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CHANGES IN THE CZECH BUSINESS ENVIRONMENT BY THE VIEW OF SME MANAGERS

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Abstract

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This article shows first of all opinions of SME managers on the changes in the quality of the Czech business environment. The article contains the views of managers identified in 2017 and 2015 and compares them with the detected results in 2010 and 2004. It is interesting that managers reported more opportunities than threats in all years. Because the most of respondents (SME managers) were active in a municipality of up to 2000 residents in villages in southern Moravia their views on the quality of the business environment can be used to assess the competitiveness of the region and to reflect on the relationship between small and medium-sized enterprises and regional development. The paper also documents the applicability of the situational analysis of the external environment in SMEs. But the quality of business environment is evaluated also based on the results of the World Bank and Transparency International for purposes of international comparison in this article. To assess the quality of the business environment was used Corruption Perceptions Index by Transparency International. Czech Republic ranked 37 place with the score 56 in 2015 (score 51 in 2014). Also, World Bank in its results "Doing business 2016" shows improve conditions for business in the Czech Republic.

Keywords: business environment, corruption, opportunities, small and medium – sized enterprises, threats, regional development

INTRODUCTION

The business environment is a very broad term that also benefits from a wide range of synonyms and analogies expressions that are commonly used. The business environment is a very broad term that also benefits from a wide range of synonyms and analogies expressions that are commonly used. The term "business environment" uses UNCTAD (United Nations Conference on Trade and Development), the World Bank for small and medium sized enterprises or the World Economic Forum. The term "business climate" used by some governments, e.g. in Denmark or Holland. The OECD uses the term "Enabling Environment". In some institutions, the concept behind the business environment is considered a summary of the external factors that affect the growth, efficiency and competitiveness of businesses. In other cases, the business environment is defined as the sum of all external factors affecting the company. Within the literature on competitiveness, the concept of the business environment means the total external conditions in which the company conducts its activities. The business environment is composed of a wide range of business conditions in legislation, institutional infrastructure and the functioning of markets. Improving the business environment is the goal of governments in all countries of the world. When are successful entrepreneurs and businesses, the economy is growing, unemployment is falling and increases standards of living. Rate the overall level of business environment is almost impossible, because many of his constituents may be evaluated only subjectively, e.g. using a questionnaire. The business environment is made up by a wide spectrum of conditions for doing business in legislation, institutional infrastructure and market operations." Business environments, i.e. conditions that facilitate or create barriers to business, characterized and labelled as "6C". According to Creiner (2001), these are: Country, Corporations, Customers, Competitors, Costs, Currency. The business environment is usually divided into the business environment, internal and external business environment. External business environment consists of all the external factors that influence the development and implementation of the vision, goals and strategies of companies, regardless of their size. Internal business environment consists of all the internal factors that affect the fulfilment of the vision, goals and strategies of the company. Many authors used in the context of the business environment, the concept of environment management. Management environment can be compared to the environment in which he lives every person, family, group, business, organizations and society.

The quality of business environment is very important just for SMEs. Therefore, managers or owners of SME need to make strategic analysis of the external business environment for their strategic management. Basic environmental analysis includes STEPE analysis and Porter's five forces analysis model. Porter's Five Forces Framework is a tool for analysing competition of a business. Porter's five forces include three forces from 'horizontal' competition: the threat of substitute products or services, the threat of established rivals, and the threat of new entrants and two others from 'vertical' competition: the bargaining power of suppliers and the bargaining power of customers. Moreover, the external business environment can be examined by focusing and its relationship to a company (threats, opportunities). Perceptions of opportunities and threats can change over time and location. The same sort of situation can be perceived as an opportunity at the time while it can become a threat in three or five years for instance. Also, a situation which is an opportunity in some region can act like a threat in some other at the same time. These analyses provide necessary information to company's owners and management about the position of theirs companies in the external environment, opportunities that can be exploited and threats having impact on the very existence of the business. Small and medium-sized enterprises must face intense competition, but the external environment offers them a lot of opportunities too.

Also, regional disparities are part of the professional debate for many decades. Desirable is a balanced development of the territory that the standard of living within a single unit (whether national or continental) in all places equally high. In the developed world, it is the development of the territory in a broad sense. It is no longer only economic growth, but also to improve the quality of life. For the region development in the right direction, it must be on its territory created the conditions for this development. One of these conditions is a healthy business environment, which are now an indispensable part of SMEs. In less developed regions, the importance of SMEs is even higher, as these regions are not for the localization of large companies attractive. SMEs an important part of the economy also that they contribute significantly to the overall development of the territory in which it operates. SMEs are also of significant importance in the region, as many micro or small businesses bind their business activities to a place of their residence. This creates jobs for the inhabitants of the municipality and this can be considered as one of the factors increasing the attractiveness of the municipality.

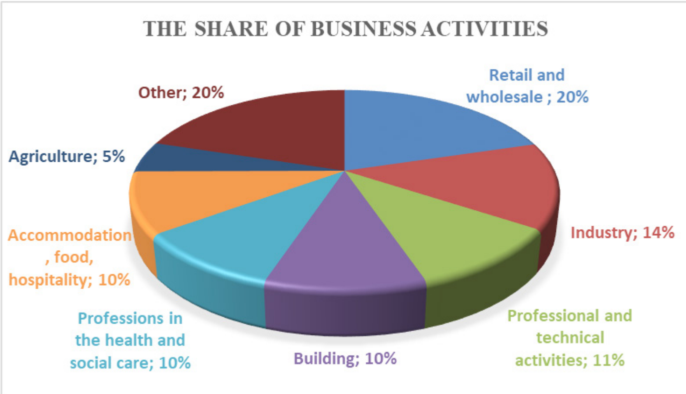
The settlement structure of the Czech Republic is characterized by considerable fragmentation. Typically, are many relatively small municipalities. There were 6,253 municipalities in the Czech Republic, with a total of 10,538,275 inhabitants in 2015. The average size of municipalities in the Czech Republic was 1,685 inhabitants. In size groups of up to 2 000 inhabitants located 5,566 municipalities (89 %) but are home to only 2,838,750 people (26.9 %). However, in five cities over 100,000 population live more than a fifth (20.9 %) of the population (Czech Statistical Office, 2017).

Country by regions: predominantly rural region: Vysočina (53.5 % of the population living in villages with a density of 150 inhabitants per square kilometre). Predominantly urban region: Hl. Prague. Transition regions: all other regions (the South Bohemia region is almost predominantly rural – 49.8 %) (OECD typology of regions, 2011)

Countryside by the districts: Predominantly rural: 21 districts. Predominantly urban: 9 districts. Transitional: 47 districts. For rural regions, we expect rural or transitional regions.

Countryside according to business structures with respect to size companies: Entrepreneurs without employees consist of 90 %, Businesses with 1–9 employees consist of 8 %, Businesses with 10–49 employees consist of 2 % and Businesses with 50 or more employees consist of 0.1 % (OECD typology of regions, 2011). The number of entrepreneurs in the country by industry you can see in the Fig. 1.

Also, on the definition of competitiveness can be viewed from the perspective of many authors. Transfer of the research competitiveness at the regional level is then also connected with changing views on the role of the region. Many economists (for example Porter, 1996 and Corvers, 2003) believe that the regions are just carriers of competitiveness because of competitive advantage are highly localized and arise from the concentration of highly specialized knowledge, institutions, companies and customers. As the main components of interpreting the important legality for regional



1: *Countryside according to business structures regarding the industry*
Sources: Statistical Yearbook 2015 CSO 2015 Report on the State of Agriculture, 2016.

development have been identified: quality of the business environment, innovation potential of companies and utilization of human resources (Vitulka, 2010).

Blanchard has also dealt with the research and evaluation of past and current innovation activities in small and medium-sized enterprises located in two geographical locations in a rural area (Blanchard, 2017). Blanchard also mentions that Businesses which operate in rural and remote locations tend to have higher degrees of customer relations expertise, which within some operations is then transferred into superior business performance (Blanchard, 2013).

The growing application of market-conformist approaches in modern regional policy is accompanied by the adoption of microeconomic analytical procedures in regional economic research, in particular SWOT analysis and taking into account the preferences of firms that can be used to assess the business environment (Vitulka, 2010).

Regional and European activities should rather seek instruments to maintain balanced regional development and resolve structural problems by strengthening the competitive position of regions in the national as well as global environments. E.g. infrastructure investments increasing the attractiveness of the region for both foreign and domestic investors to promote the improvement of the quality of the business environment, to streamline the innovation potential and to intensify networking and clustering (by Jeníček, 2010).

The relationship between SMEs and regional development is among the controversial issues. Support for SMEs was initiated primarily by D.L. Birch (1987), who proved that SMEs in the US contributes decisively to employment growth. In addition to this, SMEs have a role for regional development also for its ability to create and change the business climate of the region, including enhancing its image (Blažek, 2011).

The aim of this paper is to evaluate changes in the quality of the Czech business environment based upon on opinions of SME managers and owners. And then the opinions of managers to compare with the results of Transparency International that evaluate the business environment with use Corruption Perceptions Index and with results of World Bank in "Doing business". The partial goal of this paper is to assess relationship between small and medium-sized enterprises and regional development.

MATERIALS AND METHODS

This paper works with the terms micro-, small- and medium-sized enterprise as specified in the Article 1, Commission Regulation (EC) No 800/2008 which is also valid for the Czech Republic.

Opinions of SME managers were used to evaluate the business environment in the Czech Republic for comparison in the years 2004, 2010, 2015 and 2017. The students of Faculty of Business and Economics at Mendel University in Brno investigated opinions of SMEs managers to quality of business environment. 70 SME SWOT Analyses were implemented in order to acquire respondents' views on the quality of the business environment in 2004. These first opinions were gained from students of combined form of study who work at middle or basic managerial positions. In 2010, 226 SME SWOT Analyses were performed by the students of the full-time form. As well as in the following years. In 2015, it was 127 SME SWOT analysis. 56 managers of micro-sized enterprises, 43 managers of small-sized enterprises and 28 managers of medium-sized enterprises were questioned in this year. In these 41 owners of micro-sized enterprises, 29 owners or managers of small-sized enterprises and 5 managers of middle sized enterprises were active in a municipality of up to 2000 residents. Most of them were villages in southern Moravia. In 2017, it was 86 SME SWOT analysis. 39 managers of micro-sized enterprises, 27 managers of small-sized enterprises and 20 managers of medium-sized enterprises were questioned. In these 28 owners of micro-sized enterprises, 17 owners or managers of small-sized enterprises and 6 managers of middle sized enterprises were active in a municipality of up to 2000 residents. The sectoral structure of these enterprises in 2015 (and the number of SME) was as follows: Manufacturing (39), Accommodation and Food Services (23), Retailing Business, Motor Vehicles and Consumer Goods Repair (16), Professional, scientific and technical activities (15), Education (10), Information and communication (9), Arts, entertainment, recreation activities (8), Civil Engineering (3), Agriculture (1), Transport and storage (1), Health and Social Care (1), Real estate activities (1). In 2017 Manufacturing (22), Accommodation and Food Services (18), Retailing Business, Motor Vehicles and Consumer Goods Repair (20), Professional, scientific and technical activities (7), Education (7), Information and communication (4), Arts, entertainment, recreation activities (3), Civil Engineering (3), Agriculture (1), Real estate activities (1).

Statistical methods were applied in order to assess links between individual qualitative traits. Mainly contingency tables, square contingency and contingency coefficients were implemented in order to test relations between variables. The contingency coefficients are constructed in a way that their value is dependent only on the intensity of correlation.

Pearson's coefficient of contingency:

- This coefficient scales the chi-square statistic to a value between 0 (no association) and 1 (maximum association).

Cramér's coefficient of contingency:

- Its value falls between two nominal variables, giving a value between 0 and 1. At zero value, there is no relationship in the table if the coefficient has a value of one, there is a complete relationship (Hendl, 2004).

Data was processed by Microsoft Excel and Unistat for Excel

RESULTS

Changes in the Czech business environment

The Czech business environment and changes in its quality was evaluated based upon conducted interviews with SME managers and owners, who identified threats and opportunities for their businesses. 226 SME managers identified 1036 opportunities in total in 2010 (average: 4.6 opportunity per manager), out of which 405 were identified by micro-enterprise managers (4.6 opportunities on average), 370 by small-enterprise managers (4.5 on average) and 261 by middle-enterprise managers (4.8 opportunities on average per manager). That therefore, there is not a significant difference between the number of identified opportunities and the size of a company. The Tab. I presents the most frequently identified opportunities in 2010 and in 2004. In 2004 the results were found by Kučerová and Pošvář. It was interesting to find how SMEs managers assess the business environment after the Czech Republic had joined EU (Kučerová and Pošvář, 2005).

The most important opportunity identified by SME managers in 2004 was „integration of the Czech Republic into EU" which facilitated its entrance into European markets. 77 % of managers answered this. In 2010 this answer has ended up on third place (46 % answers). The most important opportunity in 2010 was „Technical and Technological development and increase in demand for innovated products made by modern technologies" (82 % answers). In 2004 it was only 53 % answers. „Economic progress and higher standard of living (followed by increase in demand)" scored as the second most important opportunities both years. 69 % managers identified this opportunity in 2004 and 67 % in 2010. Some opportunities (that emerged in greater frequency) came in the picture in 2010 (there was almost no such occurrence in 2004), these have been related

I: *The most frequently identified opportunities in 2004 and 2010*

Opportunities	Answer Frequency (%)	
	2004	2010
1. Integration into EU, international cooperation, cancellation of custom duties, globalization	77	46
2. Economic progress, increase in demand and the standard of living	69	67
3. Technical and technological development, increase in demand for innovated products	53	82
4. Subsidies for SME	40	45
5. Change of life style and its impact on demand, pressure to protect the environment	34	39
6. Free/unoccupied areas in the market, weak competition in the area, industry/field's attractiveness	17	38
7. Legislation and regulations	-	27
8. Unemployment, graduates, qualified labour supply	-	26
9. Organizing trade shows, expositions, contests, conferences and other social events	-	24
10. Tourism development, traditions	-	14

Sources: SWOT analyses conducted by SME managers in 2004 (Kučerová and Pošvář, 2005) in 2010 own work to the positive development of the Czech business environment. Answer frequency is shown in Tab.1.

The most important opportunity in 2010 „Technical a technological development, increase in demand for innovated products" was defined primarily by managers of micro and small companies (83% of micro-sized enterprise managers, 84% of small-sized enterprise managers, only 78% of medium enterprises). In general, we can say that for managers of medium sized enterprises was the sequence of defined opportunities this: „Technical and Technological development and increase in demand for innovated products made by modern technologies" (78%) "Integration into EU, international cooperation, cancellation of custom duties, globalization" (57%) and "Change of life style and its impact on demand, pressure to protect the environment" (54%). The small-sized enterprise managers preferred Economic progress (58%) and subsidies for SME (57%) as the second and third significant opportunities. The micro-sized enterprise managers, found the second most important opportunity Economic progress and higher living standard and demand (78%) (Chládková, 2015).

I consider as a very interesting the find that the relationship between identified opportunities and the size of companies was not significant. This assertion is confirmed by statistical calculations.

Correlation between „Opportunities" and the size of SME in 2010

Statistics: Chi-Square Test = 47.0042

Degrees of Freedom = 34

Cumulative Probability = 0.0681 Fí = 0.2130

Cramér's V = 0.1506

Pearson's Contingency Coefficient = 0,2083

Considering that the level of significance is almost 7%, it should be said that the data could be often obtained even in case of zero hypothesis validity. Therefore, we cannot exclude the possibility that the zero hypothesis is true which means that we cannot prove any correlation between the identified opportunities and the size of SME. Thus, SME managers perceive opportunities from the external environment similarly, irrespective of their company's size (Chládková, 2015).

56 managers of micro-sized enterprises, 43 managers of small-sized enterprises and 28 managers of medium-sized enterprises were questioned in 2015. 127 SME managers or owners defined 662 opportunities in total in 2015 (average: 5.2 opportunities per manager). 293 (5.2%) opportunities were identified by micro-enterprise managers, 217 (5.0%) by small-enterprise managers and 152 (5.4%) by middle-enterprise managers in 2015.

39 managers of micro-sized enterprises, 27 managers of small-sized enterprises and 20 managers of medium-sized enterprises were questioned in 2017. 86 SME managers or owners defined 525 opportunities in total in 2017 (average: 6.1 opportunities per manager). 235 (6.0%) opportunities were identified by micro-enterprise managers, 172 (6.4%) by small-enterprise managers and 118 (5.9%) by middle-enterprise managers in 2017.

In the last two years, managers identified as a main opportunity "Growth in demand" (79.5%) in 2015 and even (82.6%) in 2017. The second most important opportunity were subsidies for SME (42.5%) in 2015. The third most significant opportunity has been identified Development of the Internet and social networks new forms of promotion" (35.4%) in 2015. Tab. II documents significant differences between answer frequency in 2015 and 2017. For example, the subsidies for SMEs as opportunities was identified only by 25.6% of managers in 2017 (it was 42.5% in 2015). I also consider as very positive, the pleasant experience of managers with the numbers and quality of suppliers in 2017. Managers reported these factors as threats (problems with the suppliers) or as a weakness (Dependence on a single supplier) during last researches (especially in 2004).

Table 3 shows the most significant opportunities identified by micro-, small- and medium-sized enterprise managers in 2017. The most significant opportunity „Growth in demand" was defined by all SME managers regardless of the size of their company (74.4% of micro-sized enterprise

II: *The most frequently identified opportunities in 2015 and 2017*

Opportunities	Answer Frequency (%)	
	2015	2017
Growth in demand (for quality, innovation, bio and local production)	79.5	82.6
Change of life style and pressure to protect the environment	31.5	50.0
Technical and technological development, automation	27.6	44.2
Low unemployment, low inflation, growth of purchasing power	22.0	44.2
Easy entry into new markets	28.3	40.7
Development of the Internet and social networks new forms of promotion	35.4	37.2
The current government policy, legislation,	27.0	36.0
Subsidies for SME	42.5	25.6
Number of suppliers and their quality	1.6	17.4
Free/unoccupied areas in the market, weak competition in the area	21.2	16.3

Sources: SWOT analyses conducted by SME managers (2015, 2017) and own work managers, 96.3 % of small-sized enterprise managers and 80.0 % of medium-sized enterprise managers). It should be noted that it was the small -sized enterprise managers who had found growth in demand as the most important opportunity more frequently. The micro-sized and small-sized enterprise managers preferred as the second most significant opportunity change of life style and pressure to protect the environment (61.5 % of them). On the other hand, the medium-sized enterprise managers preferred as a second most significant opportunity, low unemployment, low inflation, growth of purchasing power.

In the years under review, SME managers identified more opportunities than threats. The most opportunities were identified in 2017. It can be said that managers themselves perceive that the business environment is improving. For positive I consider the fact that the improvement of the quality of the business environment was perceived by SME managers, who mostly operate in small municipalities.

These results are supported by the German company Transparency International (TI) which has been publishing its findings regarding the Corruption Perception index (CPI) every year since 1995. TI annually ranking countries "by their perceived levels of corruption, as determined by expert assessments and opinion surveys. The CPI generally defines corruption as "the misuse of public power for private benefit" (Lambsdorff, 2000). The CPI currently ranks countries "on a scale from 100 (very clean) to 0 (highly corrupt)". A study published in 2002 found a "very strong significant correlation" between the Corruption Perceptions Index black market activity and overabundance of regulation. In 2015 and in 2014 index included 168 countries and territories. Almost 50 countries had serious corruption problem. The CPI is growing in the Czech Republic from 46 in 2010 to 56 in 2015. The position of the Czech Republic has improved dramatically when it moved from the 53rd to the 37th place (rank 37) in the world in 2015. It means that the fight against corruption is improving. The source of success is not just a government measure, but also a pressure of companies that put in place internal anti-corruption mechanisms. But also, activities of associations and chambers that actively seek to cultivate the business environment and launch initiatives towards responsible entrepreneurship and openness.

As we compare 6 countries of EU that have similar population like the Czech Republic (in millions of inhabitants: Greece 11.2, Portugal 10.4, Belgium 11.2, Czech Republic 10.5, Hungary 9.9, Sweden 9.7, Austria 8.5 in 2015) then the smallest corruption was in Sweden (rank 3, CPI 89), Belgium (rank 15, CPI 77) and Austria (rank 16, CPI 76) and the worst Greece (58, CPI 46) in 2015. Among the V4 countries had the worst results Hungary and Slovakia (rank 50, CPI 51) and best Poland (rank 30, CPI 62) (by Transparency International – Corruption Perception Index 2016). Unfortunately, the Czech Republic declined significantly in the "Corruption Perceptions Index 2016" (CPI 2017) and after the last jump to 37th place in the world it returned 10 places back – to the 47th share shared. In order to move our upward trend from previous years to CPI, we need

III: *The most frequently identified opportunities by SME managers by company size in 2017*

Opportunities (2017)	MicEM		SEM		MedEM	
	amount	%	amount	%	amount	%
Growth in demand (for quality, innovation, bio and local production)	29	74.4	26	96.3	16	80.0
Change of life style and pressure to protect the environment	24	61.5	13	48.1	6	30.0
Technical and technological development, automation	17	43.6	13	48.1	8	40.0
Low unemployment, low inflation, growth of purchasing power	17	43.6	11	40.7	10	50.0
Easy entry into new markets	14	35.9	13	48.1	8	40.0
Development of the Internet and social networks new forms of promotion	17	43.6	9	33.3	6	30.0
The current government policy, legislation,	13	33.3	13	48.1	5	25.0
Subsidies for SME	10	25.6	7	25.9	5	25.0
Number of suppliers and their quality	7	17.9	7	25.9	1	5.0
Free/unoccupied areas in the market, weak competition in the area	9	23.1	5	18.5	–	–

(MicEM = micro-sized enterprise managers, SEM = small-sized ent. managers, MedEM = medium-sized enterprise managers)
Source: SWOT analyses conducted by SME managers (2017) and own work

to make law enforcement more effective in the years to come, to adopt missing key standards in a way that will guarantee positive change, and to consistently apply them. Above all, however, we must carefully monitor the actions of key politicians and not allow them to defend their economic interests against public interest and the interests of citizens.

Also, news by The World Bank (Doing business 2016) showed that the business environment in Czech Republic are improving. Compared to the assessment in 2015, Czech Republic improved its position by 8 places and ranked 36th in the ranking of 189 countries. The positive changes for the quality of business environment were brought by new Civil Code and the Business Corporations Act, which simplify the creation of companies, in force since 2014. And also improving of digitization techniques related documentation for the establishment and functioning of data boxes and were reduced administrative barriers. In doing business 2017 Czech Republic improved its position by 9 places and ranked 27th in the ranking of 190 countries. (Doing business 2018, which includes results in 2017, has not yet gone).

1091 threats were identified by SME managers or owners in 2010. Each SME manager identified 4.8 threats on average. It should be noted that the most significant threat (most frequently identified by SME managers) in both years (2004 and 2010) was the threat of „Competition and rivalry in the industry.“ 64% of the SME managers identified this threat in 2004, and the number further increased to 92% in 2010. The rise in the significance of this threat in 2010 compared to 2004 is logical. Only after the accession of the Czech Republic to the EU the entry of foreign companies into the domestic market was simplified and the number of competitors increased substantially, which also affected SMEs. Another frequent threat of 2004 was also „EU laws and regulations, EU competition“ while it was „Financial and economic crisis“ and „Government's interventions, legislation“ in 2010. See Tab. IV.

Competition and rivalry in the industry was the most frequently identified threat in the industry, especially for medium-sized enterprises (96%) in 2010. Government's interventions, legislation was most frequently defined as a threat by micro-sized enterprises (69%). Financial and economic crisis was perceived, on the other hand, as a significant threat by small-sized enterprise managers (78%). „Decrease in demand, changes in customers' preferences“ was most frequently identified by medium-sized enterprise managers. As with perceived opportunities, MSP managers also perceived threats similarly without differences in company size. This is supported by following statistical calculations.

Correlation between „Threats“ and the size of SME in 2010

Statistics: Chi-Square Test = 35.9018

Degrees of Freedom = 44

Cumulative Probability = 0.8025

Fí = 0.1814

Cramér's V = 0.1283

Pearson's Contingency Coefficient = 0.1785

Considering that the level of significance is 8%, it should be noted that the data could be often obtained even in case of zero hypothesis validity. Therefore, we cannot exclude the possibility that the zero hypothesis is true which means that we cannot prove any correlation between the identified threats and the size of SME. Thus, SME managers perceive threats similarly, there are no threats that would threaten micro-sized enterprises more than small or medium-sized ones. (Chládková, 2015).

627 threats were defined by SME managers in 2015 (127 managers were questioned). Each SME manager identified 4.9 threats on average. In 2017 it was 506 threats (86 managers were questioned). Each SMEs manager identified 5.9 threats on average.

The most significant threats by SME managers was „Competition and rivalry in the industry“ (94.5%) in 2015 (84.9%) in 2017 just as in years 2004 and 2010. As the second most significant threat has been identified growth in input prices (55.9% of respondents) in 2015, but in 2017 were identifies as

IV: *The most frequently identified threats in 2004 and 2010*

Threats	Answer Frequency (%)	
	2004	2010
1. Competition and rivalry in the industry	64	92
2. EU laws and regulations, EU competition	54	27
3. Government's interventions, legislation	46	66
4. Increase in input costs and greater difficulties to obtain loans	46	55
5. Bargaining power of customers and increase in customers' requirements, financial indiscipline and insolvency	31	39
6. Technical and technological development, substitutes	27	12
7. Financial and economic crisis	–	67
8. Decrease in demand, changes in customers' preferences	–	34
9. Insufficient supply of qualified labour	–	14
10. Demand for ecological production, pressure to protect the environment	–	12

Sources: SWOT analyses conducted by SME managers in 2004 (Kučerová and Pošvář, 2005) in 2010 own work the second most significant threats government's interventions and legislation (67.4 %). Managers most complained about the introduction of an electronic evidence of revenue and anti-smoking law.

The most significant threats by SME managers was „Competition and rivalry in the industry" in 2017. This threat identified all managers of small sized companies. As the second most significant threat has been identified „Government's interventions, legislation". First of all, it was important threat for managers of micro sized enterprises. (see Tab. VI).

Even though some positive changes have contributed to improving the Czech business environment, its quality remains a problem. The Czech Republic suffers from the worst business conditions when it comes to dealing with construction permits and to paying taxes, but it also experiences difficulties in the starting a business and area of enforcing contracts. Also the interviewed

V: *The most frequently identified threats by SME managers in 2015 and 2017*

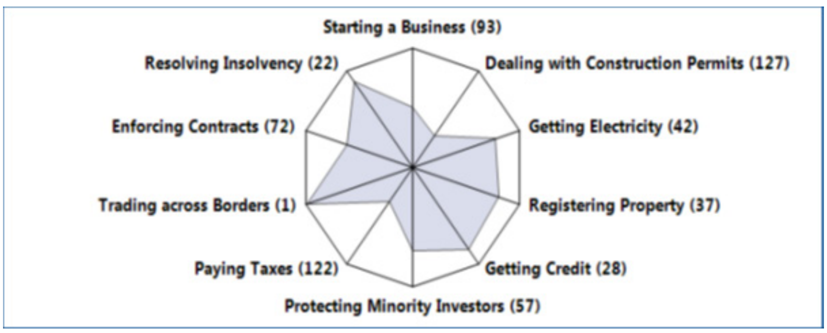
Threats	Answer Frequency (%)	
	2015	2017
1. Competition and rivalry in the industry	94.5	84.9
2. Government's interventions, legislation	24.4	67.4
3. Increase in input prices	55.9	48.8
4. Population aging	6.3	24.4
5. Decrease in demand	21.3	22.1
6. Many substitutes	15.7	22.1
7. Decreasing the number of skilled workers in the labour market	17.3	20.9
8. Easy entry into the industry	4.7	20.9
9. Pressure to protect the environment	1.6	19.8
10. Healthy lifestyle	5.5	18.6

Source: SWOT analyses conducted by SME managers (2015) and own work

VI: *The most frequently identified threats by SME managers by company size in 2017*

Threats (2017)	MicEM		SEM		MedEM	
	amount	%	amount	%	amount	%
1. Competition and rivalry in the industry	28	71.8	27	100.0	18	90.0
2. Government's interventions, legislation	34	87.2	15	55.6	9	45.0
3. Increase in input prices	17	43.6	14	51.9	11	55.0
4. Population aging	7	17.9	5	18.5	9	45.0
5. Decrease in demand	7	17.9	8	29.6	4	20.0
6. Many substitutes	13	33.3	3	11.1	3	15.0
7. Decreasing the number of skilled workers in the labour market	8	20.5	6	22.2	4	20.0
8. Easy entry into the industry	6	15.4	6	22.2	6	30.0
9. Pressure to protect the environment	5	12.8	9	33.3	3	15.0
10. Healthy lifestyle	5	12.8	6	22.2	5	25.0

Source: SWOT analyses conducted by SME managers (2015) and own work
(MicEM = micro-sized enterprise managers, SEM = small-sized ent. managers, MedEM = medium-sized enterprise managers)



2: *Rankings on Doing Business topics - Czech Republic (Scale: Rank 189)*
Source: Doing Business report 2016

managers of SMEs marked paying taxes and their height as important threat also. Fig. 2 shows summary of „Doing Business 2016“ reports for the Czech Republic and the rankings by each topic.

The worst conditions for doing business from 6 EU countries that have similar population like the Czech Republic has Greece (Doing business rank 60). The second worse position for doing business is taken up by the Belgium (rank 43). The best conditions for doing business are set in Sweden (rank 8) and Austria (rank 21), by Doing business 2016. From V4 countries had the best rank Poland (26) and Slovakia (29) (Doing business report 2016).

DISCUSSION

The great advantage of small and medium-sized enterprises is in their ability to adapt quickly to changes in the market or legislation, a simpler organizational structure and lower capital requirements compared to large enterprises. Small and medium-sized enterprises must cope with many disadvantages in their existence. They are threatened by the behaviour of large, often multinational companies and business chains, by increasing numbers and changes in legislation. They are also limited in the personnel area where they have limited resources for employees’ salaries and cannot afford top experts in the field. On the other hand, SMEs are very close to the region in which they operate. In addition to increasing employment and being economically beneficial of SMEs, it is not uncommon to become a sponsor of various charity and other socially major events in the region. Many small businesses are completing the urbanization and character of towns and villages, maintaining and restoring local historic architecture.

SME research in the context of regional development was dealt with by a team of authors from the Centre for Enterprise and Economic Development Research, headed by professor David Smallbone. According to them small local markets, combined with the distance from major national and international markets, is one of the competitive disadvantages faced by rural small firms, which niche focusing may help to overcome. From a business support perspective, this emphasises the need for appropriate assistance with respect to market development, exporting and marketing for rural firms, especially those located in peripheral rural areas. The small size and occupational composition of rural labour markets can impose constraints on rapidly growing rural firms. Moreover, access to suitable training provision is more difficult for firms in remote rural areas, particularly because the majority of ‘off-the-job’ training opportunities are urban-based. The financial and business services sector is typically weaker in rural areas, either because commercial providers of business services, such as accountants or law firms are thinner on the ground and/or because the service offered is of lower quality (Smallbonne *et al.*, 2002). In their 1991 survey, Keeble *et al.* (1992) found significantly greater shortages of skilled labour and management staff reported by firms in remote rural areas, compared with other locations. This fact has been confirmed even in my research. SME managers in the Czech Republic have identified problems with a lack of qualified workforce as a serious threat in my research in the last years. Also, Slovak colleagues dealt business environment and its impact on SMEs. The questionnaire by Ivanova allowed the author to identify the group of questions concerning the most important conditions for the development of the SME sector referring to the business environment. Based on the conducted research of the sector of SMEs, they concluded that a large group of companies have difficult access to external sources of financing and this refers both to the access to the European Union funds, grants, bank loans and other instruments of the financial market (Ivanova, 2017).

Thanks to the development of the theoretical thinking of regional development over the last decades, small and medium-sized enterprises have gained considerable importance in the eyes of regional policy makers. Their support is embedded in a variety of developmental materials not only at regional, but also at national and pan-European level. From a regional policy of European countries point of view, SMEs are considered to be a key source of employment, innovation and overall regional development. If, in the future, will be gradually improving and facilitating the conditions for business in the Czech Republic, as promised by our legislators, it is likely that the importance of SMEs will growing. At present, however, there are still many barriers that not only make businesses harder but sometimes discourage them from starting up.

CONCLUSION

The Czech business environment was evaluated based upon conducted analyses by SME managers or owners. The most of them were active in a municipality of up to 2000 residents, primarily in 2015 and in 2017. The SME managers and owners identified threats and opportunities for their businesses. The article contains the views of managers identified in 2017 and 2015 and compares it with the detected results in 2010 and 2004 after the Czech Republic had joined EU. It is interesting that managers identified more opportunities than threats in all the years under review.

Especially for small enterprises, was the most significant opportunity “increasing the demand for local products”, because just these enterprises are focused to local markets. This opportunity was marked by managers as more significant in 2017 than in 2015. The subsidies for SMEs were more important opportunity in 2004, 2010 and 2015, but rather for the middle-sized enterprises, because for the smaller was very difficult to earn them. In 2017 their importance was lower by managers without differences by size of companies. The most significant threats by SME managers without differences between company size was „Competition and rivalry in the industry " in all the years under review. As the second most significant threat has been identified growth in input prices in 2015, but in 2017 it was „Government's interventions, legislation". This was primarily significant threat for micro sized companies.

The paper also includes results and conclusions from the assessment of the external environment performed by the World Bank („Doing Business 2016") and shows Corruption Perceptions Index by Transparency International which can also be used to assess the quality of the business environment. By the results of the of the Transparency International and of the World Bank showed improvement of the Czech business environment. However according to their reports is improving of the quality in the Czech business environment still necessary. In the Czech Republic, it is necessary to improve the enforceability of the law, reduce the bureaucratic burden on businesses, simplify the tax system and prevent its frequent changes. Furthermore, it is important to limit corruption and frequent changes in the legal environment. Non-legislative tools to support regional development include the need for a dense network of advisory services, networking and clustering capabilities, or various forms of support from public authorities. Therefore, all presented results document the importance of business environment and the need to continually improve its quality.

It can be maintained that the business environment will be always one of the most significant factors having a major influence on the SMEs' competitiveness. Therefore, business environment should be stable with simple rules, easy-to-follow administrative requirements and minimal regulations. Continuously improving the quality of the regional business environment will support the development of entrepreneurial activities with a positive impact on the use of human resources and innovation, which will increase competitiveness in regions and create the prerequisites for long-term sustainability of regional development. From the regional point of view, it is clear that the quality of the business environment is crucial for long-term economic development of individual regions.

The paper also verified the applicability of the situational analysis of the external SME's environment. Based upon the examination of this area, it can be recommended to the SME owners or to managers regularly to make this analysis and identify the opportunities and threats for their businesses. The aspect of time (and its influence on a company) should be taken into account as well. The analysis should be used to determine the order of importance of "opportunity" and "threats", and in the same order to solve them.

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