

Rozdział 10

Importance of Internationalization of Small and Medium-Sized Enterprises and Family Businesses in the Development of Tourism in Slovakia

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Abstract: Currently, the topic of the importance of the internationalization of small- and medium-sized enterprises (SMEs) and family businesses is getting stronger and is immediately becoming more relevant also in the use of tourism. It is widely discussed not only at the state level, but also at international forums. The aim of this contribution is to examine the importance of internationalization of SMEs and the formation of family businesses (also with a focus on women in business) for the development of tourism on the example of Slovakia. SMEs in the Slovak Republic in the field of tourism face many challenges in the field of internationalization and export support, whether in financing, education, cooperation with academic institutions. It is necessary to focus on support in the field of education of SMEs, the family business and women in business, the creation of a unified database of Slovak exporters for tourism, support the creation of specialized associations of foreign trade of SMEs in the field of tourism, financing of export activities of SMEs in the tourism industry and the creation of specialized associations of foreign trade of SMEs with a focus on tourism.

Keywords: internationalization, family business, small and medium-sized enterprises, Slovakia, tourism.

JEL Classification: F23, L83, Z32

Currently, the topic of support and development of the internationalization of small and medium-sized enterprises (SMEs) has been growing stronger and is becoming more relevant and increasingly discussed, not only at state level, but also at international forums such as the WTO, OECD, G20, etc., addressing economic growth, reducing poverty, coming up with new ideas and technologies, with a focus on so-called 'green' technologies, digitalisation, and a rise in international trade.

The awareness of individual governments about the need to support the internationalization of SMEs is related both to the potential of SMEs to increase the efficiency of income distribution in society, especially with a focus on the formation of family businesses (FBs) and taking into account the position of women in business, as well as economic and financial cataclysms disrupting even functioning markets, which require countless government interventions, which have an enormous impact on SMEs themselves. Meanwhile, technological progress, the rise of e-commerce and the development of global value chains are opening up more and more opportunities for the internationalization of SMEs and FBs.

The aim of this study was to examine the importance of the internationalization of SMEs and the formation of family businesses (also with a focus on women in business) for the development of tourism based on the example of Slovakia.

10.1. Importance of Internationalization of SMEs

Currently, the problem of SME development and support for its internationalization, together with the development of family business with a focus on women in business, have become one of the priorities not only of the EU, but also of countries of the European Economic Union and of Central Asia. It should be noted that in the EU, SMEs, including microenterprises, contribute significantly to ensuring employment, GDP, export growth, and poverty reduction. Additionally, many SMEs, and therefore also FBs are significantly involved in global value chains through the production of intermediate products and services, thus expanding participation in international trade, especially in the food, textile, engineering, hotel and tourism industries. The government has a big role to play in helping these companies obtain loans or sell their products on foreign markets, which also helps with activities that make it easier for SMEs to bid for government contracts.

The development of information and communication technologies provides the internationalization of SMEs with unique opportunities, not only for business development, but also for entering new markets, reducing costs and removing obstacles to their activities. Electronic trading and the digitalisation of foreign trade play an important role in the development of SMEs, as well as issues of support for innovative businesses and technological start-ups.

Currently, issues of ecology and environmental protection are among the most widely discussed issues, not only in EU countries. Therefore, another important aspect is the support for the development of the so-called green SMEs, which address several aspects of sustainable development (e.g. environmental goods and services, use of renewable energy sources and environmental technologies, which largely affect waste reduction and pollution of the planet). Supporting small and medium-sized businesses that are good for the environment is also important in order to achieve the global goals of environmental policy and environmental protection, in general.

Internationalization of SMEs in Slovakia

The COVID-19 pandemic became an unreservedly central factor in the global economic environment in 2020 and 2021. In Slovakia, the negative effects of the pandemic crisis were also reflected in the performance of the SME sector. The pandemic affected all monitored economic indicators of SMEs. The most significant sector, from the point of view of the creation of the added value of SMEs, was industry, which in 2020 made up one-quarter of the total added value of SMEs/legal entities. The position of industry in terms of the creation of added value by SMEs has slightly weakened in recent years. The second most important sector was trade, which in 2020 accounted for more than one fifth (22.1%) of the created added value of SMEs. The third most important industry was business services, which had a share of 21.4%, almost the same as trade.

Broken customer-supplier chains during the pandemic and falling demand also negatively affected Slovak pro-export-oriented SMEs and thus had an extremely negative impact on the internationalization of these companies. In 2020, SME exports decreased by 3.1%. In absolute value, SMEs exported goods in the value of 17,526.3 million EUR. The decrease in export activities affected all size categories of enterprises, while exports from medium-sized enterprises decreased most significantly (by 4.0%). Small businesses (by 3.1%) and micro-businesses (by 1.6%) experienced a slightly lower decrease. Due to the more significant decrease in the exports from large enterprises, (by 9.8%) than that of small and medium-sized enterprises (by 3.1%), there was a year-on-year increase in the share of SMEs in total exports by 1.5%, or to 29.3% (Slovak Business Agency, 2022).

The territorial structure of SME exports shows strong ties to the EU common market. Only 11.7% of total SME exports were directed to third countries. Compared to other EU countries, SME exports to third countries have the lowest share of total exports to third countries, which points to the need for stronger support for SME in the given area. Similar to the case of exports, a decrease was also recorded in the imports by SMEs. In a year-on-year comparison, SME imports decreased by 6.0%.

The volume of imported goods had a value of 25,853.4 million EUR. All types of businesses saw a fall in the amount of goods they imported, but medium-sized businesses saw the biggest drop (by 8.7%) (Slovak Business Agency, 2022).

In March 2022, the Slovak government approved the *Concept of external economic relations and economic diplomacy of the Slovak Republic for the period 2022-2030* (EER&ED concept). Its goal is to contribute to the inclusive and sustainable economic growth of Slovakia with the generation of new jobs with higher added value. One of the important tasks of this concept is to support the internationalization of SMEs in Slovakia through selected institutions (Ministry of the Economy of the Slovak Republic, 2022):

- The Slovak Agency for the Development of Investments and Trade (SARIO), which is part of the Ministry of the Slovak Republic and has as one of its platforms the support of the internationalization of SMEs through the National Project, organizes fairs and exhibitions abroad, business missions, cooperation events, and export-oriented seminars that help increase knowledge and practice in the field of foreign trade, and the development of supply chains (The Slovak Investment and Trade Development Agency, 2022).
- The Slovak Business Agency (SBA) is an organization for the support of SMEs and deals with the internationalization of SMEs through foreign trade support tools. Today, there are several internationalization support tools at both European and national level. In this situation, financial help is not as important as being able to organize one's activity in the foreign market.
- The Export-Import Bank of the SR (EIMBANKA SR) is a state export-credit institution that deals with financing, lending, insurance, and the provision of guarantees for SMEs exporting abroad.

Despite the strategic position of SMEs in the Slovak market, formed in 2020 with their share of 99.9%, they have too low export potential. Their share of exports was 29.3%, which is very low compared to other EU and OECD countries.

10.2. Family Business in Slovakia

Family business (FB) combines business and family components as permanently connected factors. The topic of supporting family businesses has long been discussed within the EU institutions. In Slovakia, the existence of FB is not such a new phenomenon. The first family businesses, founded in Slovakia, began to develop in the second half of the 19th century. However, due to the historical and political situation in the 1950s and 1960s, there was almost a complete absence of private business, which began to recover only in the 1990s. The majority of family businesses in the Slovak Republic were created as completely new business units, although among family businesses there are also those transformed from state-

-owned enterprises to private enterprises, while family members also began to be involved in the management structures of the enterprise (e.g. Koh-i-nor, Petrof, Matador). In particular, due to the socio-political changes in today's Slovakia, it is not possible to find FB with such a long tradition as in Italy and Germany, which have been operating on the market with the same brand and owned by the same family since the second half of the 19th century (Slovak Business Agency, 2020).

Women in business play an important role in family business. Slovakia has been paying increased attention to this issue for a long time. An important role in the development of women's entrepreneurship is played by the Association of Businesswomen and Managers (ZPM), which was founded in 2001. Its aim is the support of women in business, the support of women in managerial positions, and the support of starting female entrepreneurs and family businesses. The task of the association is to help women, entrepreneurs, and managers grow, and to provide inspiration, contacts, exchange of experiences, networking, and new contacts with foreign countries (Association of businesswomen and managers, 2022).

Among the biggest barriers in FB is the establishment in the Slovak Republic legislation of the *definition of the term 'family business'*, as the legal definition of a family business is absent in Slovak law. In most EU countries, such as the Czech Republic, Cyprus, Denmark, Finland, Malta, Hungary, Germany, Austria, Romania, Italy, Spain, France, the Netherlands, Lithuania, and Poland, more attention is dedicated to family businesses. The legislative framework that would define the scope and importance of FB does not yet exist in the EU. Nowadays, due to the increased legislative attention to FB, a Family Business Support Scheme has been developed in Slovakia, which is in the process of approval (Naďová Krošláková, 2020).

Another barrier in the development of FB in Slovakia is the issue of *generational change*. The subject of family business is now highly topical, as the time has just arrived when the founders of Slovak family businesses need to hand over their businesses to the next generation. In addition to the main topic of generational change, this handover is significant from the point of view of property succession, in which selected options for handing over FB are identified, along with pointing out the shortcomings and opportunities for inspiration in other legal regulations on tools for the redistribution of company assets, which by their nature are more suitable for FB. Last but not least, there is the issue of the adjustment of the conditions of inheritance of the FB together with the introduction of the possibility of expressing the will of the founders of family businesses in matters of the redistribution of their assets.

In Slovakia, there has been a long-standing discussion about the need for cooperation with family businesses and also about cooperation between them, but so far no association has been established that would specialize only in helping family

businesses, providing advice and promoting their interests. Although in Slovakia one can find several organizations that support FB, this is not one of their primary goals and working with FB is only one of the activities they engage in (Slovak Business Agency, 2020). Such organizations include:

- The Slovak Trade Union (SŽZ).
- The Slovak Association of Small and Medium Enterprises (SAMSP), which in 2018 did more important things to help FB than ever before.
- The Association of Entrepreneurs of Slovakia (ZPS), which in January 2020 created a platform for FB, with a vision of being a trustworthy, transparent, and long-term partner for all family businesses in the Slovak market. Its task is to promote their interests in the fields of legislation and governmental support policy, identify family business-specific issues, assist in resolving them, and provide access to consulting services, as well as create a place where family businesses can meet and talk about their experiences. This will help the general public understand how important family business is to the economy (The Entrepreneurs Association of Slovakia [EAS], 2022).
- The Slovak Business Agency (SBA) is an organization to support SMEs. SBA provides professional advisory services in the form of consultations, mentoring, and coaching in various areas, as well as analyses, studies, market surveys, proposals for measures to improve the position of the family business in the market, concepts, strategies, etc., and consultancy related thereto. It supports the participation of FB in seminars, trainings, and lectures, etc., and helps FBs by paying for the costs of travel and stay at fairs, conferences, and other international events, as well as the participation fees.
- *The Institute of Family Business*, founded by Erika Matwij (in 2010), supports the development of business activity in the Slovak Republic. The aim of the institute is to carry out activities that lead to the support and development of Slovak family entrepreneurs. It provides consulting services through researchers dealing with generally known issues of family business in Slovakia. The Institute helps FB to develop their business with tools such as the professionalization of family business management. Supporting activities also include holding congresses where family entrepreneurs from all over Slovakia can meet and learn from each other and from experts who share their knowledge and experience (Institute of Family Business, 2022).
- The Family Business Center (CRP) is part of the Research Institute of Business and Sustainable Business at the Business Faculty of the University of Economics in Bratislava. It was established in 2020 by Monika Naďová Krošláková (family business expert). CRP implements research and educational activities focused on FB, organizes workshops, conferences, and other educational events for owners of Slovak FBs; brings know-how from top experts from all over the world;

communicates with the public and state sector and the professional public about FB issues; and conducts research and collects data on the contribution of the FB to the Slovak economy (Center for Family Business, 2022).

The prerequisite for the growth of family businesses is also their export and innovation activities. According to research by Nađová Krošláková (2020), almost half of family entrepreneurs export, and their export activities take place mainly in EU countries. Family entrepreneurs see the introduction of innovation in their company as important, and in the context of the research, the percentage of sales invested in innovation can mark them out as innovative business entities. This corresponds to the view of international studies that many of the most innovative companies in the world are family businesses. In light of the above, supporting family businesses in their efforts to export and come up with new ideas is an important part of their growth and ability to compete.

10.3. Tourism Development Strategy in Slovakia

The high share of SMEs in the total number of companies in Slovakia, approximately 99.9% (Novacká, 2020), gives reason to develop SMEs as a basic priority of the Slovak state's economic policy. Their development and results so far allow to assume their growing importance and position in the Slovak economy. The total number of SMEs in Slovakia and in selected economic activities in the tourism industry in 2019 was as follows:

- Accommodation and catering services – 19 773,
- Art, entertainment and recreation – 12 918,
- Tourism, together – 32 691.

Tourism is a rapidly evolving and constantly evolving industry. Slovakia must increase the competitiveness of its product offer and, at the same time, take into account the main trends that govern the dynamics of global tourism. Nowadays, a lot of attention is paid to the environmental aspects of tourism. One of the important documents in this regard in Slovakia is the Sustainable Tourism Development Strategy up to 2030, in which the principles of tourism development in Slovakia are considered. The given document is a supporting strategic material that determines the direction of the industry for the years up to 2030. Its essence is the creation of a set of tasks for the central state administration body responsible for the development of the tourism industry, the fulfilment of which in cooperation with interested entities will lead to an increase in the level of the industry and its contribution to the national economy.

The focus of the strategic document was to support the fulfilment of tasks arising from the programme statement of the Government of the Slovak Republic, Agenda

2030, and consider the need to build a unified presentation of the country and the appropriate use of natural and cultural resources. The goal of the development of the tourism industry is to strengthen its position in the national economy by supporting the creation of products with higher added value and to respond flexibly to the current and future needs of the industry.

The sustainable tourism development strategy was developed in cooperation with a wide range of professional entities of the tourism industry at both national and regional level. The document is based on an analysis of the tourism industry and a forecast of its development, considering its needs and future trends. During its elaboration, the goals and objectives of various strategic, legislative and other documents with an impact on the development of tourism were considered. The tourism objectives include (Statistic Office of the Slovak Republic, 2018):

- Ensure effective and sustainable management of natural resources. This involves the protection, restoration and improvement of natural resources, including ensuring the stability and health of ecosystems and their services, and the reflection of adaptation and mitigation measures for the adverse consequences of climate change in all departmental strategic documents and development documents of municipalities and regions as a supreme public interest (e.g. in transport planning, in energy, spatial planning, water management, agriculture, forestry, sustainable tourism, general landscape care and others).
- Ensure effective and sustainable management of cultural resources. The aim is to increase the competitiveness of the Slovak Republic in tourism, making cultural heritage sites more attractive and their connection to the development of additional services in the framework of sustainable cultural tourism.
- Support the development of strong innovation-based regional economies. It intends to use prevention and adaptation to climate change for the development and production of new product technologies, processes and services in the sector of agriculture, industrial production, and sustainable tourism.
- Improve the sustainability and resilience of national and regional economies. Its aim is to maximise domestic demand coverage for products and services with its own regional production, especially in food production, energy, and services, including sustainable tourism and agriculture. To support the development of sustainable tourism, especially natural tourism, ecological tourism (e.g. animal and bird observation, interpretation of environmental values, etc.).

Direct impacts on the environment that cross national borders are expected in areas where tourism activities spill over into neighbouring countries. The negative effects on the environment that have already been mentioned include air pollution from increased traffic, growth in waste production, and pollution of natural tourism

assets. At the same time, positive impacts and the elimination of negative impacts are expected by achieving the goals associated with the support of sustainable mass mobility models and the protection of natural tourist attractions.

10.4. Summary and Conclusions

SMEs in the Slovak Republic in the sphere of tourism face many challenges in terms of internationalization and export support, whether in financing, education, or cooperation with academic institutions (Kašťáková & Barinková, 2019), focusing on support:

- In the fields of education of SMEs, FB, and women in business it is necessary to use the existing tools of The Slovak Investment and Trade Development Agency (SARIO) and The Slovak Business Agency (SBA) institutions. At the same time, to create conditions for the systematic education of SMEs, FBs and women in business in the area of the internationalization of business, pro-export policy of the state, international business operations, and foreign trade techniques through centers, such as CRP, which is part of the Research Institute of Trade and Sustainable Business at the Business Faculty of Economics University in Bratislava.
- *Creation of a unified database of Slovak exporters for tourism*, which would also serve to address and select SMEs (family business and women in business) for participation in business missions or participation of SMEs in programmes and measures in the area of export support.
- Creation of specialized associations for the foreign trade of SMEs sector commodities, or local specialist associations for the purposes of tourism. These can also be groups of SMEs whose production activities complement each other, or they can have cooperation agreements between them. Such associations save the costs associated with direct export and limit export risks. These small and medium-sized businesses (SMEs) are in a better position in foreign markets, which lets them obtain better prices and makes them more competitive.
- *Financing of SME export activities in the tourism industry*. Due to the high risk associated with international trading, it is necessary to create a specific product warranty or insurance policy to cover export contracts and SME loans. At the same time, it would be necessary to create a capital financing tool to support start-ups and fast-growing businesses in their expansion into the global market.
- Cooperation of SMEs (FB and women in business) with academic institutions with a focus on tourism. Considering the low competitiveness of SMEs and their limited potential for introducing new products and innovations with internal capacities, it is necessary to stimulate their cooperation with academic institutions. For this kind of cooperation to work, these SMEs must also be able to offer internships to BA, MA, and PhD students.

The topic of the importance of the internationalization of small and medium-sized enterprises (SMEs) and family businesses in Slovakia is attracting attention especially in the area of tourism. It is widely discussed not only at state level, but also in international forums.

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Znaczenie internacjonalizacji MŚP i firm rodzinnych w rozwoju turystyki na Słowacji

Streszczenie: Obecnie temat umiędzynarodowienia małych i średnich przedsiębiorstw (MŚP) oraz firm rodzinnych staje się coraz popularniejszy i natychmiast zyskuje na znaczeniu również w korzystaniu z turystyki. Jest szeroko dyskutowany nie tylko na szczeblu państwowym, ale także na forach międzynarodowych. Celem rozdziału jest zbadanie znaczenia internacjonalizacji MŚP i tworzenia firm rodzinnych (również z naciskiem na obecność kobiet w biznesie) dla rozwoju turystyki na przykładzie Słowacji. MŚP w Republice Słowackiej w dziedzinie turystyki stoją przed wieloma wyzwaniami w zakresie internacjonalizacji i wsparcia eksportu w zakresie finansowania, edukacji czy współpracy z instytucjami akademickimi. Należy skoncentrować się na wsparciu w zakresie edukacji MŚP, RP i kobiet w handlu zagranicznym, stworzeniu jednolitej bazy danych słowackich eksporterów dla turystyki, wspierać tworzenie wyspecjalizowanych stowarzyszeń handlu zagranicznego MŚP w dziedzinie turystyki, finansowaniu działalności eksportowej MŚP w branży turystycznej oraz tworzeniu wyspecjalizowanych stowarzyszeń handlu zagranicznego MŚP z ukierunkowaniem na turystykę.

Słowa kluczowe: internacjonalizacja, biznes rodzinny, małe i średnie przedsiębiorstwa, Słowacja, turystyka.