“Business risks and their impact on business future concerning the entrepreneur’s experience with business bankruptcy: case of Czech Republic”

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BUSINESS RISKS AND THEIR IMPACT ON BUSINESS FUTURE CONCERNING THE ENTREPRENEUR'S EXPERIENCE WITH BUSINESS BANKRUPTCY: CASE OF CZECH REPUBLIC

Abstract

The article aims to determine the difference in the perception of selected business risks and their impact on the future of business concerning the entrepreneur's experience with business bankruptcy. The case study involved 73 small and medium-sized enterprises (SMEs) with experience of business bankruptcy and 381 SMEs without the experience of business bankruptcy from the Czech Republic (CR). Linear regression models were used to verify statistically significant causal relationships between selected indicators of the most significant business risks and respondents' perceptions of the future of business. The results brought interesting findings. The attitudes of entrepreneurs show that personnel, market, and financial risk are among the three most significant business risks. Experience with business failure is not a significant factor in determining the impact of market indicators on the business's perceived future. The adequacy of sales of services and products has the greatest impact. The experience of the bankruptcy of SMEs is important in financial risk attitudes. According to entrepreneurs who have no experience with bankruptcy, the perception of financial performance has the greatest direct impact on the future of business. Conversely, for entrepreneurs who have experienced bankruptcy, the ability to properly manage financial risk on the company's future has the greatest direct impact.

Keywords small and medium-sized enterprises, future of the enterprise, business risks, experience with bankruptcy

JEL Classification M21, G32, L26

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INTRODUCTION

Entrepreneurship and entrepreneurial activity is an essential engine of the economy because it reduces critical economic indicators (e.g., unemployment rate) and promotes economic growth (Lu, Gozgor, Huang, & Lau, 2020; Hudakova & Masar, 2018; Anwar ul Haq, Usman, Hussain, & Anjum, 2014). Entrepreneurship is a source of social and economic profit for society. The importance of entrepreneurship and entrepreneurial activity is emphasized not only by documents at the national levels of countries but also in documents of a supra-regional nature, such as the European Commission. It highlights the contribution of SMEs to the management of the regions covering the European Union (EU). SMEs operating in the EU created more than 55% of value-added in 2018 alone and employed more than 65% of people in the EU's non-financial sector. Similar numbers can be observed in some Visegrad countries, such as Hungary and the Czech Republic (Çera, Belas, & Zapletalikova, 2019).

These figures show why scientists, policymakers, and government have a continued interest in the "health" of SMEs. SMEs are very sus-

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ceptible to changes in the business environment, so they must be aware of their business risks. Several studies around the world say that reliable risk management ensures less negative surprises, greater financial stability of the company and provides opportunities for profit (Dvorský, Petráková, & Polách, 2019b; Hudakova, Masar, Luskova, & Patak, 2018).

Risk management aims to reduce the chances of an organization failing as much as possible (Kliestik, Misankova, Valaskova, & Svabova, 2018). In this regard, it is interesting to look for the causes and consequences of closing a business in general. In this context, the identification, analysis, assessment, and management of business risks are no less important. Subsequently, policymakers and the government can modify existing policies, strategies, instruments, regulatory frameworks, etc. to improve the business environment. If there is a crisis or a time of unclear economic growth, there is a growing interest in understanding the factors that cause businesses to fail and fail (Kücher & Feldbauer-Durstmüller, 2019).

The first section describes the results of scientific studies on the most significant business risks and acquaints the reader with the concepts of business bankruptcy and the entrepreneur's bankruptcy experience. The next section of the article presents in detail the goal of the research, methodology, and procedure of data collection obtained during the empirical research. The results and discussion present essential calculations and tests of a sample of attitudes from entrepreneurs, their economic interpretation, and a short discussion. The article concludes with the basic results of the research, its limitations, and the focus of future research.

1. LITERATURE REVIEW

Several authors address the causes, factors, and consequences associated with business decline. Çera, Belas, and Zapletalikova (2019), Hyder and Lussier (2016), Olaison and Sørensen (2014), Carter and Van Auken (2006) and others identify areas that, if ignored, will undoubtedly increase the likelihood of business failure. It is the lack of planning; lack of working capital; providing an excessive loan to customers; failure to implement fast outsourcing; competition in the market; monitoring corporate finances, and so on.

Many businesses begin with the idea of a product or service that seems essentially clear that it leads to business success (Inkon, 2019). Business failure may be due to insufficient understanding and business plans (Ajaz Khan, Çera, & Nétek, 2019). All small businesses need a business plan. Even those businesses that have a business plan may fail if their plans are unworkable or based on inaccurate information (J. Yan & L. Yan, 2016).

Experience regarding the implementation of business plans in practice tends to be different. There are business plans where owners have unrealistic expectations about income and money generation, leading to a financial crisis and business bankruptcy (Hemakumar, 2020). Other business plans focus on set-up costs but do not take into account daily operating costs (Ranasinghe, 2019). It is essential to understand that it takes a year or two for a company to establish itself in the business sector. During this period, they must secure the financial and non-financial claims of employees (He, Li, Lin, & Liang, 2019).

All companies are trying to resell to clients, and at the same time, expect receivables to be paid on time and in full. The situation where a company went bankrupt because the company provided too favorable credit conditions is not unique (Hanzaee, Ghalandari, & Norouzi, 2011).

Some entrepreneurs determine very early in the new business process that specific tasks can be outsourced. They believe that, on the whole, this brings significant benefits to the company (Alzhrani, 2020). However, there are problems with outsourcing that can be solved by considering some primary keys to effective outsourcing: do not be tempted to go cheap; narrowly manage the outsourcing relationship; determine critical areas that need to be outsourced and where one does not have expertise; understanding the real costs; regular communication of outputs.ne

If one is unlucky enough to have developed a product that does not yet have a market, one will have competition in the business sector (Tipu, 2019). Failure to understand and evaluate competitors' effects (and their products and prices) harms your business model and outcome. In this context, the managerial experience of the owner/manager of the company also comes to the fore. Disadvantages such as inefficient use of time (Ajilchi & Kargar, 2015); lack of organization of employees and processes; lack of owner/manager motivation (Murnieks, Klotz, & Shepherd, 2020; Benzing, Chu, & Kara, 2009; Belas, Dvorsky, Kozubikova, & Cepel, 2019); insufficient attention to detail (Bolshakov & Chincarini, 2020) or insufficient communication experience are also causes of business decline (Lenz, 2019).

Business owners often focus attention and initial attempts on developing and selling their products and services without tracking expenses (Durica, Valaskova, & Janoskova, 2019). Accounting often receives secondary attention, although it should be the basis for running an efficient business (Brozyna, Mentel, & Pisula, 2016).

Other authors pay attention to inefficient spending of funds on marketing, the extremely rapid growth of the company in the form of excessive trading (Santisteban & Mauricio, 2017), incorrect management and leadership of the company (As. Singh & Aj. Singh, 2020), or insufficient differentiation of their products or services.

Stepanová (2019) analyzed the distribution of companies' risk and stability on a sample of 327,000 companies in the Czech Republic. Her findings are significant. The business base analysis showed that roughly the fifth company based in the South Moravian Region and every sixth company with a Prague address are at risk of bankruptcy. These regions have the largest share of companies with a scoring grade of "risky" (CCC, CC, and C) or "bankruptcy" (D) – in the South Moravian Region (19%) and Prague (17%). "The largest concentration of risky companies is from Prague and around Brno. This is also because most companies do business here, which provides entrepreneurs with a greater degree of anonymity than less populated areas. The share of risky companies is around the metropolis, compared to the rest of Slovakia. In Slovakia, one in six companies is at risk of bankruptcy, according to an analysis of 217,563 companies (Bisnode, 2019).

Eklund, Levratto, and Ramello (2020) clarify the relationships between corporate failure, bankruptcy, and consequences. The authors point out that the skills that entrepreneurs can bring to new business are beneficial. Estrin, Mickiewicz, and Rebmann (2017) compared the bankruptcies of SMEs among 15 developed OECD countries that note the more difficult situation of entrepreneurs in obtaining loans. In this context, national laws and government influence play an essential role (Aidis, Estrin, & Mickiewicz, 2012).

2. AIM, METHODOLOGY, AND DATA

The article aims to discover the differences in the perception of the most significant business risks and their impact on the future of business concerning the entrepreneur's experience with business bankruptcy.

Data collection took place from 09/2019 to 03/2020 (the period before the outbreak of the COVID-19 epidemic). The respondents are entrepreneurs (owners or senior managers) of small or medium enterprises (SME) operating in the Czech Republic's business environment. The "Cribis" database was used to define the basic set of respondents and then contact them, with feedback from respondents by completing an online questionnaire, and companies contacted by telephone to provide information on how to complete the questionnaire request.

The questionnaire is currently available on the Internet at the following link: https://forms.gle/okjZypAru4BpSHFb8

The questionnaire consisted of 77 questions divided into several parts. In the first part of the survey, the basic characteristics of the respondent and the company were found. The second part contained statements about management, corporate social responsibility, marketing, social media, and business internationalization. The third part contained allegations concerning business risks. The fourth part of the questionnaire examined the

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respondents' attitudes to the claims regarding the bankruptcy of the company. The fifth part focused on the causes of the company's bankruptcy and risk management. The total number of SMEs contacted was 8,250. The return rate of the completed questionnaire was at the level of 5.5%. The claims were formulated into statements to which the respondents could answer in one of the following ways: (A1) strongly agree, (A2) agree, (A3) neither agree nor disagree, (A4) disagree, (A5) strongly disagree.

The total number of questionnaires collected was 465 SMEs. The number of correctly completed questionnaires (from now on referred to as the sample) represented 454 (97.6%) respondents. The number of incorrectly completed questionnaires represented 11 (2.4%) respondents. The most important reasons for excluding a respondent from the sample: duplication of the questionnaire in the sample; consistency of the respondent's attitudes to the assessment of business risks; the respondent's inattention when filling in the questions to which the respondent did not have to answer and so forth. The allegations of business risks and bankruptcy were formulated in a positive way to maintain the continuity of responses.

The following statements about business risks and statements about the company's emotional future were formulated to achieve the main goal of the article.

Market risk (MR) claims:

- MR1: I rate the market risk (lack of sales for my company) as adequate.
- MR2: Business competition motivates me to perform better.
- MR3: Selling products and services on the market is challenging. However, our company has adequate sales volume.
- MR4: Our company uses innovative ways to win new markets and retain existing customers.

Financial risk claims (FR):

- FR1: I consider financial risk as part of everyday business.
- FR2: I evaluate the financial performance of our (my) company positively.
- FR3: I understand the most crucial aspect of financial risk.
- FR4: I can adequately manage the financial risk in my (our) company.

Personnel risk claims (PER):

- PER1: Personnel risk in the company is considered adequate and does not harm my business.
- PER2: Employee turnover is low and has no negative impact on my business.
- PER3: The error rate of employees is low and has no negative impact on my (our) business.
- PER4: Our employees strive to improve their performance and competition among them prevails

Emotional future of business (Y): There is no risk of bankruptcy for our (my) company within five years.

H: Claims about the three most significant business (Ha: market risk; Hb: financial risk; Hc: personal risk) risks have an effect on the future of business according to the entrepreneur's experience with business bankruptcy in the business environment of SMEs in the CR.

Applying regression analysis in many scientific and professional types of research predicts a dependent variable in the future (Nava, Di Matteo, & Aste, 2018). However, applying regression analysis may not always be the primary goal. Regression analysis can also be used to identify and quantify independent variables (selected business risks) and to determine the direction and strength of the impact on the dependent variable (threat of bankruptcy within five years). This second way of using regression analysis is no less important and used in practice (see more, e.g., Dvorský, Petraková, Çera, & Folvarčná, 2019a). Since all examined variables (independent, dependent) are identical metrics (same scaling of responses), it is possible to use the statistical method to evaluate the hypothesis formulated above.

To apply regression analysis, however, certain assumptions about independent variables must be met. Independent variables must prove the assumptions of linearity, normal distribution (so-called normality), and homoscedasticity. Also, the resulting regression model must not be affected by multicollinearity, and also the random component of the time series

produces white noise (Spanos & McGuirk, 2002; Goodman, 1970). Verification of the above assumptions is the basis for verifying the regression model coefficients. The assumption of linearity was verified by graphical analysis of the data using a scatter plot (Hair, Anderson, Babin, & Black, 2010; de Waal, 1977). The assumption of a normal distribution of respondents' attitudes (for an individual statement on business risks) was verified by

a) subjective evaluation (graphical analysis – comparison of the histogram with the normal distribution curve);

b) calculating and testing descriptive characteristics (skewness (S) and kurtosis (K)).

If the value of skewness and the value of kurtosis was in the range of –2 to 2, then the assumption of a normal distribution is accepted (James, 1964). A correlation matrix with pairwise correlation coefficients was used to determine the relationship between the dependent variable and the independent variables. The correlation coefficient (R) can take values from –1 to 1 (Lancaster & Hamdan, 1964). If the correlation coefficient takes the value 1, one speaks of a direct dependence between two variables (Hair, Anderson, Babin, & Black, 2010). Student's *t*-test is applied to prove the significance of regression coefficients of independent variables. The regression coefficient in the regression model is statistically significant if the *p*-value of the *t*-test is lower than the level of significance (Zheng & Yu, 2015). In the economic sciences, calculations are mostly used with a 5% probability of first-degree error (significance level – $\alpha = 0.05$) (Newcombe, 1998; Qin & Lawless, 1995).

The linear regression model (RM1) has the following form:

$$Y = \beta_0 + \beta_1 \cdot MR1 + \beta_2 \cdot MR2 + \\ + \beta_3 \cdot MR3 + \beta_4 \cdot MR4 + \varepsilon_n, \quad (1)$$

where Y – the dependent variable (perceived future of business by respondents); β_0 – constant, β_1; …; β_4 – coefficients of independent variables; MR_1, ..., MR_4 – independent variables ($i = 1, ..., 4$ – strategic risk claim); ε_n – error term.

By analogy, it is possible to create an LRM for other types of business risks (*RM*2: *FR*, ..., *RM*3: *PER*), *A* – no experience with business bankruptcy, *B* – business bankruptcy experience.

The quality of the regression model is determined by calculating and interpreting regression characteristics such as multiple correlation coefficient (*MCC*), determination coefficient (R^2), adjusted determination coefficient (adj. R^2), F-ratio, multicollinearity, error normality (Breslow, 1990). The coefficient of determination shows the percentage explanation of the variability of the dependent variable, which can be explained by the chosen regression model (Lancaster & Hamdan, 1964). The value of the determination coefficient is approximately the same as the adjusted coefficient of determination (adj. R^2) for large samples (more than 100). The F-test was used to verify the statistical significance of the entire regression model (de Waal, 1977). The F-test's required *p*-value must be lower than the level of significance if one wants to claim that the regression model is statistically significant. One proves the assumption of multicollinearity in the regression model using the variation factor of inflation (VIF test) (Liao et al., 2012). With the VIF test's value for the independent variable less than 5, this coefficient is not affected by multicollinearity (Salmerón et al., 2018; Stewart, 1987). The Shapiro-Wilk test (S-W test) was applied to verify the normal distribution of errors (de Waal, 1977). This assumption of the regression model is accepted when the p-value of the S-W test criterion is higher than the significance level (Delić-Zimić & Destović, 2019). The Bartlett's test was used to verify the assumption of homoscedasticity. This assumption is accepted with the *p*-value of the Bartlett's test criterion higher than the significance level (Snedecor & Cochran, 1989).

Basic evaluation of questions dealing with the characteristics of the enterprise and the respondent: Size of the enterprise: 23.6% small enterprise, 63.9% micro enterprise, 12.5% medium enterprise; Duration of the company in the business environment: 5.9% business up to 3 years, 6.2% business from 3-5 years, 14.1% business from 6-10 years, 73.8% business over 10 years; Respondent's highest level of education: 10.1% secondary school without GCSE, 40.8% secondary school with GCSE, 7.5% bachelor's university education, 37.0% master's/engineering university education, 4.6% doctoral university education; gender of respondent: 71.1% male, 28.9% female; age of respondent: 15.2% age up to 35 years, 23.3% age from

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36-45 years, 26.9% age from 46 to 55 years, 34.6% age more than 55 years; the relationship of education to the national economic sector: 37.7% yes, I run a business in the field I studied, 34.8% to some extent related (some business processes are related to the area I studied), 27.5% unrelated; respondent's job position in the company: 22.0% I am the owner of the company; 78.0% I am a manager.

3. RESULTS

Before proceeding with the assessment of business risks according to the chosen criterion, attention is focused on identifying the most significant business risks. The respondent had the opportunity to identify a maximum of three business risks, which he perceives as the most significant in his business activities. Since the following statements about business risks did not influence the respondent, the questionnaire was conceived as the first in the section that dealt with the respondents' attitudes to business risks. Figure 1 evaluates the absolute and relative number of respondents who consider this type of business risk one of the three most significant risks.

The total number of marked options was 1,362 responses (454 – the number of respondents and three options). Respondents in total gave 1,045 answers (76.7%). These results show that respondents used the opportunity to indicate several options in the object question. The results of the respondents show that the three most significant risks include (listed in descending order): personnel risk – 308 out of 454 respondents (67.8%); market risk – 267 of 454 respondents (58.8%) and financial risk – 162 of 454 respondents (35.7%). Only 71 respondents (15.6%) consider operational risk as one of the three most significant risks.

The results of the comparison of respondents according to the criterion (experience with bankruptcy) are (YES/NO): strategic risk – 12/74 (16.4%/19.4%); market risk – 46/221 (63.0%/58.0%); financial risk – 33/129 (45.2%/33.9%); personnel risk – 44/264 (60.3%/69.3%); legal risk – 28/1333 (38.4%/34.9%) and operational risk – 14/57 (19.2%/15.0%). The largest percentage difference between selected groups of respondents is in the designation of financial risk (more than 11%).

The basic descriptive characteristics of business risk indicators (mean, standard deviation, skewness, and sharpness) are summarized in Table 1.

Table 1. Selected descriptive characteristics of the assessment of business risk claims according to the criterion

Source: Own research.

Descriptive characteristics								
	Business bankruptcy experience				No experience with business bankruptcy			
	ME	SD	S	*K*	ME	SD	S	K
MR								
MR1	2.932	1.171	–.506	.457	2.367	1.982	2.228	2.549
MR2	2.315	1.141	–.168	.731	.049	.050	.047	0.056
MR3	2.425	1.053	–.158	.534	.966	.975	.916	1.086
MR4	2.644	1.085	–.234	.356	.110	.789	.255	–.568
FR								
FR1	1.877	.927	.508	.896	1.950	.050	.973	.939
FR2	2.644	1.251	–.641	.538	2.152	.047	.911	.355
FR3	1.959	0.889	0.403	.692	1.966	.046	.892	.708
FR4	2.137	.887	1.395	.830	2.118	.047	.911	.525
PER								
PER1	2.781	1.096	–.091	.712	2.659	.059	1.149	–.671
PER2	2.548	1.259	–.469	.619	2.407	.064	1.242	–.72
PER3	2.548	1.119	–.083	.611	2.310	.057	1.104	–.272
PER4	2.712	1.148	–.405	.365	2.751	.059	1.158	–.733

Note: ME – mean; *SD* – standard deviation; *S* – skewness; *K* – kurtosis.

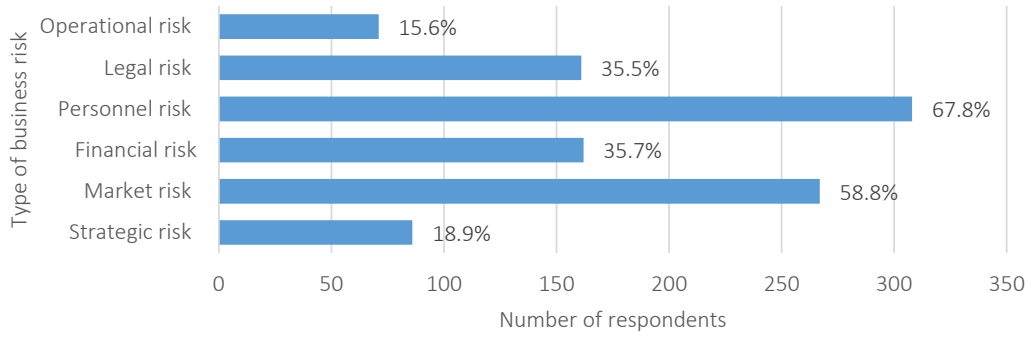

Figure 1. The most significant business risks according to the attitudes of the respondents

Table 2. Dependences of indicators of the most significant business risks on the perceived future of business according to the criterion

Source: Own research.

Respondent's experience with business bankruptcy											
CM1	**NO**					***CM2***	**YES**				
	Y	***MR1***	***MR2***	***MR3***	***TR4***		**Y**	***MR1***	***MR2***	***MR3***	***MR4***
Y	1	–	–	–	–	Y	1	–	–	–	–
MR1	.204	1	–	–	–	***MR1***	.525	1	–	–	–
MR2	.060	.161	1	–	–	***MR2***	.372	.276	1	–	–
MR3	.192	.271	.249	1	–	***MR3***	.360	.565	.558	1	–
MR4	.060	.113	.216	.170	1	***MR4***	.218	.418	.328	.390	1
CM3	**NO**					***CM4***	**YES**				
	Y	***FR1***	***FR2***	***FR3***	***FR4***		**Y**	***FR1***	***FR2***	***FR3***	***FR4***
Y	1	–	–	–	–	Y	1	–	–	–	–
FR1	.001	1	–	–	–	***FR1***	.077	1	–	–	–
FR2	.335	.181	1	–	–	***FR2***	.414	.014	1	–	–
FR3	.164	.207	.346	1	–	***FR3***	.344	.398	.386	1	–
FR4	.142	.108	.397	.701	1	***FR4***	.459	.359	.508	.747	1
CM5	**NO**					***CM6***	**YES**				
	Y	***PER1***	***PER2***	***PER3***	***PER4***		**Y**	***PER1***	***PER2***	***PER3***	***PER4***
Y	1	–	–	–	–	Y	1	–	–	–	–
PER1	.058	1	–	–	–	***PER1***	.149	1	–	–	–
PER2	.327	.348	1	–	–	***PER2***	.060	.571	1	–	–
PER3	.054	.116	.548	1	–	***PER3***	.058	.496	.603	1	–
PER4	.288	.039	.452	.556	1	***PER4***	.242	.457	.476	.403	1

Note: Y – dependent variable; *CM* – correlation matrix. *MR*1, ..., *PER*4 – independent variables.

The assumption of a normal distribution is met for each indicator of the most significant business risks (see Table 1).

Table 2 summarizes the pairwise coefficients of correlation in the correlation matrices between the indicators of the most significant business risks and the respondents' (*Y*) perceptions of the future of business.

Tables 3, 4, and 5 summarize the results of the verification of the statistical significance of the proposed regression models (*RM*1*A*, *RM*1*B*, ..., *RM*3*A*, *RM*3*B*).

The results presented in Table 3 show that the *RM*s are statistically significant (*RM*1*A*: F-ratio (*p*-value) = 7.3E-05; *RM*1*B*: F-ratio (p-value) = 1.7E-05). The relationship between the company's emo-

Table 3. The influence of market risk indicators on the perception of the future of business according to the criterion

Source: Own research.

***RM1A* - No experience with business bankruptcy**					***RM1B* – Business bankruptcy experience**				
MCC	.249	Adj. R^2	0.052		MCC	.580	Adj. R^2	.298	
R^2	.062	SE	1.011		R^2	.337	SE	1.117	
Verification of the significance of the entire LRM									
ANOVA	**Df**	**SS**	**MS**	**F-ratio**	**ANOVA**	**Df**	**SS**	**MS**	**F-ratio**
Regression	4	25.46	6,36	6.232	Regression	4	43.10	10.77	8.638
Residual	376	383.98	1,02	p-value	Residual	68	84.82	1.25	*p*-value
Total	380	409.44		7.3E-05	Total	72	127.92		1.7E-05
Statistical significance test									
Variables	**RC**	**SE**	***t*-stat**	**Sign. (*p*-value)**	**VIF**	**Variables**	**RC**	**SE**	***t*-stat**	**Sign. (*p*-value)**	**VIF**
Intercept	1.317	.199	6.622	.000	–	Intercept	.723	.433	1.671	.099	–
MR1	.175	.056	3.123	.002	1.093	***MR1***	.578	.142	4.074	.000	1.591
*MR*2	.008	.056	.135	.892	1.112	***MR2***	.335	.141	2.377	.020	1.496
MR3	.167	.061	2.753	.006	1.145	*MR*3	–.078	.176	–.442	.660	1.993
*MR*4	.017	.049	.344	.731	1.068	*MR*4	–.079	.138	–.573	.569	1.300

Note: Df – Degree of freedom; SS – Sum of Squares; MS – Mean of Square; RC – Regression Coefficient; SE – Standard Error.

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tional future and market risk indicators is weakly positive for *RM*1*A* (*MCC* = .249) and moderately strong for *RM*1*B* (*MCC* = .580). The proposed regression model (*RM*1*A*) explains 5.2% of *Y* variability and for *RM*1*B* it is up to 29.8% of *Y* variability. Statistically significant indicators of market risk in *RM*1*A* include: *MR*1 (t-stat: *p*-value = .002); *MR*3 (*t*-stat: *p*-value = .006). Statistically significant indicators of market risk in *RM*1*B* include: *MR*1 (*t*-stat: *p*-value = .000) and *MR*2 (*t*-stat: *p*-value = .020). The linear regression function for the selected *RM* has the form:

*RM*1*A:*

$$Y = 1.317 + 0.175 \cdot MR1 + \\ +0.008 \cdot MR2 + 0.167 \cdot MR3 + \\ +0.017 \cdot MR4 + \varepsilon_t, \quad (2)$$

*RM*1*B:*

$$Y = 0.723 + 0.578 \cdot MR1 + \\ +0.335 \cdot MR2 - 0.078 \cdot MR3 - \\ -0.079 \cdot MR4 + \varepsilon_t, \quad (3)$$

where *Y* – dependent variable (perception of the future of business); *MR*1, ..., *MR*4 – independent variables (market risk indicators); ε_t – error term.

Multicollinearity was not confirmed for either *RM* (VIF values are higher than the critical value for both *RM*1*A* and *RM*1*B*). Homoscedasticity was confirmed in both RMs (*RM*1*A*: Bartlett's test: *p*-value = .177; *RM*1*B*: Bartlett's test: *p*-value = .233). The normal distribution of the deviations of the error terms in both *RM*s was confirmed by the S-W test (*RM*1*A*: S-W test: *p*-value = 0.148; *RM*1*B*: S-W test: *p*-value = .225). The evaluation of scientific hypothesis: H_a was accepted for both groups of respondents according to the entrepreneur´s experience with business bankruptcy.

The comparison of the impact of financial risk on the perception of the future of business according to the respondent's experience with the bankruptcy of business is the subject of Table 4.

The results presented in Table 4 show that the *RM*s are statistically significant (*RM*2*A*: F-ratio (*p*-value) = 6.4E-10; *RM*2*B*: = F-ratio (*p*-value) = 5.4E-05). The relationship between the company's emotional future and financial risk indicators is weakly positive for *RM*2*A* (*MCC* = .348) and moderately strong for *RM*2*B* (*MCC* = .550). The proposed regression model (*RM*2*A*) explains 11.2% of *Y* variability and for *RM*2*B* it is up to 26.2% of *Y* variability. Statistically significant indicators of financial risk in *RM*2*A* include: *FR*2 (*t*-stat: *p*-value = .000). Statistically significant indicators of financial risk in *RM*2*B* include: *FR*1 (*t*-stat: *p*-value = .034) and *FR*4 (*t*-stat: *p*-value = .018). Linear regression functions have the form:

Table 4. The impact of financial risk indicators on the perception of the future of business according to the criterion

Source: Own research.

***RM2A* – No experience with business bankruptcy**						***RM2B* – Business bankruptcy experience**					
MCC	.348		Adj. R^2	.112		MCC	.550		Adj. R^2	.262	
R^2	.121		SE	.978		R^2	.303		SE	1.145	
Verification of the significance of the entire LRM											
ANOVA	**Df**	**SS**	**MS**	**F-ratio**		**ANOVA**	**Df**	**SS**	**MS**	**F-ratio**	
Regression	4	49.73	12.43	12.994		Regression	4	38.71	9.68	7.376	
Residual	376	359.71	0.96	*p*-value		Residual	68	89.21	1.31	*p*-value	
Total	380	409.44		6.4E–10		Total	72	127.92		5.4E–05	
Statistical significance test											
Variables	**RC**	**SE**	***t*-stat**	**Sign. (*p*-value)**	**VIF**	**Variables**	**RC**	**SE**	***t*-stat**	**Sign. (*p*-value)**	**VIF**
Intercept	1.367	.169	8.070	.000	–	Intercept	1.455	0.433	3.359	.001	–
*FR*1	–.082	.053	–1.545	.123	1.067	***FR*1**	–.357	.165	–2.166	**.034**	1.282
***FR*2**	.382	.061	6.273	**.000**	1.222	*FR*2	.188	.129	1.455	.150	1.439
*FR*3	.118	.080	1.465	.144	2.047	*FR*3	.111	.234	.474	.637	2.380
*FR*4	–.061	.080	–.767	.443	2.089	***FR*4**	.605	.250	2.425	**.018**	2.690

Note: Df – Degree of freedom; SS – Sum of Squares; MS – Mean of Square; RC – Regression Coefficient; SE – Standard Error.

RM2A:

$$Y = 1.367 - 0.082 \cdot FR1 + \\ +0.382 \cdot FR2 + 0.118 \cdot FR3 - \\ -0.061 \cdot FR4 + \varepsilon_t, \quad (4)$$

RM2B:

$$Y = 1.455 - 0.357 \cdot FR1 + \\ +0.188 \cdot FR2 + 0.188 \cdot FR3 + \\ +0.605 \cdot FR4 + \varepsilon_t, \quad (5)$$

where *UP*6 – dependent variable (perception of the future of business); *FR*1, ..., *FR*4 – independent variables (financial risk indicators); ε_t – error term.

Multicollinearity was not confirmed for either *RM* (VIF values are higher than the critical value for both *RM2A* and *RM*2). Homoskedasticity was confirmed in both *RM*s (*RM2A*: Bartlett's test: *p*-value = .244; *RM2B*: Bartlett's test: *p*-value = .189). The S-W test confirmed the normal distribution of the deviations of the error terms in both RMs (*RM2A*: S-W test: *p*-value = .542; *RM2B*: S-W test: *p*-value = .648). The evaluation of scientific hypothesis: H_b was accepted for both groups of respondents according to the entrepreneur´s experience with business bankruptcy.

The comparison of the impact of personnel risk on the perception of the future of business according to the respondent's experience with the bankruptcy of business is the subject of Table 5.

RM3B: The results (see Table 5) show that the proposed regression model of the linear relationships of personnel risk indicators to the threat of corporate/business bankruptcy is not statistically significant (F-ratio: *p*-value = .290). Because of the above testing, it is not relevant to sharpen the regression function and verify the random component's assumptions. *RM3A*: The results (see Table 5) show that the proposed regression model is statistically significant (F-ratio: *p*-value = .001). The dependence between the company's emotional future and the indicators of strategic risk is moderately positive (*MCC* = .240). The regression model (with strategic risk indicators) is explained by 4.8% of the dependent variable's variability. A statistically significant indicator is *PER*4 (*t*-stat: *p*-value = .020). The *RM3A* linear regression function has the form:

RM3A:

$$Y = 1.444 + .025 \cdot PER1 + \\ +0.080 \cdot PER2 + 0.038 \cdot PER3 + \\ +0.123 \cdot PER4 + \varepsilon_t, \quad (6)$$

Table 5. The influence of personnel risk indicators on the perception of the future of business according to the criterion

Source: Own research.

***RM3A* – No experience with business bankruptcy**						***RM3B* – Business bankruptcy experience**					
MCC	.240		Adj. R^2	.048		MCC	.264		Adj. R^2	.015	
R^2	.058		SE	1.013		R^2	.070		SE	1.323	
Verification of the significance of the entire LRM											
ANOVA	**Df**	**SS**	**MS**	**F-ratio**		**ANOVA**	**Df**	**SS**	**MS**	**F-ratio**	
Regression	4	23.58	5.89	5.774		Regression	4	8.89	2.22	1.270	
Residual	376	385.86	1.03	*p*-value		Residual	68	119.03	1.75	*p*-value	
Total	380	409.44		.001		Total	72	127.92		.290	
Statistical significance test											
Variables	**RC**	**SE**	***t*-stat**	**Sign. (*p*-value)**	**VIF**	**Variables**	**RC**	**SE**	***t*-stat**	**Sign. (*p*-value)**	**VIF**
Intercept	1.444	.162	8.918	.000	–	Intercept	1.999	.496	4.029	.000	
*PER*1	.025	.053	.477	.634	1.385	*PER*1	.130	.183	.711	.479	1.661
*PER*2	.080	.058	1.384	.167	1.929	*PER*2	–.113	.174	–.650	.518	1.969
*PER*3	.038	.065	.590	.556	1.888	*PER*3	–.030	.180	–.169	.866	1.666
PER4	.123	.052	2.340	.020	**1.366**	*PER*4	.294	.160	1.838	.070	1.390

Note: Df – Degree of freedom; SS – Sum of Squares; MS – Mean of Square; RC – Regression Coefficient; SE – Standard Error.

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where Y – dependent variable (perception of the future of business); *PER*1, ..., *PER*4 independent variables (personnel risk indicators); ε_t – error term.

VIF test values did not show the presence of multicollinearity in the independent variables. Homoscedasticity was confirmed in *RM* (Bartlett's test: *p*-value = .317). The normal distribution of the error terms' deviations was confirmed by the S-W test (S-W test: *p*-value = .163). The evaluation of scientific hypothesis: H_a was accepted for both groups of respondents according to the entrepreneur´s experience with business bankruptcy.

4. DISCUSSION

The experience with the bankruptcy of the respondent is not significant in the perception of the most important indicator of market risk. It is the adequacy of sales of services and products for both groups of respondents. Both groups do not consider the impact of innovative ways of acquiring new markets on the future to be significant. Conversely, according to respondents who do not experience bankruptcy (n = 381), there is no significant impact of competition as a motivating factor for the respondent (*t*-stat: *p*-value = .892) and according to respondents who experience bankruptcy (n = 73), there is a significant impact of competition as a motivating factor for the respondent (*t*-stat: *p*-value = .020).

The respondent's experience with bankruptcy is significant in the impact of financial risk indicators on the future. According to respondents who have no experience with bankruptcy (n = 381), there is a significant impact of the perception of the financial performance of the company/business (*t*-stat: *p*-value = .=000) on the future as the only indicator of financial risk. According to respondents who have experienced bankruptcy (n = 73), the perception of financial risk is part of everyday life (*t*-stat: *p*-value = .034). Moreover, respondents' ability to properly manage financial risk (*t*-stat: *p*-value = .018) is significant for the future of the enterprise/business. The ability of respondents to properly manage financial risk (β = .605) has a more significant positive impact on the future of the company/business than the perception of financial risk as part of everyday life (β = –.357). The negative value of a statistically significant indicator of financial risk can be explained by the fact that the presence of financial risk as a part of everyday life is already so obvious for the respondent that it is underestimated.

The respondent experience with bankruptcy is significant in the impact of personnel risk indicators on the future. According to respondents who have no experience with bankruptcy (n = 381), the future of the company/business is significantly influenced by the employees' efforts to increase performance (β = .123). According to the respondents who have experienced bankruptcy (n = 73), there is no significant impact of any indicator of personnel risk (*t*-stat: *p*-value > 0.05) on the future of the company.

The research results are essential for potential, active entrepreneurs who face the fear of failure. Equally important are the findings for entrepreneurs who already have experience with bankruptcy. Failure is not an obstacle to doing business, and our results show that it is part of the business journey. Existing business research underlines the importance of passion, optimism, and the need to achieve business motivation (Cardon, Wincent, Singh, & Drnovsek, 2009; Hmieleski & Baron, 2009). Fear of failure also affects business motivation but not always negatively. In many cases, this may be related to the decision to take an even stronger approach. Besides, it also has implications for business performance and well-being (Cacciotti, Hayton, Mitchell, & Giazitzoglu, 2016).

CONCLUSION

The article aimed to identify differences in the perception of the most significant business risks and their impact on the future of business concerning the entrepreneur's experience with business bankruptcy.

Entrepreneurs who have no experience with bankruptcy perceive the direct impact of increasing employee performance on the company's future. On the other hand, entrepreneurs who have gone through business decline do not perceive the impact of personnel risk indicators on the business's perceived future. There are

also differences between entrepreneurs in attitudes to the effect of personnel risk. Entrepreneurs who have no experience with bankruptcy perceive the direct impact of increasing employee performance on the company's future. On the other hand, entrepreneurs who have gone through business decline do not perceive indicators of personnel risk, such as employee turnover, employee error rate, or increasing employee performance.

Despite a representative sample of 454 SMEs, in the future, it would be necessary to re-verify the attitudes of entrepreneurs in the business environment in the Czech Republic. This is owing to the verification of the achieved results and the ongoing COVID-19 crisis. The nature of research, which deals with the attitudes of entrepreneurs from only one Central European country, is also limiting. The results are important, especially for SMEs themselves, and for state and non-profit institutions in setting up incentives to raise the quality of the business environment for SMEs.

The authors want to compare our findings regarding the influence of business risks on the perception of SMEs' future in the Czech Republic with other countries of the Visegrad Group (V4). Therefore, they are currently starting to work with academic staff from partner universities in Hungary, Poland, and the Slovak Republic to obtain a relevant sample of respondents.

AUTHOR CONTRIBUTIONS

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