EXPORT AND IMPORT OF ENTREPRENEURIAL ENTITIES IN THE SLOVAK REPUBLIC

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Abstract: *While the end of the 20th century is characterized by abnormal growth and acquisitions amplified by the multinational companies in international markets, the beginning of the 21st century is marked by small and medium-sized enterprises. Unlike large firms, however, position, role and importance of micro, small and medium-sized enterprises (SMEs) in international markets is considerably smaller. SME Market power of SMEs is not so great to be able to influence government decision-making and promote their interests at home and abroad. Nevertheless, SMEs constitute a critical mass of firms in the country, employing about 70% of the population; they are flexible, innovative and able to respond quickly to market needs. Compared with large enterprises they also have many drawbacks. Furthermore, besides their market power production is an „expensive" greater demand on staff, lack of funds and a small share in international markets. It is evident that SMEs compared to large companies have bad much more advantages and disadvantages. Their most common problem is that their power to promote the interests of small and medium-sized enterprises is small. Therefore, in the support for SMEs are often engaged state or supranational organizations. What is, however, the situation of SMEs in international markets? It really true that micro, small and medium-sized enterprises operate only in local markets and in the foreign trade they are involved only in limited extent? It is just for their "smallness", or are there any other reasons why these companies are not engaged in international business? Or are SMEs in foreign markets and just nobody knows about them? We seek answers to these questions on the example of businesses operating in the Slovak Republic. Therefore, the contribution deals with the structure of business entities in Slovakia, their division into individual sectors and consequently the size of exported and imported value of enterprises by size classes and according to appropriate industry.*

Key words: micro, small and medium-sized enterprises; international trade; export; import; traded value; sized enterprises
JEL classification: F19, L26

1. Introduction

The beginning of the 21st century in the level of individual Member States and the EU as a whole was in addition to the solution of serious economic and social problems also aimed at position, role and importance of small and medium-sized enterprises. To support SMEs there have been adopted several measures. The Small Business Act for Europe is an initiative at EU level, in which there were adopted 10 measures to support small and medium-sized enterprises. In addition to financial support, a second chance after the collapse and creating a favourable business environment there is one of the 10 measures also designed to support small and medium-sized enterprises in international markets (The Small Business Act for Europe, 2008). For countries in the EU one of the biggest benefits is creation of the single market in which there are no boundaries. Citizens extensive by use the possibility of free travel and movement in the EU countries. Businesses would not perceive this option. Generally, the international business in all forms large companies are particularly involved and medium-sized enterprises in only partially. Small and micro enterprises are aimed more at home, or even to a regional market in which they operate.

According to Nosáľová (2012) 25% of SMEs is engaged in the export and in import 29% of SMEs. She also states that firms engaged in international business generally employ more workers than firms that are not engaged in international business. SMEs that are not engaged in international markets create on average 4% of new jobs, while companies with international activity generate up to 7%. Since SMEs are the largest employer in the country, it is appropriate to support the role of SMEs in international markets. Support from the state, however, often fails, or SMEs are not aware o fit or have never used it (Kaszuba et al. 2014).
The paper deals with the analysis of business entities in the Slovak Republic. Based on the analysis and statistical findings it examines the involvement of enterprises by size and their membership in industry sectors in international trade. The focus is mainly on the possibility of export / import of micro, small and medium-sized enterprises.

2. Methodology

The European Union divides businesses by size, to micro, small, medium and large enterprises most often by member of employees. Another criterion for determining business size is characteristics such as the size of the assets or turnover. The additional indications are the links between companies on the basis of the voting rights or share capital. Affiliation of enterprises to international sectors is given by dividing into groups according to NACE.
To analyze the position of enterprises by size were selected years 2008 - 2011, where was available the latest information on the EU as a whole. In this paper we analyze except the numbers of enterprises also employment in individual enterprises by size and by belonging to the sector. For a country there is important, not only the number of employees, but size of the added value that businesses are able to create. Therefore, we also examined how much added value is created by individual firms by size in each sector.
Internationalisation of SMEs covers several forms of international business. In addition to the basic forms of non-capital links - export and import; businesses are also involved in demanding forms of international business associated with capital links. Therefore, when considering export / import companies we still cannot talk about internationalization. On the other hand, only at the OECD, there were data on export and import of businesses by size classes and by enterprises belonging to the sector. Data on export / import of the country were available only in the years 2008 - 2011, therefore, the time trial of export and import is shorter, and may not reflect the current situation on the international market. Nevertheless, we consider evaluation of export and import of enterprises by size on a traded value as important. Most studies used only findings that are not supported by the available data. Therefore, the conclusions from the analysis are an important element for the assessment of position of SMEs in international trade. OECD divides financial flows in international trade by TEC database, which is created in cooperation with Eurostat and national statistical offices (OECD metadata).

3. Businesses in Slovakia

Small and medium-sized enterprises in Slovakia are a crucial part of business entities. Nevertheless, there was a long time devoted to particular analysis and the role of large enterprises in the domestic and foreign markets.

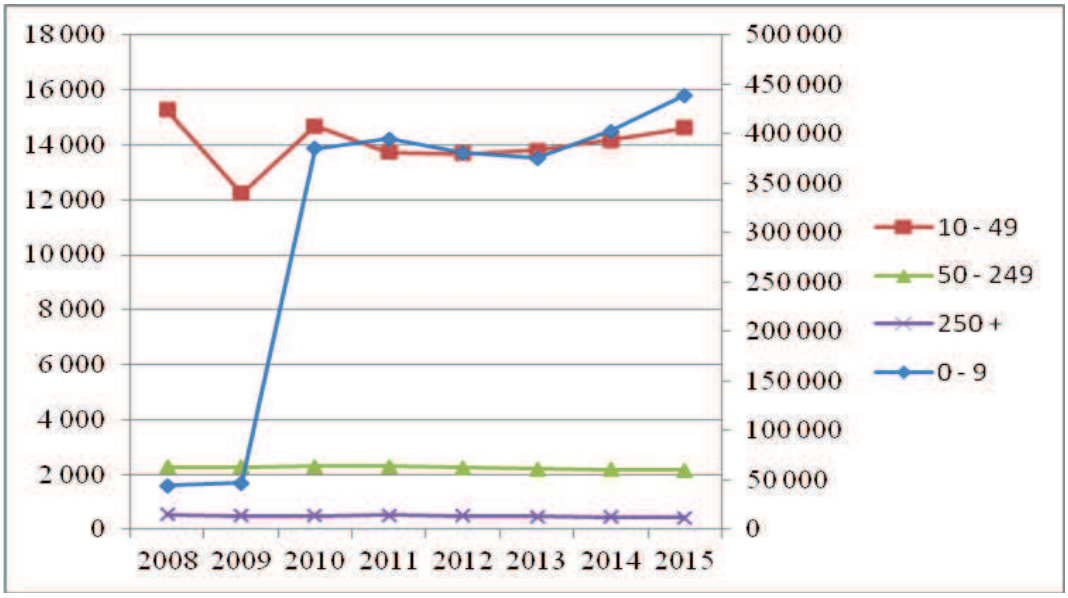


Figure 1: Number of enterprises by size in the years 2008-2015 in Slovakia
Source: Annual Report 2015 EU, our processing

The right axis shows the number of micro firms employing 0 – 9 persons. These are mostly self-employed or small family businesses, in which there are employed mainly family members. This group represent the largest share of the total number of enterprises. Micro-enterprises make up more than 96% of all enterprises. The largest increase in micro was in 2009, when the economic crisis was demonstrated by accompanying rising unemployment. The part of population solves the problem of the loss of jobs by starting their own business. The biggest group of micro enterprises by line of business is engaged in the G - Wholesale and retail trade, repair of motor vehicles and motorcycles. These businesses contribute by 30-40% to the total number of micro while the share of this group of microenterprises has decreased over the years. The second strongest companies in the group F - construction (form 7-25% of micro-enterprises) and the third are businesses in M - Professional, scientific and technical activities, whose share of micro is 12-20%, while the share of these undertakings in different years 2008 - 2015 was fluctuating.
At least the object of a micro business includes group B - Mining and quarrying (54 firms) and electricity, gas, steam and air conditioning (129 firms).
Micro-enterprises employ a total of 14-42% of employees, and most employees are in the same category as the number of enterprises. The share of micro-enterprises in value added is 11-40% with an increasing trend and the added value has been placed in micro industries - G (33-43%), F (6-14%, while the share of value added in this volatile sector fluctuates) and M (14 to 17.5% and the share of the sector is growing).

The second largest group in the total number of enterprises in Slovakia are small businesses with a staff of 10 - 49. The number in the years 2008-2015 was slightly erratic and after an initial decline in the number of enterprises in 2009 compared to 2008, the number returned almost to the original level by the end of 2015. Nevertheless, due to the increase in the number of micro enterprises in the total number of enterprises is still decreasing significantly. While in 2008 the total number of enterprises accounted for 24%, and a year later it was 19%, but in the following year, their share in the total number of enterprises was reduced to 3%, and this continues until the last reporting year.
Small businesses with the smallest number of companies operate in the B - Mining and

quarrying (30 firms) and in D - Electricity, gas, steam and air conditioning (117 firms).
Small businesses have the largest share by NACE in the three sectors G - Wholesale and retail trade, repair of motor vehicles and motorcycles, where their share is around 35%. Another branch is C - manufacturing, where the share of small businesses in the years 2008 – 2015 was at the level of 21-23%, and the last is the strongest sector F - construction, which is stabilized by the percentage of small businesses at 12% with a slightly increasing share.
Small businesses employed in 2008 a total of 23% of employees. This proportion, however, until 2011 fell to a low of 17% and by the end of the reporting period in 2015, their share of employment increased to 19%. It clearly shows that the proportion of employees who left the small businesses have found employment in micro or started their own business. Around 30% of employees work in the sector G, 25% in manufacturing (C) and 13% in construction (F).
The largest share of value added created by small businesses is in the wholesale and retail trade, repair of motor vehicles and motorcycles (G - 35%). Slightly decreasing share of value added in small businesses is in the manufacturing sector (C), where the share dropped from 20 to 18.7%. The third highest value added by enterprises is in construction (F), and 9.4% in 2015, which compared with the previous four years shows, a slight increase compared to 2008, but it is still a decrease of less than 1%.

A significant decline in the share of enterprises in the total number of enterprises was recorded by medium enterprises, which employ 50 to 249 employees. In terms of international business it is precisely the group of companies of the most promising businesses in particular because it is not too small and capacity constrained. The second reason is the fact that if the SME has grown from a small business, then the market operates sufficient time to also enter foreign markets. Although their share decreased between 2008 - 2015 from 3.6 to 0.47%, their total number dropped between the assessment years by 120 enterprises, and their annual decreasing number can be regarded as dangerous, not a radical reduction in the number of enterprises.
Most medium-sized enterprises have a business in C - manufacturing and despite the fact that the share of these enterprises in the total number of medium-sized enterprises fell from 46% to 38%, and this downward trend continued during the whole period. Slightly increasing is the proportion of companies that are in business G - Wholesale and retail trade, repair of motor vehicles and motorcycles, which increased to almost 20%. There is similarly increasing share of firms which deal with the area H - Transportation and storage. Although the share of these enterprises in the total number of medium-sized enterprises is far below 10%, evaluated in the years 2008 to 2015, their share increased from 5.4 to 7.9% by regular annual increase.
At least medium-sized enterprises in the field of business B - Mining and quarrying (15 firms) and in E - Water supply, sewerage, waste management and remediation activities (38 firms).
The highest percentage of employment in medium-sized enterprises achieve those businesses that have the highest proportion in medium-sized enterprises in an area C - the share of employment fell from 48% to 42%, which is due to the decrease in the share of these enterprises in the total number of medium-sized number of businesses. The percentage increase in staff from 14% to 18% is in entrepreneurs in G. In third place in the number of employees from medium-sized enterprises are enterprises in construction (F), which share of employees in the total number of employees of medium-sized enterprises is 9%. Enterprises in the transport and storage have reached in the portion of total employment a slight increase from 0.05 to 0.07%.
Declining share of medium-sized enterprises in the industrial production is also reflected in the decline in the share of value added. In the evaluated period it fell after a slight recovery

in the years 2010 - 2012 to 33% the value added created by medium-sized enterprises. This fact is demonstrated even though the value added expressed in millions. € in absolute value increased from 1,911 to the 2,001. Substantial increase in value added was recorded by medium-sized enterprises in the sector G, where the share of value added in total value added generated by medium-sized enterprises increased from 17.5 to 18.9%. Approximately the same increase in value added is recorded in the construction sector and sector J - Information and communication. Their share of value added is 9%, while businesses in the field of information and communication grew at a faster pace. Enterprises in the transport and storage (H) in the total value added in 2015 had a 6.7% and the time of growth in value added is approximately the same as in previous sectors J and F.

While in 2008 in Slovakia there were 555 large enterprises with a staff of over 500, in 2015 there were only 432. Given the high proportion of micro-sized enterprises, the proportion of large companies in the total number of enterprises is negligible only from 0.8 to 0.09% of holdings and its share is decreasing every year.
The largest share of big businesses is in business area C - manufacturing, despite the fact that the share of these enterprises in the total number of large enterprises declined in absolute value from 332 to 191, and the relative value from 59 to 44%. Conversely, during each year, the market shares of firms in the second strongest sector of large enterprises G - Wholesale and retail trade, repair of motor vehicles and motorcycles rose from 12.6 to 16.9%, while the number of enterprises increased by only 3. Similarly, the growth of large enterprises was in the H sector - transportation and storage, where the number of enterprises increased by 4. The number of large enterprises in H (48 companies) formed 11% in 2015 from a total of large enterprises.
The lowest the large enterprises is in the B - Mining and quarrying (3 companies) and one undertaking in L - Real estate activities and I - accommodation and food services.
In the total employment of large enterprises, companies form industrial production C by the largest rate. Although the number of employees over many years was reduced expressed in absolute value by 87,199 employees, it is expressed as percent decrease from 53 to 41%, they still employ the most workers among large enterprises. Fluctuating and between 2014 and 2015 a slightly decreasing number of employees was recorded in enterprises in H. Percentage of this section employment grew from 15 to 17%. A third group of companies which has the largest share of large companies employment is doing business in the field G. Number of employees during each year was increased by more than 6,000, which in the percentage of the total employment of large enterprises means as increase from 11 to 16%.
Despite the decreasing number of large enterprises and the number of employees working in the field of industrial production, these companies were able to produce the greatest added value throughout the period. Although the size of the added value has been fluctuating over years, the total added value generated by large firms participated in an average of 44%. From 11.3 to 13.5%, the share of value added generated by large firms was in J - Information and communication. Enterprises created added value in 2015 in the amount of € 1,664 million, which was compared with 2008, an increase of € 408 million. Added value increased in absolute and relative terms the entrepreneurship H, where the share increased from 8.6% to 11.4%. In the field of entrepreneurship G value added developed erratically and in 2015 its share in total added value was 6.8%.

4. Export of enterprises by size

Slovakia is a small open economy, and given its geographical location and the size is dependent on foreign trade. Export and import are usually the first forms of entry on foreign markets. Most often in foreign trade are involved medium and large enterprises. For micro and small businesses, foreign trade is almost unavailable. One of the factors the EU pursues is the internationalization of SMEs, where belong only import and export, but also higher and closer forms of international cooperation, such as foreign investment, joint ventures and other forms of international business cooperation.
On the territory of the Slovak Republic, there were conducted several regional studies focused on business involvement in international enterprising. Due to the openness of the country, studies (eg. Mura, 2010 Kaszuba et al., 2014) showed that SMEs in Slovakia are increasingly dedicated to international business. But when compared with the evaluation of the EU, the internationalization of SMEs in Slovakia is low (SBA Fact Sheet Slovakia, 2010-2014).

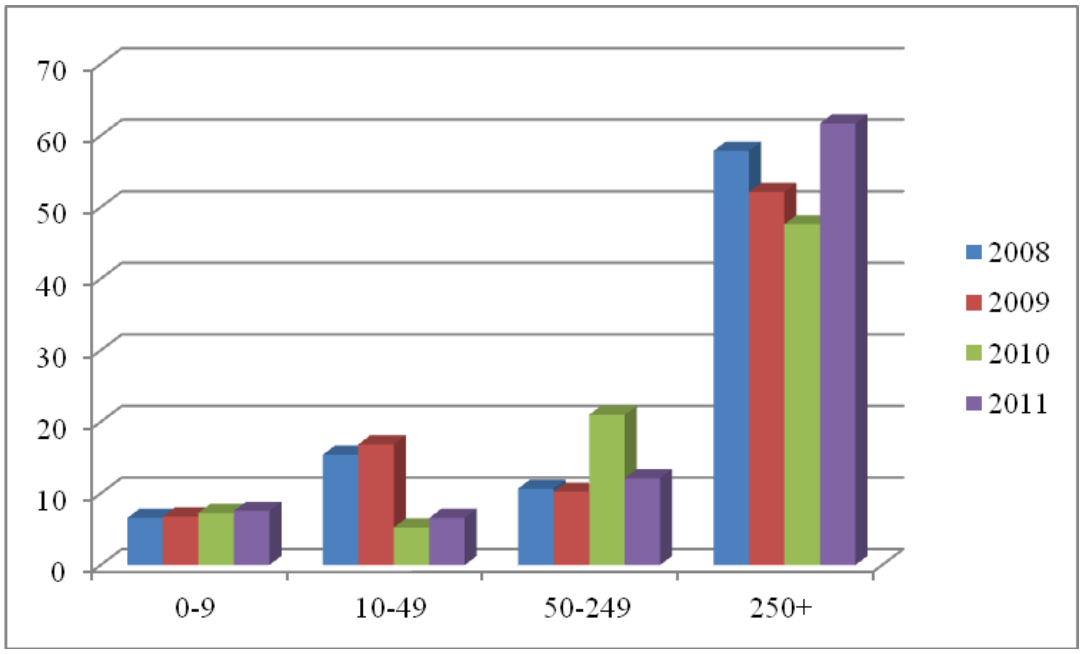


Figure 2: Share of individual enterprises by size in exports in the period 2008-2011
Source: OECD, own processing

The graph shows that the largest share of exports in the Slovak Republic have large enterprises employing 250 or more staff. With the exception of 2010, the proportion of the size of these holdings is greater than 50%. The share of small and medium enterprises during those years was fluctuating but positive is slightly increasing proportion of micro firms on export. The negative side is that this share is in the final measure of slightly over 7%.
The largest share of the exports involved in industrial production (C), which accounted for an average of 4 years 65% of total exports. Logically, the biggest exporter are large companies, which in total exports accounted for the highest proportion (78%), followed by medium-sized enterprises (14%), small (4%) and the smallest share in the export of industrial production is accounted by micro (1.9 %). Also, such distribution of exports is evident, since it is usually the production, which is demanding on machinery and is often

mass or serial challenging not only the machine but also the number of employees.
The second strongest sector in exports is G - Wholesale and retail trade, repair of motor vehicles and motorcycles, which in total exports accounts for 10%. In this sector, the situation in the field of export enterprises by size is opposite to that in industrial production. Almost half of the exports come from micro (45%). They are followed by small businesses with a share of 27%, then medium and finally big businesses. The share of large enterprises in traded value is 9%.
According traded value for the third sector, with an average share of total exports of 10% is in industry H - transportation and storage. The situation in this sector is different from previous sector and in the first two years there had the largest share on exports the small enterprises (more than 95% of exported value), in 2010 there were medium-sized enterprises (96% of exported value) and last year there were large enterprises (90%).
The share of other sectors in exports is negligible and is about 1% by industry. It is interesting that precisely those sectors that do not belong by their size between "supporting industries", there have a crucial position in proportion of the traded value just micro and small businesses that are complementary businesses. These are businesses in sectors F - Construction, J - Information and communication M - Professional, scientific and technical activities and N - Administrative and support services.

5. Import of enterprises by size

Dependence of businesses operating in the SR from foreign trade is reflected not only in exports but also in import. Balance of payment showed deficit for a long term and was balanced only in recent years. The analyzed period captures the state where the value of imported production was greater than the value of exported production.

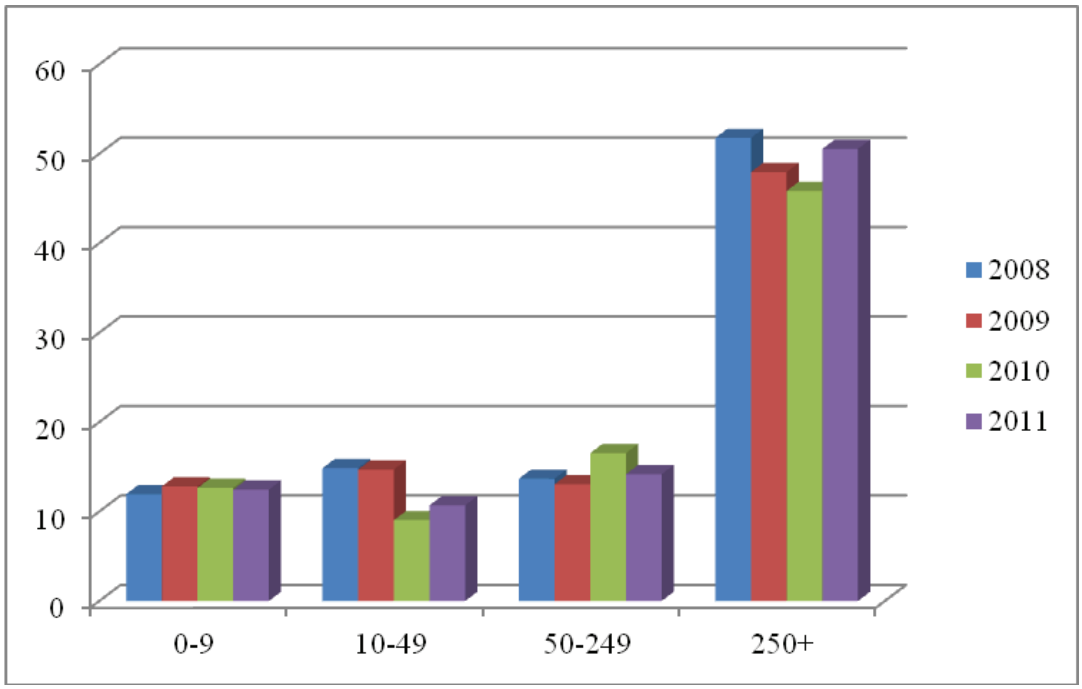


Figure 3: Percentage of companies by size of total imports in the period 2008-2011
Source: OECD, own processing

Division of import between enterprises by size is almost identical with that of export. Most

by import large enterprises, whose share on import is higher than 45%. This value compared with export is lower and that means big businesses when compared exports and imports do not create negative, but positive balance of payments. Among the enterprises by size it is the only category of undertakings in the years 2008 - 2011 with a higher value of exported than imported production.
Micro, small and medium enterprises in the total imports account for about 10%. Top deficit is exhibited by micro whose import value is in an average of USD 3,721 mil. higher than the value of exports. For four analyzed years micro firms imported by USD 14,884 million. more goods and services than they exported. The high deficit in foreign trade is exhibited by medium-sized enterprises employing 50 – 249 staff. A slight deficit in the balance of payment is shown by small businesses.
In total imports, the highest levels are in industrial production. The share of this sector in total imports is higher than 50%, while the share of industrial production in total imports fell slightly. Again, the highest share of the imported value has large firms that import 79% of total industrial production. In second place belongs to medium-sized enterprises (12.9%). The small enterprises have 3.9% and micro-enterprises are involved in the import by 3.1% on the total value of industrial production.
The second strongest sector in import is G - Wholesale and retail trade, repair of motor vehicles and motorcycles, which contributes by 28% to the total imports. The value of imported production is almost three times higher than the value of exported production. The total deficit is shared by all businesses regardless of size, and despite the fact that micro and small enterprises together have more than 60% of the imported value.
During the four analyzed years, the positive value of the balance of payments is met by the third most represented sector H in import - Transportation and storage. The value of exports is three times higher than that of imported production. The positive value of the balance of payments is shared equally by all undertakings, regardless of the size of the enterprise. Small and large businesses are involved most in the import in this sector constituting 80% of the imported value.

6. Conclusion

Based on the analysis of the corporate structure in Slovakia, we came to the following conclusions:
1. In the reporting period 2008 to 2011 there was a significant decrease in the number of small and medium-sized enterprises in favour of micro-enterprises. This condition is given by several factors - the worsening business environment, strong growth of micro to respond to the crisis, layoffs and penetration into the business in Slovakia, making it more difficult to do business, changes in the Labour Code that are not inclined to businesses.
2. High openness of the SR measured by the share of exports in GDP due to the high export potential of businesses. On the territory of Slovakia is large enterprises exported the most. However, this applies only to selected sectors. The decisive share in export of large firms is in the industrial production. In the area G - Wholesale and retail trade, repair of motor vehicles and motorcycles all businesses participate in export. But the share of micro and small enterprises is 45%, and after adding the medium-sized enterprises (27%) it makes up a significant share in exports.
3. Micro and small enterprises exported particularly in areas where large companies are not engaged in such a large extent in industrial production, in areas F - Construction, J - Information and communication, M - Professional, scientific and technical activities and N - Administrative and support services.
4. Most imported large enterprises. According to industry it is again industrial production. Other sectors - G and H are involved in import by a high proportion the micro, small and medium-sized enterprises. In sector G they even make up over 60% of the imported value.

5. Large companies that only generate positive trade balance in all sectors in which they are involved in international business. The most negative value on the trade balance represent micro, small and medium-sized enterprises. However, this finding does not apply to all sectors in which SMEs operate in foreign markets. SMEs whose main activity is H - transportation and storage, exhibit a positive trade balance.
6. SMEs are engaged in international trade, particularly in those sectors which have a high added value, often higher than large enterprises have. This applies in particular to sectors G - Wholesale and retail trade, repair of motor vehicles and motorcycles, F - Construction, M - Professional, scientific and technical activities and N - Administrative and support services.

Based on the analysis and conclusions regarding the involvement of enterprises in export and import, we can conclude that companies are engaged in international business regardless of their size. Import value of SMEs is much higher than that of exports. This is given in the form of low innovation activity of firms. According to Pilková (2012) is typical Slovak established entrepreneur like nascent or new entrepreneur who is older, aged 35 to 54 years, even less innovative and less oriented on foreign markets. Just low value of exported production may be the reason of low innovation performance of Slovak micro, small and medium-sized enterprises in 2008 -, 2011.
Any involvement of the entrepreneur in international business has a dual effect. On the one hand it offers the possibility of experience from foreign markets, the opportunity to realize their production abroad. On the other hand, the entrepreneur is faced with strong competition, which stands only if he offers quality products. It would encourage him to innovate and to implement technological innovations in business practices. Especially for SMEs purchase of licenses may be costly. They should show their initiative and cooperation with other companies or public resources. They should benefit from the ideas and experiences of the external environment from their customers and business partners (Fabová, 2014).
In supporting SMEs in their entry into international markets they should be treated separately by belonging to the sector. Not only the size but also high added value creation can be a powerful factor for ensuring that the company started to penetrate international markets, if nothing else, at least in the form of export and import.

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