the differentiation focus strategy (positive link). According to the significance of the Wald statistics (6.560 at $p < 0.01$; 4.542 at $p < 0.05$), the KNOWLEDGE is a significant variable. The realization of differentiation strategy is associated with an increase 0.338, resp. with increase 0.264 in the variable KNOWLEDGE. For the differentiation competitive strategy, the variable KNOWLEDGE has projected impacts of 1.402 (increase 0.402) for a one standard deviation change in the explanatory variable. And also for the differentiation focus competitive strategy, the variable RESOURCES has projected impacts of 1.768 (increase 0.768) for a one standard deviation change in the explanatory variable.

Model 5 – Strategy and Experience

This logistic model was fitted to the data to test the research hypothesis regarding the relationship between the likelihood to choose a competitive strategy and the independent variables – experience with international activities. The variables of logistic regression models are described in Table 7.

Tab. 7: Logistic Regression Results for Hypothesis 5

Independent variables	*Dependent variables*			
	Cost leadership	Cost focus	Differentiation	Differentiation focus
Intercept α	-1.997**	-3.552**	-0.092	-0.069
EXPERIENCE β_1	-0.034	0.019	-0.016	0.016
Wald	0.959	0.278	1.460	0.457
Odds ratio	0.966	1.019	0.984	1.016
Pearson	122.152			
Deviance	85.277			
Pseudo R^2	0.09			
Wald χ^2 statistic	2.706			

* $p < 0.05$, ** $p < 0.01$

Source: own research

The analysis shows that for a selection of international competitive strategy the variable EXPERIENCE of international activities is not statistically significant predictor. The hypothesis H5 is not supported.

Discussion

The above results show that competitive strategy choices vary by various factors for Czech companies. This suggests that we must be careful in making overall conclusions based on the investigation of international activities in general or of a single activity. The results of the research study show competitive strategies of Czech companies on international market at the first foreign entrance. The majority of Czech companies chose as their international competitive strategy the differentiation strategy and differentiation focus strategy. Different sets of Czech companies are shown to be associated with resources and costs in international activities. It is not surprising that the international activities show the most significant differences according to the company size and their resources.

The selection of competitive strategy on international markets is affected by several variables: industry, resources and knowledge of international markets. The industry is a variable statistically significant only for cost leadership strategy. The variable is negatively related to the dependent variables, while these variables resources and knowledge are statistically significant for the differentiation strategy and differentiation focus strategy. Resources and knowledge of international markets are positively related to the likelihood of a competitive strategy. The largest projected impact has variable knowledge of international markets. The remaining variables such as company size and experience with international activities are not statistically important for the selection of competitive strategy on international markets.

Limitations of the Research and Future Directions

It is important to note some of the limitations of this research. First, the findings may apply mostly to medium-sized companies and large companies. It cannot be said whether the results would hold in micro companies and small companies, and in Czech family businesses.

Several other implications also emerge from the present research study. For international business researchers, the results suggest that investigation of the internationalization process in aggregate, or international activities in a single activity, provides the best and multifaceted picture of multinational managerial decisions and the internationalization process. The paper provides information on the international activities (international strategy) of Czech companies. There appear to be some potential areas for further work such as performance on international markets etc. The research focused on activity locations in a region of the world with a good deal of variation in terms of market size, growth rates, levels of development, openness, tax rates, and other features.

Conclusion

The globalization of economy offers new opportunities to companies, resulting from their access to bigger markets, scale economies and exposure to best practise management and technology. However, globalization also poses and invites new competitive challenges, either by local and international competitors, with new productive processes and innovative products and services. In response to these challenges, companies try to conquer new international markets and expand their presence and operating in the global market (Pereira et al., 2009). Internationalization is an important factor of competitiveness for companies, reflecting on the performance, determined by own business, industry and environment factors.

The present paper investigates the determinants of the competitive strategies of Czech companies on international markets at the first foreign entrance. It has become obvious that the competitive strategy is more than the selection of suitable entry modes or selection of location; it shows how the company really competes. Porter`s generic competitive strategy are the basis for much of modern business strategy. The results show that the strategy of mostly Czech companies on international markets at the first foreign entry is driven by the differentiation strategy and differentiation focus strategy. A differentiation focus strategy is appropriate where the target customer segment is not price-sensitive, the market is competitive or saturated, and customers have very specific needs which are possibly under-served, and the firm has unique resources and capabilities which enable it to satisfy these needs in just those ways that are difficult to copy (Porter, 1985). The selection of an appropriate competitive strategy on international markets among Czech companies is affected by industry, company resources and knowledge of international markets.

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