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Session III

**SUPPORT TO THE PRIVATE
SECTOR AND INDUSTRIAL
PARTNERSHIP DEVELOPMENT**

Support for Internationalization
of Hungarian SMEs

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

Support for Internationalization of Hungarian SMEs

by Anikó Soltész

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Executive summary

At the outset, this paper pictures the Hungarian economy and industry after having gone through a 10 year transition period to a market economy. The economic growth and its financial stability prevailing today have also brought about negative economic and social impacts which are also presented.

The paper continues to outline the situation of small and medium-size enterprises (SME) in Hungary at the turn of the millennium and displays the sector as very heterogeneous. Its share in the economy has been increasing over the last decade.

The chance of internationalization of the SME sector are elaborated and conditions are described which, if established, would enable SMEs to become real beneficiaries of internationalization.

The paper explains the Hungarian Subcontractor Programme which was established by the government in 1997 in order to strengthen the economic role of the SME sector and increase its competitiveness. The achievements and problems of the Programme are illustrated.

Finally, this paper reviews some problems hindering or slowing down the developments and makes recommendations on possible solutions.

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1

Introduction

In the developed regions of the world there are convincing data giving evidence of the growing contributions of the small and medium-size enterprises (SMEs) to the GDP of each country. This all happens at a time when the internal challenges of competition within the national economies, coupled with the forces of challenges of the global economy, are omnipresent. Globalization became the basis of economic growth around the world. The developments generated by the dramatic improvement of IT technologies, transport and logistics systems are supplemented every day by the new requirements communicated by the liberalized markets: the expectations concerning the quality and the design of the products are changing, the client-focused market behaviour became a part of the quality standards (ISO 2000). Business communication accelerated unbelievably and grew to global magnitude, and exposed the manufacturers and service providers, who hitherto concentrated on national scales and markets, to frequently controversial multi-cultural impacts. In the products of the global market, revaluated technology and productivity, and sometimes a devaluated labour force, are what designate the winning and the losing producers and regions.

Nobody, not even small and medium-size companies, is immune to the developments described above. In the course of the accession to either the European Union or the global economic processes, governments of each national State can successfully solve the artificial dilemma of isolationism versus closing the gap by favouring the latter. Making use of their organizing role in the economy, they can mitigate the possible disadvantages faced by the small and medium-size enterprises if they ensure the appropriate background environment, and if they support the conditions necessary for competitiveness they could even ensure the achievement of possible advantages.

In the following, we will review the macroeconomic background of internationalization, the situation of the small and medium-size enterprises, some problems hindering or slowing down the developments and will also make recommendations on a possible solution.

2 The Hungarian economy and global economic developments

In 1999, continuing the tendency seen in previous years, the Hungarian economy in an unfavourable global economic environment and with modest opportunities, achieved a growth rate that was deemed exceptional in international comparison. At the beginning of the year 2000 it could hardly be doubted that the macroeconomic status of the country is more favourable than before, considering economic growth or financial equilibrium. The changes in the positions of these two factors depend basically on the investment preferences of foreign capital, the increase of external market demand and the market influencing behaviour of the “two third society” as the social tensions are sometimes described.

The forecasts suggest that the boom is expected to resume in Western Europe and the higher growth level will be coupled with a more balanced global growth. This is good news for export-oriented countries, such as Hungary. If the conditions in the Central-Eastern-European countries do not deteriorate, exports may even grow as the free capacities of the market players would guarantee this. In 1999, 50 per cent of industrial output was exported, 84 per cent of Hungarian export was directed towards developed countries and, within that, 75 per cent towards EU markets. This shows that a portion of the free capacities is competitive, and—especially if the continuous annual 10 to 15 per cent increase of productivity remains—could also take positions in highly demanding markets.

The positive processes will be accompanied by a deteriorating trade ratio caused by the increasingly expensive import of oil and raw materials, therefore the consumption content of imports and consumption itself should be decreased, otherwise the deterioration of the trade ratio may slow down the dynamics of growth.

However, foreign economic developments cannot be extrapolated and influenced as easily as it is described above. Since 1989, Hungary has started an opening process and considerably liberalized its economy through tax reform, liberalization of prices and changing over to a market controlled economy. From the very beginning, the global market exercised an increasing, and by now a decisive, influence on the implementation of economic objectives and policies. Through regionalism and globalization, economic processes are increasingly externally determined.

In light of an internationalized future, it is worthwhile to reconsider the price of growth, and its possibly unintended dysfunctional impacts.

- Openness makes the changes in the global boom promptly and drastically perceivable.
- The economic growth further boosted the regional inequalities experienced at certain points of the economy for some decades: the western part of the country attracts more investors than the regions east of the Danube.

- ❑ Liberalized capital movements sometimes shocked the stock exchange procedures and investors.
- ❑ The ownership and size structure of the enterprises entail inequalities that make foreign owned multinational enterprises the beneficiaries of export growth, whilst the competitiveness and growth potential of the domestic small and medium-size enterprises lag far behind.
- ❑ Explaining the lag, mentioned above, we find lower than expected levels of technology at small and medium-size enterprises, sometimes, due to foreign investments, in sharp contrast to the levels present in foreign interest enterprises in the automobile-motor, telecommunication and computer manufacturing.
- ❑ Despite the above, the driving force behind the growth is industry and within that, telecommunication and computer manufacturing—change and expansion of the sectorial structure are therefore fundamental requirements.

It is unambiguous that foreign investments played a decisive role in initiating growth and in exploiting the boom and acting also as a catalyst in the emergence of inequalities. In terms of the quantity of capital directed to the countries in the region, Hungary is second only to Poland. The bulk of the capital influx goes to the processing industry and to the machinery, food processing and chemical industries. 14 per cent of investments were directed towards telecommunication and 6 per cent to the insurance industry. The countries of origin were Austria, Belgium, France, Germany, the Netherlands, United Kingdom and the United States.

Even now, during the accession period, Hungary's macroeconomic resources, as well as the microeconomic relationships and developments, tie Hungary to the European Community and the global economy through many threads. The growth oriented economic policies that simultaneously seek equilibrium, and thus solutions for the ever-reproducing dichotomies, must continuously meet new external and internal challenges, while preparing itself for the *aquis communautaire*.

3

Small and medium-sized enterprises: squeezed by the past

At the end of 1999 more than one million enterprises were registered in Hungary and the number of operating enterprise exceeded 800,000. The trend experienced since 1995-1996 continued: the vehement increase in the number of small enterprises stopped and the gap between registered and actually operating small enterprises got smaller.

The rapid increase in the number of enterprises and the growth of the overall performance of the small and medium-size enterprise sector during the first five years of the transformation of the socio-economic system can be explained primarily by deregulation, i.e. demolition of the regulation and institutions that had earlier strongly hindered entrepreneurship. The enterprises of this first period originated from the conversion of the early enterprises of the 1980s, and from the decentralization of the state and cooperative owned assets through incorporation or privatization. "They carried on their previous activity though under new ownership structure but did not have to start from scratch, ... with selected tools and screened labour force, in possession of marketable products and efficient procedures, and also bank, client and subcontractor relations, as well as experience gained in production engineering and enterprise management. ... The entrepreneurs who held university degrees and filled higher positions in the work organization earlier, started to function in other markets and/or with more successful companies of different size and legal form." (Köhegyi, 1999). Since then, the impact of deregulation weakened and the impact of market forces gained significant strength. (An important indication is that in 1999 within the number of the active enterprises the number of the real estate firms increased the most.)

From the beginning of the decade countless, sometimes regulation-incompliant, expectations were prescribed for the SME sector: that they should undertake a forerunner role in the creation of employment opportunities despite the high tax and social insurance burdens; that, despite the classic case of undercapitalization and incomplete asset basis, they should bring innovation into production and economic cooperation; that they should increase the efficiency of the family-run and small plants; that, while producing economic growth, they should also establish their autonomy in decision-making, expand the market and cooperation framework for their operation and sales activity; and that they should meet the newest trends with quality and customer oriented attitude from time to time. By raising their personal autonomy to the organizational autonomy level, they should fight the unfair competition and monopoly situation, etc.

Although the small and medium-size enterprises are in fact increasing their contribution to GDP, by the middle of the decade the exaggerated character of the expectations they had to face became obvious: the participation of SMEs in privatization lagged much behind what was hoped. Meanwhile the sediment of the privatization-born unemployment increased the number of those, which became entrepreneurs out of necessity, within the total number of registrations that—together

with others—increased the rate of failures within the overall number. Some say, that the impact of the acquisitions following the bankruptcy and liquidation procedures of the first period, was equal to a second privatization. (Lengyel 2000)

4

Profile of the SME sector at the turn of the millennium

Today, the micro and small enterprises still form a very heterogeneous mixture: from the consumption oriented entrepreneurs and enterprises pursuing activities that are not bound to professional knowledge, working part-time and considering the entrepreneurial revenue as supplementary income, neither mobilizing nor jeopardizing capital, to the accumulation oriented enterprises bound to large professional knowledge, performing specialized tasks, working full-time and considering the entrepreneurial revenue as primary income, employing paid workers, and jeopardizing capital. (For the purpose of statistical processing, micro enterprises employ 0 to 9 persons, small enterprises employ 10 to 49 persons and produce not more than either HUF 700 million in sales revenues or HUF 500 million balance sheet footing.)

Almost 100 per cent of the increase in the number of operating enterprises experienced in 1999 was realized within the sector of micro enterprises employing less than 10 persons. The group of small entrepreneurs that established stable market relationships, estimated at 10 per cent of the entire entrepreneurial structure, are not accompanied by medium size enterprises that could form the basis of growth and innovation.

In 1998 small enterprises employed almost one and a half million persons, half of the labour force in the competitive sphere (49.7 per cent), realized 42 per cent of total sales revenues and produced 28 per cent or according to a more realistic estimate 35 per cent of the GDP, while operating hardly more than one-quarter of their own capital of the entrepreneurial sector (26 per cent).

The revenue generation within the small enterprise sector increased in 1997 and 1998 to a minor extent. It is worth noting that during 1997 large enterprises, and in 1998 small enterprises, showed faster increase.

Among small enterprises the growth was rather differentiated: the income generation at the enterprises without employees decreased, while within the entire enterprise sector the micro and small enterprises increased the fastest, which was first seen in 1998. A portion of the small enterprises was able to exploit the possibilities stemming from economic growth and thus became a part of it, while deploying the traditional resources of family and friends instead of the unachievable or unaffordable market economy resources.

The unbroken increase in the number of enterprises halted. There was a relatively large decrease in 1997, an increase in 1998 and this trend continued in 1999. The number of operating enterprises still does not exceed the early 1997 figure.

In 1997 and 1998 the tendency that has been observed since 1995 continued, namely that the proportion of the small enterprises in export sales is decreasing. The only, and very important exception, is the significantly increasing export

produced in 1998 by enterprises employing between 10 to 50 employees, which suggests that a proportion of small enterprises managed to realize export oriented growth.

There is a slight improvement in the capitalization of small enterprises. In each size category the own capital projected per employee increased, thus in the last two years the contradiction between the increasing role played in employment and the low level of capitalization became less strenuous although it still exists. The capital increase among small enterprises—coupled with the unchanged ratio of operating individual and partnership enterprises (58 per cent to 42 per cent)—was probably motivated by the fact that the Corporate Law increased the minimum capital level of the limited liability companies therefore those who opted for this legal form, which is recommended for medium size companies, needed to increase their capital.

The majority of companies are active in commerce, followed by real estate and computer related and other economic services, the processing and construction industry, transportation and catering and finally agriculture. The small enterprises play a decisive role, not only based on their number but also on their performance, however, in important sectors like the processing industry they did not reach the proportion experienced in Western European countries.

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The chances of internationalization

The Presidency Conclusions issued after the Meeting of the European Council in Lisbon, defined the goals for the following decade of the EU as follows: "to become the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion". (Presidency Conclusions, March 2000, p. 2).

In countries awaiting accession, e.g. in Hungary, although the macroeconomic figures are favourable, one of the fundamental issues of the coming period is how technological and competitive shortcomings, which strongly characterize the small enterprise sector, can be transgressed.

Micro and small enterprises are facing adaptation problems even on domestic markets, despite their overwhelming numbers. During the last decade, the mechanism did not develop which, with encouragement programmes and in a predictable way, would have facilitated that micro enterprises become small ones; the small ones become medium-sized and later large enterprises. There are analysts (Laky, 1999) who refute this possibility saying that the majority of small enterprises are established without capital, their operation is based fundamentally on the connections between the household and the enterprise, and the more the funds serving the operation are exposed to risk, the more they will serve the resources of family consumption.

Should favourable conditions be established, capital accumulating small and medium-size enterprises in the growth stage of their life cycle could be the real beneficiary of internationalization. What are these conditions?

- The first priority from the point of view of the enterprises is to become able to exploit the advantages of the information and knowledge-based society, based on their human resources and adaptive organizational culture. Currently, this process is primarily a characteristic of large organizations. Meanwhile, the domestic and international markets of the open economy keep warning the small ones: the enormous labour force and information fluctuations place increasing demands on the fast access to relevant knowledge in the course of business decision-making. The day-to-day operation of the enterprise may not neglect knowledge management, efficient and production improving manner of organizational knowledge distribution, work-force motivation, and ensuring the synergy of creative and innovative capacities.
- In order to meet the investment demands of the information society the dichotomy that has existed for the last decade, namely that economic players, whose significance in employment and revenue generation has increased, have ever decreasing access to financial resources, should be solved. The banks' money market behaviour has, despite encouragement from the state, so far been unchanged, and the venture capital is waiting as well, even though the legal background for its operation has been established.

- ❑ The attitude of the banks and financial and strategic investors will probably change if, in recognition of improved production stemming from IT investments and organizational knowledge, the market will assess the intellectual value of significant companies on a return-on-equity basis, at many times in excess of their book value. Cooperation with such companies could be the best motivational force for small enterprises.
- ❑ There is a lot to do regarding the policies that effect the innovation within small enterprises. The BEST (Business Environment Simplification Task Force) report of the Europe Council (BEST1998) emphasises the necessity of technology transfer, consultancy and mentor programmes, and urges the establishment of clusters and encourages incubation. It also suggests that research and development should be adjusted to the demands of small enterprises, so they would also become beneficiaries of the results, etc. It can be stated, that there were some developments in each field, listed above, although not enough (technology transfer), not wide-spread enough or not spread evenly enough between regions (consultancy, mentorship, innovation brokerages), not consistent enough (multi-factor cooperation), not sufficiently innovation oriented (incubator centres), and, all in all, the whole institutional scheme is not stable enough and therefore its behaviour is difficult to forecast. A significant achievement is that the technology-intensive small enterprises were offered the possibility of tender participation in 1990-2000, although there are uncertainties around the future of this resource, and, in addition, whether the interested parties would be given more information and assistance in patent procedures.
- ❑ The establishment of the legal background of the information society also raises the question: what could be assigned to the market and what could be assigned to the state. The arguments support flexible rules ensuring quick reactions to market developments. Meanwhile, the state should regulate the issues concerning electronic signature, commerce, public procurement, data safety, data protection and data access as well as copyrights. Operating companies are facing a problem equally unsolved throughout Europe, namely service provider liability. That is, to what extent may telecommunication service providers be held liable for information that became accessible through their network and for which the content providers are responsible who often are unavailable. There are also more down to earth problems. The number of Internet subscribers and users is much less than necessary to make the World Wide Web a profitable branch of business. One reason behind this is that, according to a comparison made earlier between Hungary and the OECD countries, Hungarian telephone rates are the most expensive. The other reason is that the number of PCs is also less than necessary. However, electronic commerce has been started in some areas and shows promising expansion.
- ❑ According to the innovation action plan of the EU, small and medium-size companies deserve differentiated attention depending on whether they are technology developers, recipients or just external observers of the processes. According to a research examining work distribution structures in industry and agriculture (Török, 1997), the Hungarian SMEs can be divided into six main groups according to the degree that they play an active role in their relationships with their partners. Based on the proportion of the value added in the retail price of the end-product these groups are as follows: passive and active leaseworkers, passive and

active subcontractors, enterprises capable of internal research and development, and, finally, enterprises that are able to compete on the end-product market, on their own. In the research period, researcher hardly met anybody from the latter two categories. We are trying to find the answer to the question: where are we now, from the experience of the recent period's largest experiment aimed at closing the gap.

6

Subcontractor programme: a step towards cross-border cooperation

Through direct foreign investments, mentioned above, in western and central regions of Hungary, multinational enterprises with a high technology development level, that became the engines of the macroeconomic development, had a specifically huge towing effect on the small and medium-size enterprises in the machinery industry and the telecommunication branch.

The government programme mentioned above, was established in 1997 in the interests of strengthening the economic role and enhancing the competitiveness of the small and medium-size enterprises with the aim of increasing the number of exportable products, the chances for replacing import, the added value and innovation contents of the domestic products, and improving the subcontractor position of the domestic small and medium-size enterprises, and also improving the chance for creating and maintaining workplaces.

The programme was created in a period when multinational companies that had moved to Hungary earlier, making use of their better local knowledge, were able to undertake the risk of replacing their subcontractors, mostly from their country of origin, with Hungarian subcontractors, with the intention to decrease costs. The government resolution aims at improving the compliance conditions of the domestic players when elaborated the tools for supporting the background industry in order to attract the multinational enterprises indirectly through the advantages of the business environment.

Among the addressees of the background industry cooperation the small enterprises could always be found. Meanwhile, in the initial period, among the actual subcontractors are almost exclusively the legal successors established after the dissolving of the large companies. For them the large organizational culture was less unknown, the contractual and performance discipline was less alien, and in hope of long-term and safe orders they were more disciplined in tolerating the contractual constraints imposed on the autonomy of decision-making, although the long payment deadlines also caused problems for them. Downwards on the subcontractor pyramid, the smaller enterprises are to be found; on levels three and four there are only small enterprises.

In the framework of the subcontractor programme, the Hungarian background-industry policy undertook to register potential and actual subcontractors and enlist them into a database. The programme assists subcontractors in entering the market, finding partners, building networks, and getting acquainted with the client side.

In the course of the establishment of the institutional background, whilst representing the economic policy and industrial policy aspects, the programme's implementing agencies—the Ministry of Industry and Commerce and also the Hungarian Foundation for Enterprise Promotion—were forced to harmonize and integrate at least eight different partial policies. During the programme period several direct support

structures were available that, directly or indirectly, either served the objectives of the background industry or had an impact on such a target group. The programme became publicly known in May 1999, it established an operative information system and elaborated training materials. It assisted potential or actual subcontractors with training, consultancy, conferences and business-persons' meetings. In the framework of an integrator pilot programme, corporate diagnoses were made and visualized on a RADAR chart for local enterprises, and the preconditions for the approval of the subcontractors' charter was created.

Finally, 1,600 company names were listed in the database, falling behind expectations. In some cases it was found that the technological audit could rather be considered to be a status survey. The access problems experienced in respect to the database and the financing, emphasized the necessity of decentralization to regions in a manner which was also acceptable to the EU. Given the fact that the first part of the programme was restricted to some specific branches, the demand for lifting the branch-constraints was reasonably put forward. The difficulties in harmonizing the partial policies also indicated in this case that bureaucratic coordination would be unable to replace the network of relationships among the market players. The subcontractor programme, finally, despite the correction of its deficiencies, came to an end before being able to show its real advantages. In the course of presenting the support opportunities it revealed the real necessity of economic and political support. Its controversial results are as follows:

- ❑ By 1999 the volume of supply exceeded HUF 400 billion without further increases. As a result of cross-border cooperation within the country, the domestic proportion within the production of the international enterprises reached 20 per cent. This result was produced by approximately 700 to 800 enterprises operating in Hungary, with Hungarian or foreign ownership involved primarily in the machinery-metal-plastic and rubber industry, performing primarily for other subcontractors, system integrators or final assemblers.
- ❑ All degrees of subcontractor cooperation, the depth of the partner relationships and their specific international features, meant paramount learning possibilities for the participants. From product and manufacturing development to communication, multi-cultural elements appear.
- ❑ Successful cooperation meant variable forms of assistance from the buyer's side, from the delivery of licences and know-how to credits and credit guarantees, from laboratory examinations to ensuring training and advanced training, or different forms of reference, from export possibilities to founding awards.

The partial successes, mentioned above, did not and could not become a growth factor of the Hungarian economy, because the scope of subcontractors is quite narrow and the supply ratio—specifically in comparison to developed countries—is low.

A report on the implementation of the subcontractor programme (Bod, Bonifert, Futó, 1999) referring to a research, stated the breakdown of the Hungarian subcontractors:

- ❑ As for the regions, the share of the Hungarian subcontractors is the highest among companies in eastern and northern Hungary, followed by western Hungary, and the lowest figure is recorded in the central region.
- ❑ As for the citizenship of the owner, the proportion of the subcontractors is the lowest in the scope of companies in foreign ownership and the highest in the scope of the enterprises owned by Hungarian firms or Hungarian private persons.

- ❑ As for the size of the enterprises, the larger the buyer company the lower the share of the Hungarian subcontractors.
- ❑ And finally, as for the dynamics of the firms, where the market situation is deteriorating, the share of the Hungarian subcontractors is slightly higher.

According to the report, the buyers' attitude, the extent of employment of Hungarian subcontractors and the expectations towards them are influenced by the way the international large companies acquired properties in Hungary, the branch they are involved in, the technical parameters of their products and their country of origin.

- ❑ Those multinational companies that came to Hungary by acquiring 100 per cent or majority shareholding in Hungarian companies mostly kept the scope of their previous partners but the subcontractor requirements matched the expectations of the mother company.
- ❑ In those cases where multinational companies implemented green-field investments or completely reorganized the firms acquired and introduced their products established abroad, Hungarian subcontractors have difficulties in being accepted. In this segment—the vast majority of the multinational companies—the Hungarian supply is around 10 per cent.
- ❑ As for categorization according to the country of origin of the buyers, the Far-Eastern companies are encouraged to establish successful subcontractor relationships, by customs-policy and commercial reasons.
- ❑ From among the large Hungarian companies those which integrate into the subcontractor system play an important role.

In the internationalization of the enterprises that became subcontractors, the criticism elements of the relationship are of primary importance. The complaints regarding the Hungarian subcontractors, in the first two cases refer almost exclusively to the quality, and in some cases, to the management, whilst in the case of the "green-fielders" the product and manufacturing technology, cost-price, capacity and accuracy complaints are also raised in addition to a small number of quality problems.

The standards of internationalization become evident for the Hungarian partner at the beginning of the establishment of the partnership relationship:

- What is the quality they can ensure continuously?
- What price is offered with what payment conditions?
- What supply discipline is guaranteed?
- What other services are provided?

Based on the day-to-day cooperation, a new benchmark has been generated that could entail advantages for the entrepreneur on both local and foreign markets. The new cooperation has not been without assistance even for those enterprises already involved—whilst the other 800 or so members of the list of subcontractors need more support. The embryonic clusters mentioned by the OECD Conference in Bologna as a model of good practice, are now also emerging in Hungary. Their emergence was influenced by the interdependence among entrepreneurs, and the decrease of transaction expenses but they could also lead to further utilization of the advantages of cooperation. Their domestic adaptation with strong governmental support could establish the possibility of continuing the programme in a more targeted and successful manner.

7

Strategies, tasks, chances, risks

The first initial steps aimed at the internationalization of small enterprises have already been made. Nobody is satisfied so far and there is no reason to be so.

Those who are the least satisfied, who were left out from the beginning, and—given the profile of the domestic entrepreneurial structure—they are in the majority. It is still an open question as to whether they will have a chance to join. This problem is apparent in every document that—with reference to the challenges of the new millennium and the accession to the European Union—deals with the competitiveness of small and medium-size enterprises.

Background industry policy forms an integral part of the economic strategy of the government, which also encourages investment, a moderation of inequalities, an information society and a knowledge-based economy. Successful implementation of this policy could lead to the development of a healthier corporate structure, better integration of invested foreign capital into the domestic economy, improved competitiveness of small and medium-sized enterprises and increased capitalization of medium-sized enterprises.

The Concept of Industrial Strategy of the Hungarian Government specifically lists—among the tasks required to solve the expected tensions accompanying the accession to the EU—the support of small and medium-sized companies and subcontractor programmes and specifies the amounts and sources of the financial resources required for the completion of these tasks.

- ❑ One of the resources of these tasks is in the Special Budget for Small and Medium-Sized Enterprises that was created within the budget of the Ministry of Economic Affairs.
- ❑ In order to improve the financing possibilities available to micro enterprises, the EU Phare Microcredit programme was modified; the available loan amount was increased to HUF 3 to 5 million.
- ❑ The establishment of capital financing, low-cost leasing arrangements and the system of the institutional conditions of a wider scope of guarantee are currently discussed, along with the expansion of credit sources, to finance investments.
- ❑ In order to improve the capital market conditions new financial institutions (development associations and holdings and venture capital associations) were created.

Strategies are communicated by an established institutional scheme. Certain elements of the system are not stable enough due to funding problems and the rapid changes in the political, regulatory and personal background. In the course of the implementation of the individual programmes, the sampling base may well be smaller than justifiable due to the “too much—too small” syndrome, and therefore the regional and size polarization of the enterprises remains untouched. The image, which the entrepreneurs have of these programmes, is quite blurred, reflect-

ing the heterogeneous scope of entrepreneurs. The tools offered by these programmes start to operate slower than expected; they do not always follow international trends, and are not tailored enough to individual needs. The efficiency of the bureaucracy lags behind the expectations of the competitive sphere. Despite the intentions of the Small Enterprise Act and the advantages provided by the one-stop-administration, the entrepreneur often feels that he may only rely on himself.

In the case of entrepreneurs having got acquainted with the possibility of internationalization domestically and abroad, the developments achieved on the quality side are spectacular. Attempts to compensate them for their competitive disadvantages experienced in this field, with the assistance ensured by the Government and the Chambers, is an encouragement for all players to solve their problems in a proactive manner. The recipient countries and the international organizations, in addition to ensuring access to the market information, support primarily the re-engineering of the organizational and management culture and the recommendations concerning proven productivity methods.

The stricter international expectations towards the entrepreneurs and employees justify prompt changes in training and development, primarily in the slowly reacting vocational training. There is a demand not only for new professions, interrelations and new technologies, but primarily for new, reflective attitude, global thinking, respect towards post-material values and first of all—language knowledge.

The unified internal market of the European Union and the global market enable the exploitation of competitive advantages but it also entails risks inherent in competition. Due to the possibility of a fast escalation of any failure, with the risk mitigation in the endangered areas and territories in mind, the necessity and the extent of the correction mechanisms and the role that the state should play in it, are reconsidered again and again. An important precondition for internationalization that should be ensured by the domestic environment is the reduction of the public burdens.

The personal risks taken by entrepreneurs should not be underestimated and therefore call for treatment. The new type of adoption pressure entailed by internationalization is a hard challenge for those who have not enjoyed the advantages of organic development. They will shape their opinion regarding the advantages and disadvantages of globalization depending on what they can encounter: possibilities for finding and establishing themselves, freedom or pressures; predictable future or promises.

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