

Research and development of SME's at Budapest Tech

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Summary: The SZVI research program features the following activities and results: Establishment and introduction into education of a new subject, Literature review, SME counseling, Surveys done about SME's, Publication operations. Within the SME group, neither the enterprise itself, nor the family as the motor driving the enterprise are not enjoying any special treatment. The scope of activities of family businesses, in accordance with the SME sector's nature, includes mainly services, trade, and to a smaller degree production and sales activities. Their capital adequacy, terms of and possibilities for receiving credit are very unfortunate, their technical level is lower than the average.

Keywords: Research environment, methods, review of current results, scope of activities of family businesses, capital adequacy, owners, managers, employees

1 Preliminaries, Research Environment

SME research was started in 1994 at the Academy. In 1993 at a summer university forum held at the University of Economics (WU) in Vienna and at a consequent international conference attention of the participants from reform countries was drawn to the increasing importance of the SME's in developed European countries. At the same time an international research program called MER („Management, Entwicklung, Razvoj”) was launched at the Maribor University in Slovenia, namely under the guidance of Prof. Dr. Janko Belak and with the effective cooperation of Prof. Dr. Josef Mugler. In addition to Austria, Switzerland, and Germany almost all of the reform countries were represented in the program. On behalf of the Bánki D. Technical Academy, the legal predecessor of Budapest Tech (BT), a still existing Organization and Management Institute (SZVI) was the one to take part from the beginning in the researches and the MER cooperation. I think that Prof. Belak will tell a few thoughts about the findings of this MER cooperation.

At the beginning of the 90's our experiences gained in the neighboring countries and domestically confirmed our view that great emphasis needs to be placed on SME research and development. Therefore SZVI included enterprises, and within this SME research in its program of education development and research.

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- Establishment and introduction into education of a new subject
- Literature review
- SME counseling
- Surveys done about SME's
- Publication operations

In 1994 the formation of a new subject entitled Management of Enterprises was started which highly influenced the way of shaping the thinking of the youth after the market economy took ground, and of educating people to enterprise. A book of mine titled "Management of Enterprises", still used today, with updated corrections added, was written in several phases between 1995 and 1997; Prof. Mugler offered useful advice to structure the book, and Prof. Attila Chikán proofread it before being published.

As a main source of literature review, mainly the WU library and other foreign literature available served on top of the then rather poor domestic libraries. It could be stated that under the domestic economic and business circumstances the American special literature was less fit for adaptation than the books published in the neighboring Austria or Germany. While searching literature, the Austrian Economic Development Institute (WIFI) seated in Vienna also offered tremendous useful help by presenting its special publications in German and Hungarian. As one of the basic work of SME development, the book of Prof. Mugler titled „Betriebswirtschaftslehre der KMU" is used to this every day.

SME counseling also began in 1994 when the German RKW (Rationalisierungskuratorium der Deutschen Wirtschaft) came to Hungary. Three members of the present research group of SZVI took part jointly in RKW's programs, and we carried out SME counseling all over the country for years. Considerable experiences were gained with such counseling and related at different domestic and international forums. Meanwhile, a Hungarian Counseling Association for Supporting Economic Development (MATT) was established and chaired by my colleague Dr. György Szabó.

There were also several surveys were conducted in the subject of SME's. While education was running, students were included in the program by receiving interim practical tasks in connection with the theme of SME'S. Such were for instance:

- Launch of SME's

Business planning for SME's

Investigation of SME life lines

Investigation of family businesses

Since almost 200 students were studying "Management of Enterprises" in the past years, thus the number of SME case studies were available to us to carry out research thereon.

Our SME researches are fairly represented by our publications issued in this subject - and presented on international forums - which are reviewed, not in whole, in the following list:

Research program on the business economics of SME's at BT

The role of controlling in the management of SME's

Crisis management at SME's

Special features of SME crisis management in Hungary

Inspection and business evaluation among SME's

Crisis preventing and handling methods used in Hungary

Change management at SME's

Change management and synergy - through a case of a Hungarian company

Experiences and current facts in change management in Hungary

The role of family businesses in the Hungarian agriculture

Becoming identical with business within the family

The state of family businesses in Hungary

The compatibility of family businesses

I would like to introduce you the staff that took part in shaping the research environment and achieving the results, i.e. the SME research team as follows:

Dobi Sándor

Francsovcics Anna

Halpern Péter

Sütő László

Szabó György

Kadocsa György

2 Research Methods

There were several methods applied during the SME researches and developments. Our selection from among the possible methods was greatly influenced by the fact that we had no or only rather scarce external financial resources available to us. The test sample was determined and picked also accordingly. In this respect, however, there was a favorable condition serving us: both the number of students and their circle of acquaintances cover the whole country. Accordingly, the enterprises selected and inspected by them cover - at least in a geographical sense - the whole country.

We have used our resources so far to apply the following research methods:

- Research of the special literature
- Interviews and studies by students
- Personal experiences gained by counselors
- Survey conducted based on processing company catalogues

With the first three methods we have completed closed and successful researches, of which I have related in earlier international conferences, and presented in the publications listed in the previous section.

The main point of the method based on processing company catalogues is that SME's are surveyed only after sorting out a large amount of enterprise data. We started to use this method under the guidance of a colleague, Mr. Sándor Dobi, in the following steps:

- First sort of the company catalogue (Hoppenstedt – Bonnier)
- Check if SME's exist or operate
- Group existing and operating SME's
- Set up of data sheet and inspection criteria
- Survey by students in the indicated SME groups
- Summarize surveys

The present situation shows that about 8,000 enterprises have been processed out of a total of approximately 17,000 enterprises. The first filter found about 6,500 existing enterprises, out of which appr. are family businesses. The inspection of the other existing companies are still on the run.

They are grouped according to their geographical location. The students conducting the survey receive SME addresses to be checked according to where they live. Students are from almost any part of the country, therefore it is not a

question how to assign test samples among them. Surveys will be continued in the next term.

3 Review of Current Results

The results of the SME research and development reached so far can basically be group under three categories:

- Scientific results

- Results of practical developments

- Results achieved in education and training

Scientific results are marked by the fact that now we are in the company of colleagues with whom we took part in the MER research program together. Indication is also given by the international publications we have already referred to, especially a professional book written in Hungarian, being a students' book at the same time, and an extract from a professional book written in some foreign language.

Our SME research and development activities are of great practical importance since members of the research group conducted hundreds of successful counseling for small enterprises as the counselors of RKW and MATT, and as teachers at the Academy. Such counseling included all fields of entrepreneurs' life such as, for instance, some of our successfully cultivated special fields in the SME sector:

- Marketing

- Establishment of enterprises

- Business planning

- Financial matters

- Development programs

- Investment planning and financing

- Change management

- Crisis management

- Evaluation and sale of enterprises

It is considered to be a success in education and training that the way of thinking and the knowledge of our graduates are being close to that of prominent enterprises, they are prepared and ready to launch an enterprise of their own, or participate in operating existing enterprises. Many students - about 10 percent of

the technical managers graduating from SZVI - work in their own or in a family business, and plans to stay their in the future.

4 New Section Opened in SME Research, Family Businesses

In 2000 a research of family businesses (FBs) started under the MER program, and parallel with this also at BT. Findings of the FB researches are also included in the methods and publications presented before. FB research and development within the SME program are justified especially by the fact that - according to other Hungarian surveys - almost 70 percent of all SMEs are made up of FBs.

There are two problems emerging in Hungary in connection with FB research and development:

- FBs mean and are handled as family farms in the agriculture which is also acknowledged by the law and the system of supports; however
- there is no definition for non-agricultural FBs, they lack a legal identification, and thus the necessary system for its support is also missing.

The definition of FBs is - seemingly - interpreted uniformly by our surveys and researches in the domestic special literature, as I already explained at the 2004 Conference of MEB.

Legal acknowledgement and adaptation is, however, still to come. As per some information given by leading domestic lawyers, there is no need to identify FB as a kind of business, FBs can be supported under the existing conditions, can and must be handled under regulations relating to other kinds of SMEs.

In the unique Hungarian situation, we are going on with our FB researches in addition to our general SME research.

Hereinafter I would like to briefly relate the latest findings of FB researches. It could be stated right in the beginning that the latest research findings underline the conclusions which I already made known at the 2004 MEB conference based on a small processed sample. The following data and information are taken from the summary of the surveys made in 2003 and 2004.

The number of inspected enterprises is almost 400 SMEs. Out of this, the number of FBs amounts to 322 (about 80 percent).

Naturally, both the inspection and the evaluation used the same points of views as follows.

Points of views		FB	%
Date of FB establishment	before 1990	43	13
	1990-95	139	43
	1996-2001	122	38
	2002-	18	6
Scope of activities	service	147	45
	trade	108	34
	industrial prod. and sale	67	21
Origin of the FB property	own	108	34
	family	207	64
	external resources	7	2
Owners of FB	family	570	92
	external	50	8
Managers of FB	family	634	92
	external	57	8
Employees	family	370	21
	external	1411	79
FB viability	stable		(60)
	uses credit to develop		(15)
	unstable		(25)
Owner's motivations	committed, purposeful		(50)
	wishes to change		(50)
Planned successors	from the family		
	from external sources		
Owner's personality	age		
	qualification		
Imagined future for the family	civil life (middle layer)		
	welfare, prosperity		

The surveys conducted so far could answer almost half - the first half - of the group of questions listed. These answers are included in the table quantitatively. As for the second half of the survey aspects and group of questions, there are only partial and unsatisfactorily confirmed information are presently available, thus these answers must be found by future researches.

Conclusions

Family business are typically small and medium enterprises. Within the SME group, neither the enterprise itself, nor the family as the motor driving the enterprise are not enjoying any special treatment.

Our statements relating to certain features of family businesses could be summarized as follows.

The scope of activities of family businesses, in accordance with the SME sector's nature, includes mainly services, trade, and to a smaller degree production and sales activities.

Their capital adequacy, terms of and possibilities for receiving credit are very unfortunate, their technical level is lower than the average, and is not modern. Capital restrictions present serious difficulties to the development of family business and the increase of their compatibility, especially under the current economic conditions - considering stagnation, or a slow growth. With respect of the system of regulations and available supports, only agricultural family businesses enjoy slightly better conditions.

It can be seen from the survey of human resources of family businesses that despite any unfortunate external conditions, family relationships and personal resources have rendered recently many family businesses into successful enterprises. This shows that the family as the driving motor of the business can bear bigger loads than SMEs of similar sizes but not organized around a family. This is the most important lesson of our researches so far.

If our further studies confirm this phenomena then distinguished legal and financial treatment of family businesses may rightfully demanded of both the society and the economic management.

In respect of income production and accumulation, family businesses face the following dilemma: shall the family consume or accumulate their income. Unfortunately, a major part of family businesses is forced to consume the income from their enterprise. Thus, accumulation is currently not a generally wide-spread phenomena in family businesses. This strongly relates to the question of capital adequacy and credits.

Based on our past experiences, the direction of FB researches is set below as follows:

Detailed mapping of family resources

Study of FB life curves
Analysis of long term owners' motivations and intentions
Family model - FB model
Personal development in FBs
Family member management
Study of targeted groups of entrepreneurs
FB study of targeted regions

Finally, let me mention the interesting example of Hungary where about 7,000 bee-keepers live and work, and conduct their activities in family businesses. Currently Hungary is the third honey selling country in Europe. It seems to be a successful sector and a successful group of entrepreneurs worth to be subjected to targeted research.

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