

# Report on Bachelor / Master Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

<b>Student:</b>	<b>Martin Krejčí</b>
<b>Advisor:</b>	<b>Jiří Novák</b>
<b>Title of the thesis:</b>	<b>Factors that influence the success of small and medium enterprises</b>

## **OVERALL ASSESSMENT** (provided in English, Czech, or Slovak):

The author aims at investigating the success factors among the SMEs in the ITC sector in the Czech Republic. The author sends out a questionnaire and then analyzes the received data quantitatively.

I am afraid the whole approach is rather naive on several levels. First, the very research question and the contribution of the author's are unclear. Running a series of regression of profitability on several other factors without having any a priori idea about the mechanism gives little insight and useful for policy-making.

Second, the questions asked in the questionnaire range from obvious, e.g. total revenues, that should have been collected elsewhere, to proprietary information that the firms may not be willing to disclose, e.g. their expectations about the margins. Including sentences like the following does not increase the chances to get responses back: *"Please, fill your calculations even if their look up could be time demanding."* The lack of reasonability of the questions may be the reason why only 105 out of 7 979 questionnaires were returned by the respondent firms.

Third, the regression models are not properly described and motivated. If I understand correctly, the author regresses current revenues (i) on past revenues (in one specification) and (ii) on current expenses (in another specification). This seems highly unreasonable as the relationship is either well known (i) or purely mechanical (ii). Besides, results are hard to understand; they should be presented in clear tables that are easy to interpret.

Some more detailed comments:

- The author refers to hypotheses, but no hypothesis is explicitly stated. H1 & H2 in the proposal (not the thesis itself) are not testable.
- The author does not seem to discriminate between the quality of references he uses. Hence the selection of references seems fairly random, which limits the author's chances to actually build up a picture of the up-to-date knowledge in the area. Besides, many of the references are not research papers but institutional reports, e.g. Czechinvest.
- The author does not discuss and motivate the methodology he uses before presenting his empirical results.
- R&D direction of causality. The author suggests that more R&D makes the SMEs more successful. Is it possible that the direction of the causality is the opposite, i.e. that more successful SMEs (who can afford it) spend more on R&D?
- The sample selection criteria are unclear to me, e.g. what does the author mean by "not recognized"? *"Among these observations, there are notes about 5,774 companies that belong to the SME classification; 86 enterprises, which over exceeded SME by the number of employees; and 33,603 not recognized."* The resulting sample size is very small relative to the population.
- Sometimes, arguable statements are made without providing an adequate support to support them, e.g. *"Czech ICT sector has gone through a "revolutionary" period in last two decades, and yet, it still has a potential to develop."*
- Sometimes Czech terms are translated to English without checking if the corresponding term actually exists, e.g. working places (rather than jobs), legal persons (rather than legal entities).

Overall, I consider the thesis rather poor. While it meets the minimum passing criteria for a Master's thesis, its value is rather limited due to the above mentioned points. Therefore I recommend grade **"3 – satisfactory/dobře"**.

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**SUMMARY OF POINTS AWARDED** (for details, see below):

<b>CATEGORY</b>	<b>POINTS</b>
<i>Literature</i> (max. 20 points)	12
<i>Methods</i> (max. 30 points)	14
<i>Contribution</i> (max. 30 points)	12
<i>Manuscript Form</i> (max. 20 points)	14
<b>TOTAL POINTS</b> (max. 100 points)	<b>52</b>
<b>GRADE</b> (1 – 2 – 3 – 4)	<b>3</b>

**NAME OF THE REFEREE:** Jiří Novák

**DATE OF EVALUATION:** June 17, 2013

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*Referee Signature*