

## **Improvement of the Quality of Business Environment Model: Case of the SME Segment**

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**crossref** <http://dx.doi.org/10.5755/j01.ee.30.5.24490>

*The aim of this article is to define important factors which determine the quality of the business environment and construct a structural model of causal relationships between quality of business environment and its determinants in small and medium sized enterprises. This model was constructed on the basis of extensive empirical research. A questionnaire was designed and delivered to SMEs operating in the Czech and Slovak Republics. The sample consists of 641 enterprises from both countries. Data were evaluated using statistical methods such as confirmation factor analysis and structural equation modeling. The structural model showed very interesting findings. The most important factors, which determine the quality of business environment, are macroeconomic environment, monetary policy and interest rates and legal environment. In our model, we also pointed out the importance of political, social and technological factors. The research results pointed to the need to adjust the legislative environment in a more appropriate way, to minimize state bureaucracy and to improve media access to business environment assessment. These results are useful for the academic researchers in the area of entrepreneurship, policymakers, and non-profit institutions and organizations whose effort is to improve the business environment and boost entrepreneurship.*

**Keywords:** *Entrepreneurship; Entrepreneurs; Slovakia; Czech Republic; Small and Medium-Sized Enterprises.*

### **Introduction**

Improving the quality of small and medium sized enterprises (SMEs) business environment is a major challenge for the European Union countries with an economic, political, technological and social dimensions. It is a logical approach, following the long-term interest in SME development of the relevant authorities not only in the European Union, but also in national economies across Europe.

Institutional environment in a country shapes the entrepreneurship, which is a significant part of the economic system of every country. On the other hand, SMEs are an important component of the economic system. It is widely recognized that entrepreneurial activity contributes to the economic growth (van Stel *et al.*, 2005; Rajnoha & Lorincova 2015; Belas & Sopkova 2016; Kljucnikov *et al.*, 2017; Lazanyi *et al.*, 2017; Mura *et al.*, 2017; Acs *et al.*, 2018; Bosma *et al.*, 2018). Therefore, improving the QBE and business climate in general can be seen as a constant concern of policymakers who design policies/strategies aimed at fostering entrepreneurship and boosting economic activity (Ohotina *et al.*, 2018; Mackevicius *et al.*, 2018; Cera *et al.*, 2019).

Anchored at the institutional theory (IT) (North 1990), economic development perspective (EDP) (Wennekers *et al.* 2005) and resource-based view (RBV) (Barney 1991), this study seeks to investigate the effect of factors originating from outside and within the organization on Quality of Business Environment (QBE) of SMEs in the context of two countries from Central Europe. Studying the effect of these factors on QBE combining three different perspectives (IT, EDP and RBV) may give a better view over the determinants of QBE and provide useful insights for policymakers on how to improve it. Therefore, the current paper creates a bridge between these theoretical perspectives and entrepreneurship.

Institutional environment within the activity is performed determines the state of activity in the economy (Baumol 1990; Douhan and Henrekson 2010). This implies that the changes of the institutional framework impact entrepreneurship (Manolova *et al.*, 2007; Chowdhury *et al.*, 2015; Ben Letaifa & Goglio-Primard 2016; Vojtovic 2016; Sanusi *et al.*, 2017) by influencing on entrepreneur's decision-making. Certain legal and regulatory framework applied in the economy may constrain or enable the business activity. This can be explained through IT, which claims that the firm's decision-making is influenced by

institutions enforced by governmental agencies and social norms (North 1990). Usually, these institutions are seen as constraints of the business activity and firm growth (Dethier *et al.*, 2011; Krasniqi & Desai 2016; Cera *et al.*, 2019; Webb *et al.*, 2019). On the other side, Balcerzak *et al.* (2017) highlight the impact of the efficiency of the banking sector in the European Union on the overall business environment. According to EDP, economic institutions act as a separate set of the standard institutions that influence on entrepreneurial activity (Wennekers *et al.*, 2005; Boudreaux *et al.*, 2019). Such institutions can be macroeconomic environment, infrastructure, access to finance etc. Scholars have seen these set of institutions as enablers of the entrepreneurial activity (Bjornskov & Foss 2016; Boudreaux *et al.*, 2019).

It is also acknowledged that firm performance is not determined only by factors from outside of the organization such as institutional environment and economic institutions. According to RBV, the way firm's internal resources are combined can lead to a better performance (Barney, 1991), which reflects higher QBE. The way how entrepreneurs harmonize internal available resources, such as managerial skills, human resources and assets, to create wealth influence on business activity (Sobel, 2008; Androniceanu, 2017). Therefore, factors from within the organization affect business performance and consequently the QBE. Similarly, Kliestik *et al.* (2018) consider the internal resources, mainly firm's goodwill as a factor for increasing firm's performance.

The originality of the current research lies in the fact that it investigates the effect of economic and non-economic factors collectively on QBE. The non-economic factors can be political, technological and social factors.

## Theoretical Background

The theoretical underpinning of the current research is built on three perspectives IT, EDP and RBV (North 1990; Barney 1991; Wennekers *et al.*, 2005). IT and EDP deals with factors which influence on entrepreneurial activity that originates from outside the organization. Such factors are institutions that constrain or enable the business activity, over which firm do not have power to manipulate them. On the other hand, RBV advocates that firm can combine its internal resources to perform better results. As a matter of fact, internal factors can be controlled by firm management. Hence, there are two types of determinants of QBE: from outside and within the organization (Shepherd *et al.*, 2019).

As mentioned above, the literature on entrepreneurship (Stenholm *et al.*, 2013) and institutions (Baumol 1990; North 1990; Sobel 2008) assumes that social norms along with legislation and regulatory framework, known as institutional environments, create the conditions for individual to make decisions, which is essential in entrepreneurial cognition and the QBE (Sobel 2008; Pinho 2017; Raza *et al.*, 2018; Luskova *et al.*, 2018). As Douhan and Henrekson (2010) claim, institutional framework has the capacity to determines whether an activity is destructive, unproductive or productive. This leads to the fact that quality of entrepreneurship is influenced by institutional reforms by changing the environment where

entrepreneurs take and implemented their decisions (Chowdhury *et al.*, 2019).

The relationship between entrepreneurship and institutions is bidirectional (Bylund & McCaffrey, 2017; Elert & Henrekson, 2017). However, in the current paper it is studied the relationship that sees institutions as drivers of entrepreneurship. According to Williamson (2000), institutions can be divided into four levels. The first level consists of informal institutions (such as social norms), which are deeply rooted in society and take many years to change them. The second level is composed of formal institutions such as legislation and regulatory framework which represent the economic "rules of the game", known as the institutional environment. Competitiveness in the CEE countries is driven by gross domestic product, inflation and tax rate, foreign direct investments and trade, labor productivity and costs (Rusu & Roman, 2018).

Institutional environment in a country shapes the entrepreneurship. Scholars have demonstrated that the higher the quality of institutions, the higher firm growth and QBE (Lim *et al.*, 2010; Thai & Turkina, 2014; Autio & Fu, 2015; Lim *et al.*, 2016; Peck *et al.*, 2018). For instance, Grilli, Mrkajic and Latifi (2018) used a composite index created by factorization of these indicators: governmental effectiveness, rule of law, political stability, voice and accountability, regulatory quality, and control of corruption (Androniceanu *et al.*, 2019). They found a positive influence of this index on venture capital activity. Almost similar results were found even by Yay *et al.* (2018). A study found that the low economic performance in the Europe is associated with the "excessive" production of the legislation among these countries (Marinescu, 2013). Therefore, policy formation on administrative burdens regarding SMEs and the way to boost entrepreneurship is attracting the attention of policymakers. In this line, scholars have argued that an improvement in the legal environment influence on the efficiency of the economy (Aristovnik & Obadic, 2015; Ohanyan & Androniceanu, 2017). According to Martinez-Fierro *et al.* (2016), government policies such as support and priorities, bureaucracy and taxes, government programmes, are significant for the entrepreneurial environment. Government regulation is perceived by entrepreneurs as major obstacle to entry in the market (Hudakova & Masar, 2018; Lutz *et al.*, 2010). Surprisingly, the impact of governmental regulations on start-up and business activities are not that clear (Mallett *et al.*, 2018). Levie and Autio (2011) claim that the lighter the regulatory burden, the higher the relative prevalence of non- and strategic entrepreneurial entry, which is consistent with Bosma *et al.*'s (2018) findings. Country to what was expected, another study found that regulatory quality is negatively related with entrepreneurial activity (Sambharya & Musteen, 2014). Regarding the government programs focusing at stimulating entrepreneurship, Chowdhury *et al.* (2019) concluded that these programs have a positive influence on QBE. Another institution that can affect business environment is the cooperation between private and public sectors. The participation of firms in a supportive program implemented by the government lead to firm growth, and on the other hand formal business network influence their growth, as well (Schoonjans *et al.*,

2013). Board characteristics also exhibit influence on firm performances in emerging economies (Borlea *et al.*, 2017).

Another institution that can affect business environment is the cooperation between private and public sectors. The participation of firms in a supportive program implemented by the government lead to firm growth, and on the other hand formal business network influence their growth, as well (Schoonjans *et al.*, 2013). In the competitiveness point of view, competitive pressures lead firms to collaborate especially in terms of costly technology application (Fernandez-Olmos & Ramirez-Aleson, 2017; Kot *et al.*, 2018).

Beside formal institutions, informal ones such as social factors are critical for start-up and entrepreneurial activity and business environment (Welter & Smallbone 2011; Dvorsky *et al.*, 2019; Fuentelsaz *et al.*, 2019). Family along with media and communication environments may encourage individuals to take actions to engaging in start-up activities (Park *et al.*, 2017; Sheng & Lan, 2019). A low level of social environment reduces investment attractiveness of regions (Viturka *et al.*, 2013). Based on the above discussion, we can conclude that QBE is positively associated with the quality level of the institutions in a country.

Economic institutions are often seen as a separate set of institutions which influence entrepreneurial activity (Wennekers *et al.*, 2005; Castano *et al.*, 2015; Boudreaux *et al.*, 2019). This goes in line with the third level of Williamson's (2000) institutions attributed to the governance (how the game is played). This dimension of institutions consists of macroeconomic environment, access to finance, population and consumption and technology. In the following paragraphs are discussed their effect on business environment. Institutional environment affect economic growth and thereby even entrepreneurship. Similar with Lim *et al.*'s (2016) research, Acs *et al.* (2018) did a distinguish between individual-level and environmental-level variables which affect economic growth. In this line, in the current research we have factors within and outside of the organization which influence QBE. Business environment is also affected by the stakeholders' vs shareholders' interests and selected firms' governance model as visible in the study for Slovenia (Stubelj *et al.*, 2017).

According to a study anchored at the eclectic theory of entrepreneurship (Thai & Turkina, 2014), economic opportunities composed as an index of GDP growth, financial development, economic integration and innovation services, are important drivers of entrepreneurship. In addition, they found that economic opportunities encourage formal entrepreneurship and discourage informal one. In this context, GDP growth and per capita positively affect opportunity entrepreneurship (Fuentelsaz *et al.*, 2019). Along with GDP growth, population consumption, income and expenditure impact business environment (Grosanu and Bota-Avram 2015). Population growth is associated with start-up activity (Lim *et al.*, 2016) and BQE (Chowdhury *et al.*, 2019). Another study, found a positive impact of population growth rate on informal entrepreneurship. In this regard, competitive environment should be a concern for the policymakers (Grigore & Dragan, 2015). Entrepreneurs identify

competition and rivalry in the industry as the most significant threat of their business operations (Kadocsa and Francsovcics 2011; Cai and Yang 2014).

Financial stability and access to finance are other factors that impact entrepreneurship (Ardic *et al.*, 2012; Yang, 2017; Sayed Hussin *et al.*, 2017; Bosma *et al.*, 2018). Also the bankruptcy prediction has a direct impact on the entrepreneurship (Kovacova & Kliestik, 2017). Indeed, a reliable monetary policy was mentioned by entrepreneurs as the factor which most impacts on their business operation (Buganova & Moricova, 2018). Access to finance is likely to improve the QBE through driving the firms into more productive activities (Sobel 2008; Aparicio *et al.* 2016).

Technology advancements, human capital and infrastructure in the field of research and development are seen as drivers of entrepreneurship rates (Siqueira & Fleury 2011; Krejci *et al.*, 2015; Martinez-Fierro *et al.*, 2016; Poor *et al.*, 2018), thereby they affect QBE. Furthermore, education is an important factor that can improve the QBE (Viturka *et al.* 2013). Having a vocational diploma or completing higher education are likely to increase perceived opportunity, high aspiration start-up activity and firm growth (Martinez-Fierro *et al.*, 2016; Dilli & Westerhuis, 2018).

The fourth level of Williamson's (2000) institutions deals with resource allocation, which includes individual engagement in entrepreneurial action (Boudreaux *et al.*, 2019). The availability of resources and the way how are they used to create wealth influence on entrepreneurial activity (Barney, 1991; Sobel, 2008). The resource-based view (RBV) suggests that combining a firm's internal resources can create a competitive advantage (Barney, 1991). Operating under a competitive advantage can lead to a better business environment. Such factors are human capital, entrepreneur's view on social environment, entrepreneur's social and emotional stances, and the firm ability to establish networks or relationships with suppliers, competitors, employees and customers.

Scholars have demonstrated that internal resources affect QBE. Resources like financial, human and social capital positively impact on new business activity (De Clercq *et al.*, 2013). Moreover, Dunkelberg *et al.* (2013) argue that changes in entrepreneurs' resource goals lead to changes of the strategies of the resource-allocation. Shepherd *et al.* (2019) argue that between entrepreneurs' habits and venture norms there is an association. Teams' or entrepreneurs' habits or practices may lead to a source of venture norms. Thus, studying entrepreneurs' views on entrepreneurship can give insights over firms' behave, thereby, certain interconnection between entrepreneurs' views and QBE can be assumed.

If business establish and maintain good relations with its employees, suppliers, competitors and customers, then a better QBE can be reached (Skarpova & Grosova, 2015; Fernandez-Olmos & Ramirez-Aleson, 2017). Having good relationships with customers is identified as an influential factor affecting business activities (Kadocsa & Francsovcics 2011).

In summary, based on the three abovementioned theoretical perspectives (IT, EDP and RBV), QBE is determined by factors originated from outside (formal,

informal and economic institutions) and within (internal resources) the organization.

### The Aim, Methodology and Data

The aim of the article is to define important factors that determine the quality of the business environment and construct a structural model of causal relationships between QBE and its determinants in small and medium sized enterprises.

The attitudes of the entrepreneurs in relation to the topic of the research were obtained using an electronic questionnaire which included 82 statements [socio-demographic characteristics (6 statements); factors of business environment (72 statements) and 4 statements on the QBE]. They were formulated as a five-point Likert type scale: from 1 'totally disagree' to 5 'totally agree'. The order of questions in the questionnaire was chosen in order to obtain truthful attitudes from the respondents. The questionnaire was created in two versions based on the country of operation of the business unit. Individual companies were directly addressed by email, by phone, but also by a personal meeting. We have managed to collect 641 responses [CR: 312 (48.7 %) and SR 329 (51.3 %)]. Entrepreneurs were selected from the database "Albertina" (CR) and "Cribis" (SR) randomized numbers using mathematical functions "randbetween". Percentage of the completed questionnaire in form of positive feedback reactions was accounted for 3.5 %. These two countries share similar culture and economic development stage, thereby, there was no need to include country as a control variable (Cera *et al.*, 2019).

The main article hypothesis is:

*There is a statistically significant structural model of causal relationships between QBE and determined by economic (EF), political (PF), technological (TF), social (SF), competitiveness (CF) and relationship (FF) factors.*

As discussed by other scholars (Foss *et al.*, 2013; Stenholm *et al.*, 2013), variables were measured as self-report approach. Motivated by the literature of the field, we have used the same scales as Cepel *et al.* (2018) for the following constructs: (i) economic factors identified by four sub-dimensions: macroeconomic environment (EF1), monetary policy and interest rates (EF2), financing enterprises (EF3), population consumption, changes in income and the structure of consumer expenditure (EF4); (ii) political factors including these sub-factors: legal environment (PF1), state regulation and support of entrepreneurship (PF2), state bureaucracy (PF3), quality of

education (PF4); (iii) technological factors with these sub-dimensions: availability of human capital (TF1); infrastructure in the area of research and development (TF2); cooperation of the private and the public sector (TF3); (iv) social factors identified by five sub-factors: entrepreneurs' views and evaluation of the social environment (SF1); family environment (SF2); media and communication environment (SF3); entrepreneurs' social (SF4) and emotional stance (SF5); (v) competitive environment (CF), and (vi) business relationships covering direct competitors, customers, suppliers, and employees (FF). The dependent variable is QBE measured as Cepel *et al.* (2018, p. 29) did with four indicators.

Factor analysis and structural equation modeling (SEM) were applied to meet the main goal. Exploratory FA (EFA) (Eickmeier *et al.* 2015) was used to: a) verify the suitability of the data (Kaiser-Meyer-Olkin test, Bartlett test) (Martinez-Lopez *et al.*, 2013); b) factor extraction - Principal Component Analysis (PCA) and decision on number of factors (Scree graph (Shah and Goldstein 2006), component matrix; BIC - Schwarz's Bayesian information criterion (Davis-Stober *et al.* 2016)); c) factor rotation - method selection, factor load interpretation, Varimax (Olsson *et al.*, 2000).

To verify of significance of the structural model, were used the FIT model characteristics: *Fit model summary*: Goodness of Fit (GFI); The minimum discrepancy (CMIN/DF); Comparative Fit index (CFI); Root Mean Square Error of Approximation (RMSEA); Normed fit index (NFI); Standardized Root Mean Square Residual (SRMR); Chi-square test (Byrne and Reinhart 1989; Bentler 1990; Hooper *et al.* 2008). Two conditions must be met to apply the SEM method: the multidimensional normality in attitudes within manifest variables and the size of the sample set (Raykov and Marcolides 2006). Both conditions for applying the SEM method were accepted. All necessary numerical calculations and graphical visualizations were made in the SPSS Software and IBM SPSS Amos.

### Results

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Table 1 summarizes the test results (KMO test and Bartlett's test of sphericity), which clarify whether factor analysis is a suitable method for determining the relationship between indicators and factors.

Table 1

Results of KMO- test and Bartlett's test

| Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO- test) |                               | 0.907   |
|---|-------------------------------|---------|
| Bartlett's Test of Sphericity                               | Approx. Chi-Square            | 287.246 |
|   | Degree of freedom (Df.)       | 640     |
|   | P-value (Significance - Sig.) | 0.000   |

Note: Acceptable values – KMO test: values around 1; Bartlett's test: Sig. lower than level of significance.

The results of the KMO-test, Bartlett's test and correlation matrixes show that the factors are not correlated with each other. The optimal number of identified factors using the very simple structure was as follows: for complexity 1 there are 15 factors, for

complexity 2 the maximum number in the range of 15 to 20 factors. The number of factors by comparing models based on the BIC, resulting in a model containing 19 factors. The results obtained were satisfactory given the number of defined factors at the beginning of the research.

Table 2

Results of Extraction Values of Square Loads

| Number of factors | Name of factor | Extraction values of square loads |              |                         |
|-------------------|----------------|-----------------------------------|--------------|-------------------------|
|                   |                | Total                             | Variance (%) | Cumulative variance (%) |
| 1.                | QBE            | 3.482                             | 10.176       | 10.176                  |
| 2.                | EF1            | 3.351                             | 9.108        | 19.284                  |
| 3.                | PF2            | 2.845                             | 7.078        | 26.362                  |
| 4.                | TF2            | 2.816                             | 6.522        | 32.884                  |
| 5.                | EF2            | 2.814                             | 6.408        | 39.292                  |
| 6.                | SF5            | 2.749                             | 5.503        | 44.795                  |
| 7.                | CF             | 2.708                             | 5.343        | 50.138                  |
| 8.                | EF3            | 2.702                             | 4.421        | 54.559                  |
| 9.                | SF1            | 2.486                             | 3.759        | 58.318                  |
| 10.               | TF3            | 2.417                             | 3.662        | 61.980                  |
| 11.               | EF4            | 2.386                             | 3.299        | 65.279                  |
| 12.               | SF4            | 2.293                             | 3.271        | 68.550                  |
| 13.               | PF1            | 2.155                             | 3.001        | 71.551                  |
| 14.               | TF1            | 1.979                             | 2.541        | 74.092                  |
| 15.               | FF             | 1.866                             | 2.385        | 76.477                  |
| 16.               | SF2            | 1.782                             | 2.208        | 78.685                  |
| 17.               | PF3            | 1.174                             | 1.049        | 79.734                  |
| 18.               | SF3            | 1.127                             | 0.947        | 80.681                  |
| 19.               | PF4            | 1.088                             | 0.876        | 81.557                  |

Note: The results from IBM AMOS software.

The results from Table 2 show that the selected factors explain up to 81.56 % variability of the total variance. The remaining 18.46 % variability of the total variance is not explained. Based on the results (Table 2) it can be concluded that all selected factors have been identified.

These results are identical to the scree graph, which also confirmed 19 factors, as the Kaiser rule (more than 1 % of the total variance) achieved exactly 19 components, which we subsequently labelled as factors.

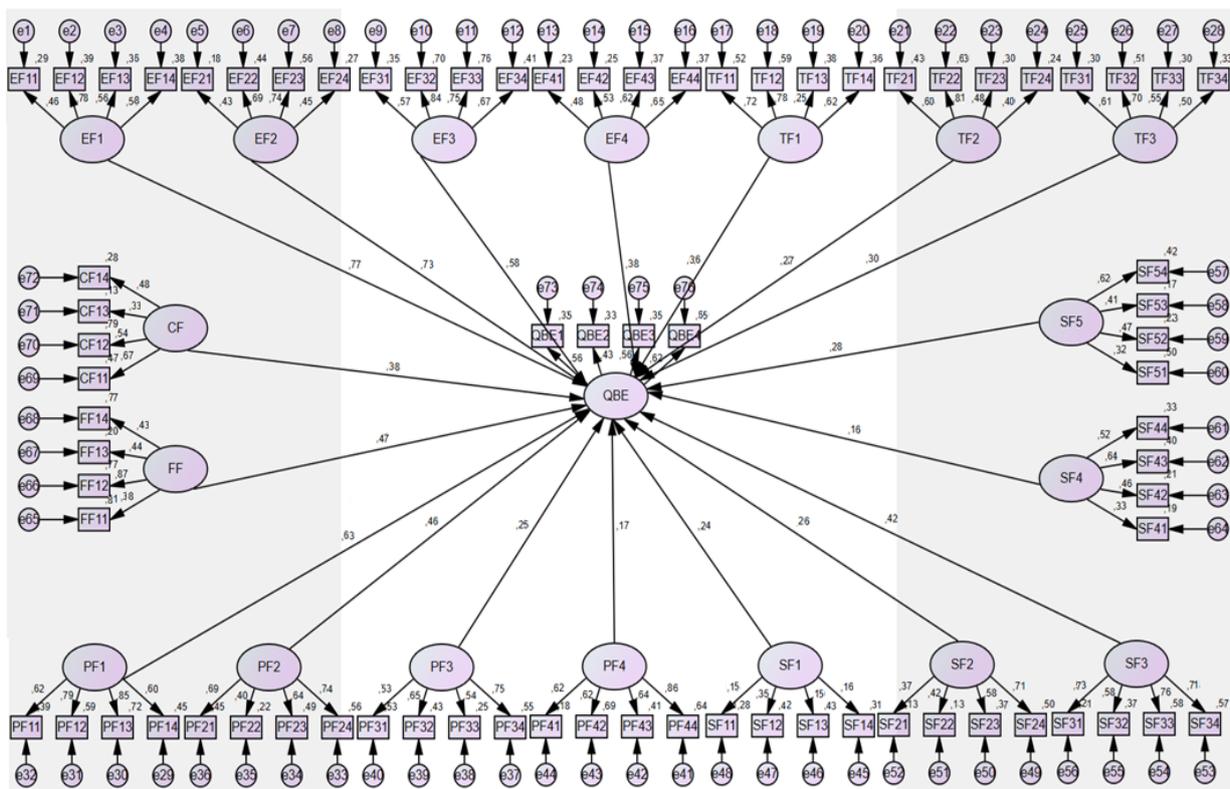


Figure 1. Structural Model with Standardized Path Estimates

The final structural model (see Figure 1) is model, where were need estimated 169 parameters, 2926 moments and 2757 number Degree of freedom. The following table 3 shows-FIT Summary of structural model. The results of FIT characteristics (Chi-Square test, CMIN/Df, RMSEA, SRMR, CFI, IFI) are positive. The results showed, that

indicators have been grouped in 19 latent factors according to the results of confirmatory factor analysis. Fit Summary of structural model causal relationship between QBE and factors (see figure 1: EF, PF, TF, SF, CF and FF) are statistically significant in SME segment in CR and SR. *The hypothesis is accepted.*

**The Results of Structural Model Fit Summary**

| Fit test                 | $\chi^2$ (p-value) | CMIN/Df | RMSEA | SRMR  | CFI   | IFI   |
|--------------------------|--------------------|---------|-------|-------|-------|-------|
| <b>Results</b>           | 0.049              | 2.454   | 0.081 | 0.095 | 0.941 | 0.974 |
| <b>Accepted fit test</b> | <0.05              | <2.5    | <0.10 | <0.10 | >0.90 | >0.90 |

Note: The results from IBM AMOS software.

## Discussion

The results of our research have shown that the most important influence on the formation of a QBE for SMEs are economic factors, the most important of which is the macroeconomic environment (FL: .77). Entrepreneurs stated that the state of actual macroeconomic environment of country supports starting a business, supports enterprises' innovation activities; and supports business in all and creates interesting business opportunities.

The second most important factor in our model is the monetary policy area and interest rates (FL: .73). Entrepreneurs have confirmed that the Central Bank's monetary policy has a positive impact on the business environment and stabilizes the business environment, and banks' interest rates have a positive impact on the business environment and enterprises' innovation activities.

Impact of other economic factors such as financing enterprises (access to bank loans, banks' credit conditions for entrepreneurs, and the cost of loans for enterprises), and population consumption, changes in income and the structure of consumer expenditure were less significant.

In this context, the results of our research extend the theoretical knowledge presented in the works Wenekers et al. (2005); Manolova et al. (2007); Douhan and Henrekson (2010); Chowdhury et al. (2015).

The second important area, which is significantly shaped by the quality of the SME business environment, are the political factors to which we have included legal environment (FL: .63), state regulation and support of entrepreneurship (FL: .46), state bureaucracy (FL: .25, and quality of education in the context of business needs (FL: .17). Entrepreneurs in our research have taken a negative stance on the formation of political factors of the quality of the business environment and at the same time showed the need to build this area, which corresponds to the views of Lutz et al. (2010); Martinez-Fierro et al. (2016); Grilli et al. (2018).

Technological factors to which we have included availability of human capital (FL: .36), infrastructure in the area of research and development (FL: .27), and cooperation of the private and the public sector (FL: .30) have also shown an impact on shaping a quality business environment. The greatest importance in our model has been demonstrated by the impact of the availability of human capital. On the one hand, entrepreneurs confirmed the appropriate quality of higher education in both countries, but also pointed out a lack of skilled workers for the needs of their business activities.

The results of our research are compatible with the conclusions of Siqueira and Fleury (2011); Viturka et al. (2013); Krejčí et al. (2015); Martinez-Fierro et al. (2016); Dilli and Westerhuis (2018). In this context Ivanova and Cepel (2018) state that a key factor of the states' increasing

competitiveness is assumed to be the innovation performance of enterprises, which is projected through innovative business processes into the innovation performance of the economy as a whole.

In our model, we pay considerable attention to the social factors to which we have ranked entrepreneurs' views and evaluation of the social environment (FL: .24), family environment (FL: .26), media and communication environment in the context of entrepreneurial activities (FL: .42), entrepreneurs' social stance (FL: .16), and entrepreneurs' emotional stance (FL: .28).

The most important social factor that shaped the quality of the business environment was the influence of the media and how the public were informed about the business environment. On the other hand, entrepreneurs pointed out the lack of objective and correct public information, because in their opinion the media (television, broadcast, and other media) do not truthfully inform about entrepreneurship, do not help shape the quality of business environment using presentations of good business practices, and do not support entrepreneurs' communication with the public.

Our model also highlights the area of entrepreneurs' emotional stance. In our research, entrepreneurs have confirmed that they want to do business and are willing to take business risks. On the other hand they do not feel that the society appreciates them.

In this context, our findings are compatible with the views of the European Commission (2013), which states that potential entrepreneurs in Europe do not generally have a business-friendly environment. Not only is this environment problematic, it is also dominated by a culture that does not sufficiently recognize or reward entrepreneurial efforts and does not refer to successful entrepreneurs as models that create jobs and income. *Europe must undergo a profound and widespread cultural change in order to drive entrepreneurship to our economy.* Competitive environment (FL: .38) and narrower business environment comprises direct competitors, customers, suppliers, and employees (FL: .47.) also have an important place in our model. Entrepreneurs have stated that the level of competition is appropriate for them (competitors do not pose a significant threat to them), customers accept the prices offered and input prices are adequate, company staff and suppliers support their business.

## Conclusion

The aim of the article was to design and construct a structural model of the causal relationship between the QBE and factors that determine the QBE of SMEs, influenced by three theoretical perspectives (IT, EDP, and RBV), in the context of two countries from Central Europe (Czech and Slovak Republics).

The results showed that the economics (macroeconomic environment and monetary policy and interest rates) and political factors (legal environment), are the most important factors, which determine the QBE in SME segment. Furthermore, the current research has highlighted the important role played by non-economic factors. In the proposed model, we have demonstrated the importance of political, social and technological factors. Research has highlighted the need to adjust the legislative environment more appropriately, minimize state bureaucracy, and improve media access to the business environment assessment.

The authors are aware of the research limits (e. g. regional character of the study – only two countries, the

sample size – only 641 enterprises, statistical methods – factor analysis and structural equation modelling with standardized model visualization). The authors believe that this paper has brought several interesting findings and new incentives for further research and discussion regarding assessing the selected factors and their impact on the QBE in the context of SMEs.

It is worth to concentrate our future research on the comparison of the evaluation these factors according nationality of entrepreneur or level of education of entrepreneur. At the same time, we are preparing a new research project focused on research of the SME business environment in the V4 countries.

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The article has been reviewed.

Received in November 2019; accepted in December 2019.