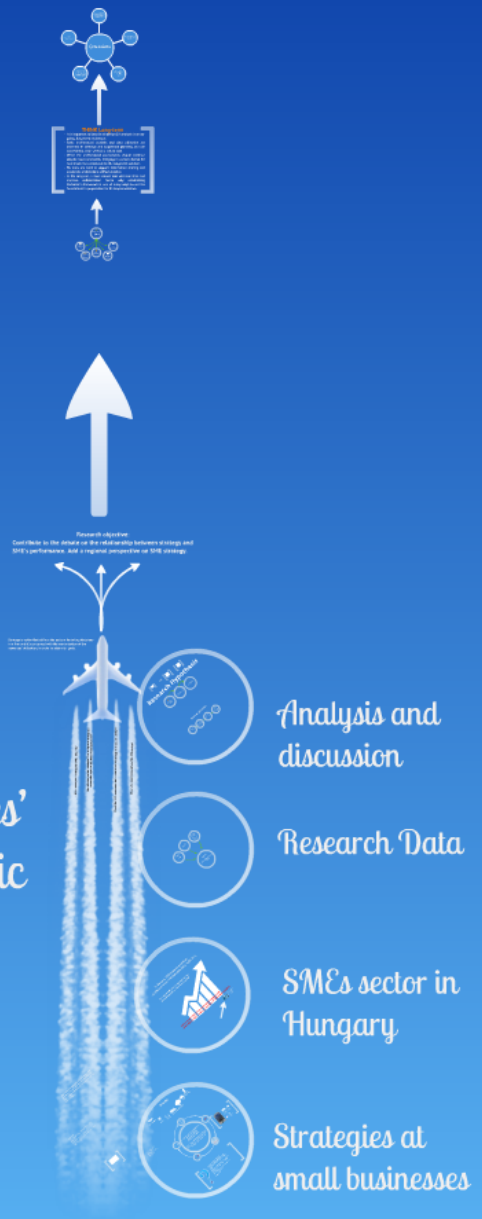
Hungarian small and medium enterprises' strategies and their effects on the economic performance: a regional perspective.



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Prezi

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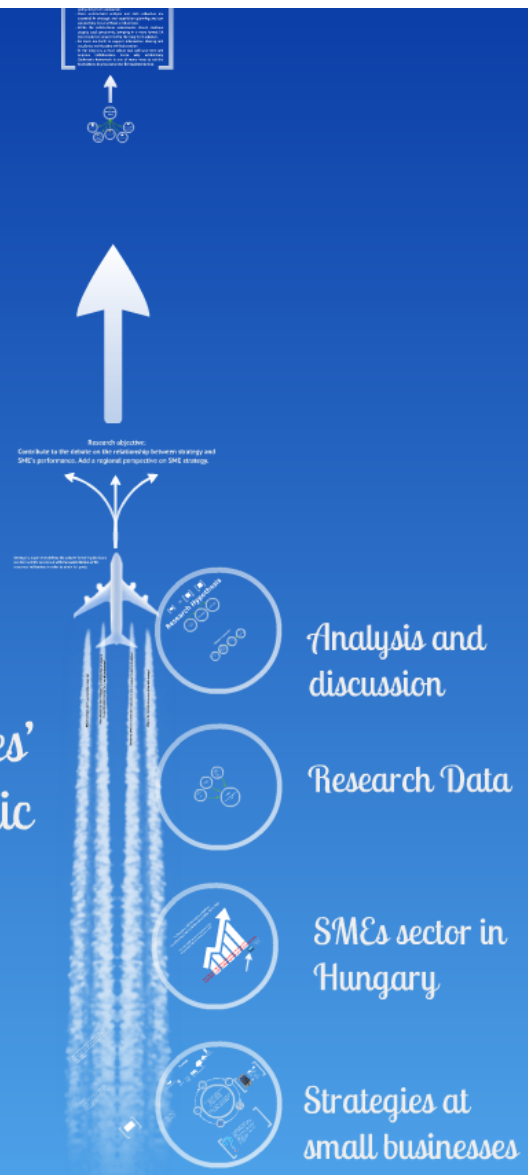
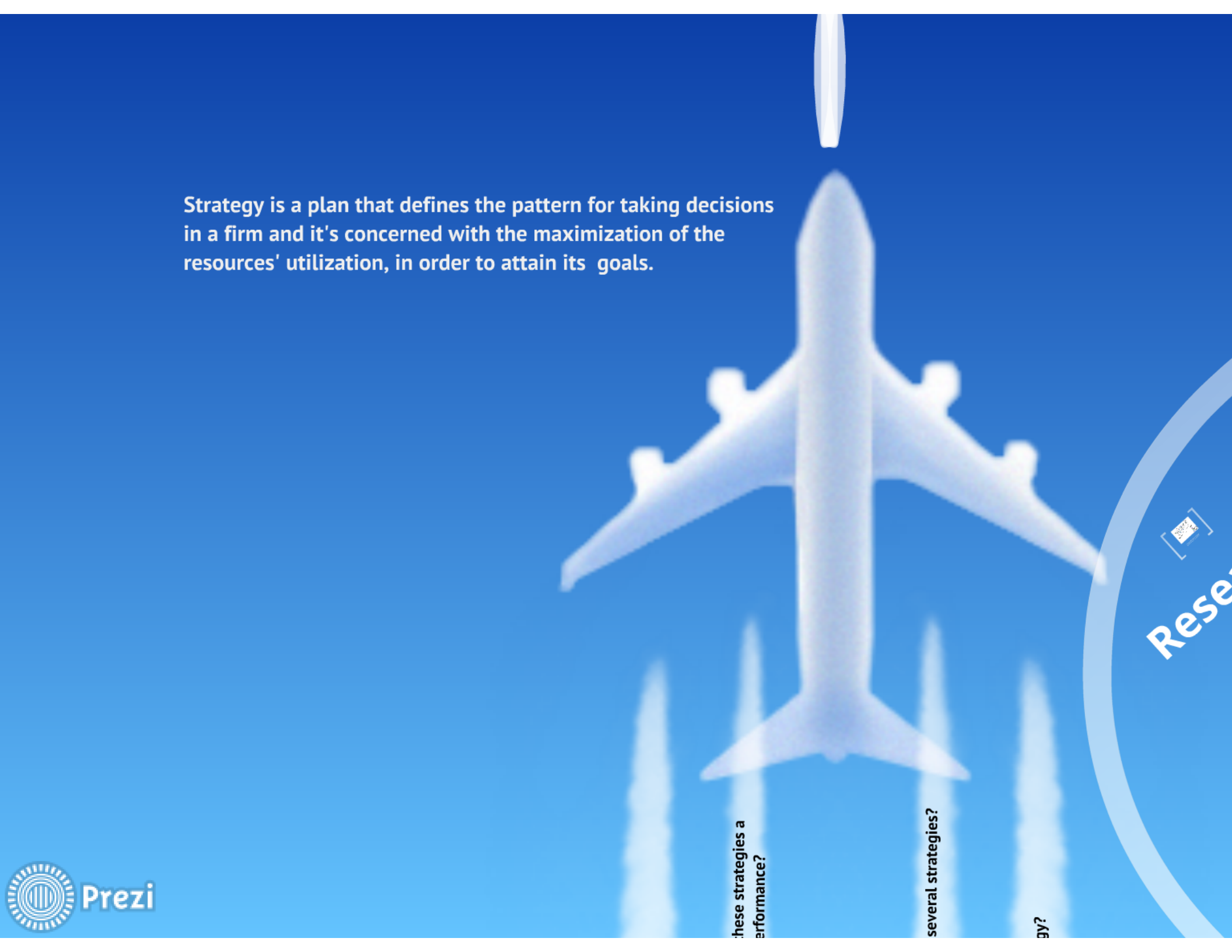


Prezi

Strategy is a plan that defines the pattern for taking decisions in a firm and it's concerned with the maximization of the resources' utilization, in order to attain its goals.



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several strategies?

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Rese

Prezi

Research objective:

Contribute to the debate on the relationship between strategy and SME's performance. Add a regional perspective on SME strategy.

Strategy is a plan that defines the pattern for taking decisions in a firm and it's concerned with the maximization of the resources' utilization, in order to attain its goals.

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...Which strategies are Hungarian SMEs following?

How effective are their strategies? Are having these strategies a measurable impact on the firm's overall performance?

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Should the SMEs concentrate their resources on one strategy or on several strategies?

What is the regional dimension of the SME strategy?

Prezi

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Prezi

Hungary

Strategies at small businesses

Prezi

Strategy

Management

Space

IT use

Cash Availability

Resources

Goals

Style of leadership

Prezi

Literature:

Earlier research claims that firms that set out a clear strategy, such as differentiation or a cost leadership strategy, will outperform those firms that deploy a mixed strategy
(Baum et al., 2001).

SMEs pay little attention to strategy and strategy formulation (e.g. Snuif and Zwart, 1994a).

Dean et al.(1998) suggested that small companies might pursue strategies built upon the strengthof speed, flexibility and niche-filling capabilities.

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Knowledge of the business environment

SMEs-industry growth is limited in developed markets but offer high opportunities in developing not maturated markets (De Kluviert)

Prezi

Within small and medium-sized firms the strategy remains often implicit, top-down, informal and intuitive (Mintzberg, 1989). This is because of the important role of the business owner/manager.

Prezi

Knowledge of the business environment

SMEs-industry growth is limited in developed markets but offer high opportunities in developing not maturated markets (De Kluviert)

Typology of strategy : Porter

- Cost leadership
- Differentiation
- Focus strategy

Topology of strategies Miles and Snow

Company could be successful if adopting more than one strategies and if they are steady on these (Parks)

SME->flexibility strategy. The factors : internal, external and enabling factors (Gunasekaran et. all).

In a SME, the strategy is determined by the owner who usually is the manager/executive/CEO, that controls the enterprise.

Like all managers they have a good knowledge about their company, but the overview tends to stay unspoken and undocumented

Prezi

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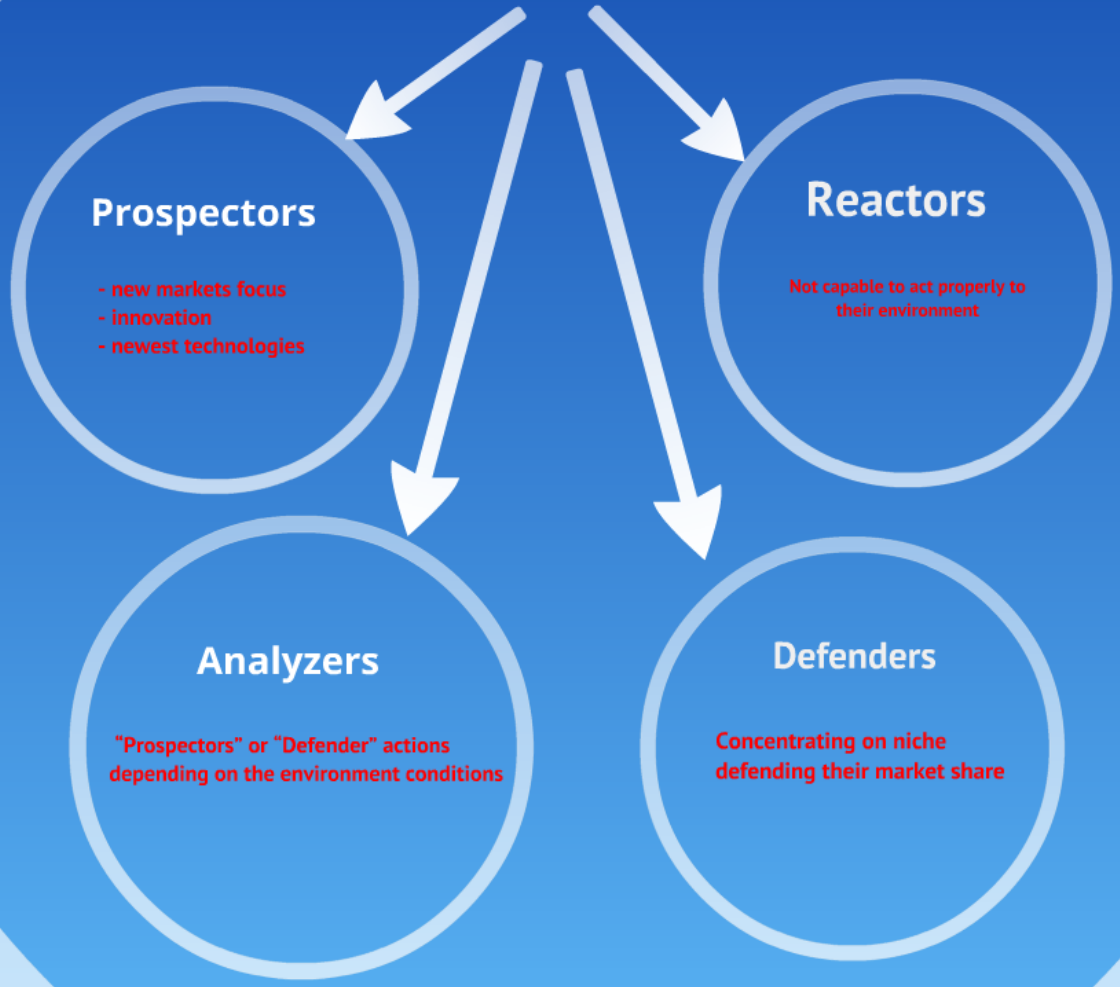


Prezi

Prospectors

- new markets focus
- innovation
- newest technologies

Prezi

Analyzers

“Prospectors” or “Defender” actions depending on the environment conditions

Prezi

Defenders

Concentrating on niche defending their market share

Prezi

Reactors

Not capable to act properly to their environment

Prezi

Company could be successful if adopting more than one strategies and if they are steady on these (Parks)

Prezi

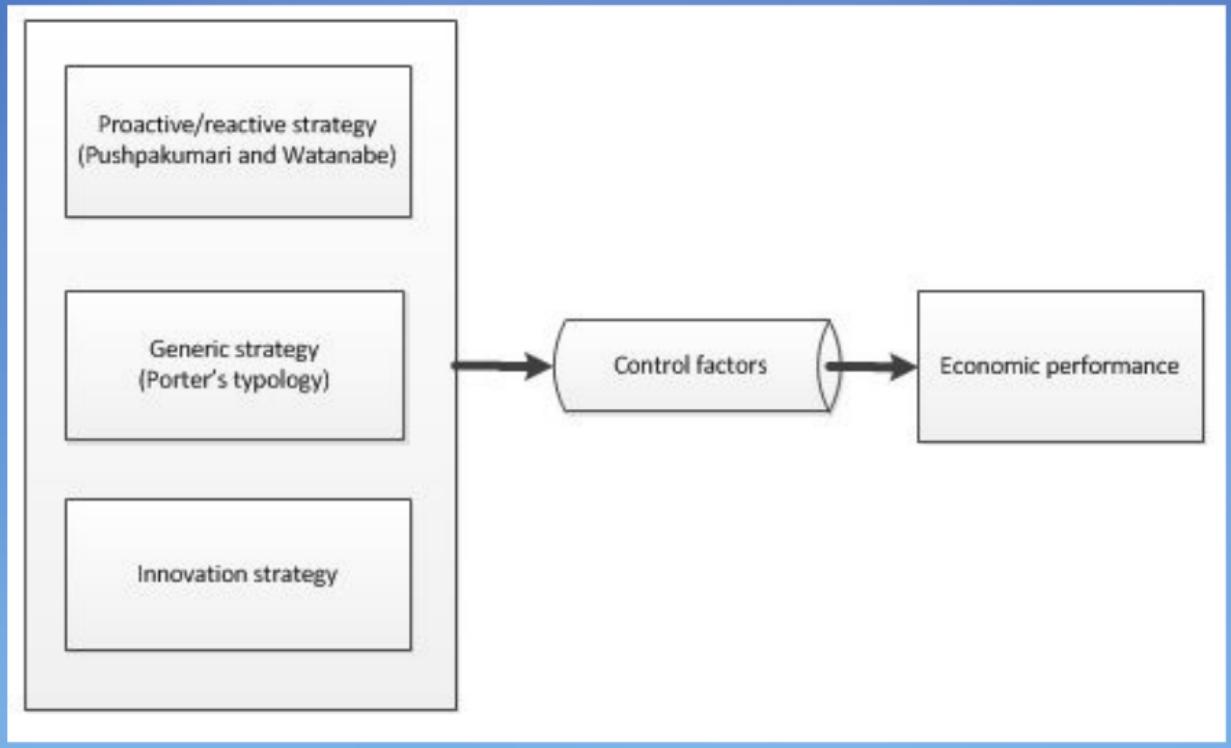
SME->flexibility strategy.
The factors : internal, external and enabling factors (Gunasekaran et. all).

Prezi

One strategy or multiple strategies?

- Aragon-Sanchez and Sanchez-Marin (Spain): technology and innovation, organization design and HR
- Leitner and Güldberg (Austria): cost + efficiency + differentiation strategies -> results in higher performance
- Tang and Hull (China): marketing, innovation and cost reduction and prioritize them

Prezi



Research guide

Prezi

Strategy

Management

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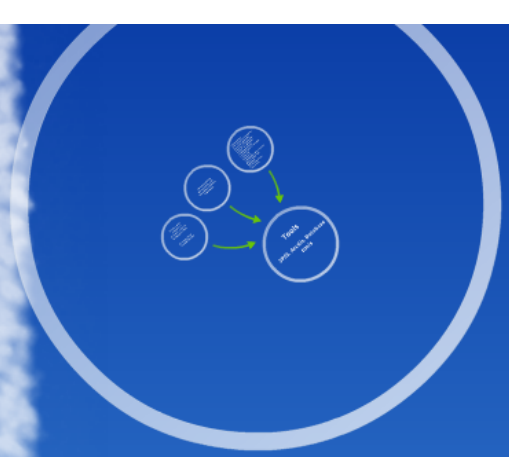

Research Data

SMEs sector in Hungary

Strategies at small businesses

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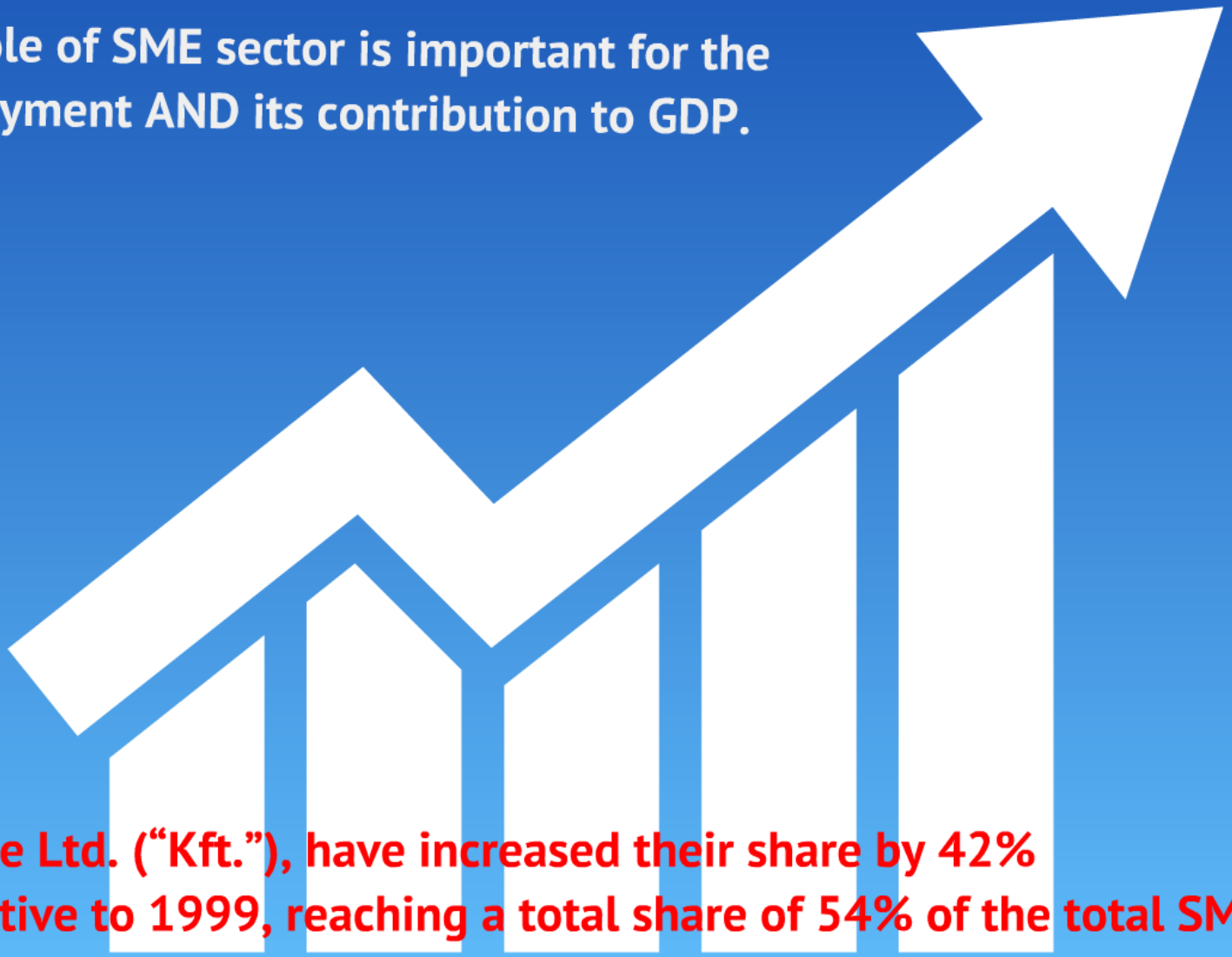
In Hungary, 689 thousands enterprises - out of that more than 688 thousands SMEs (KSH, 2011)

The role of SME sector is important for the employment AND its contribution to GDP.

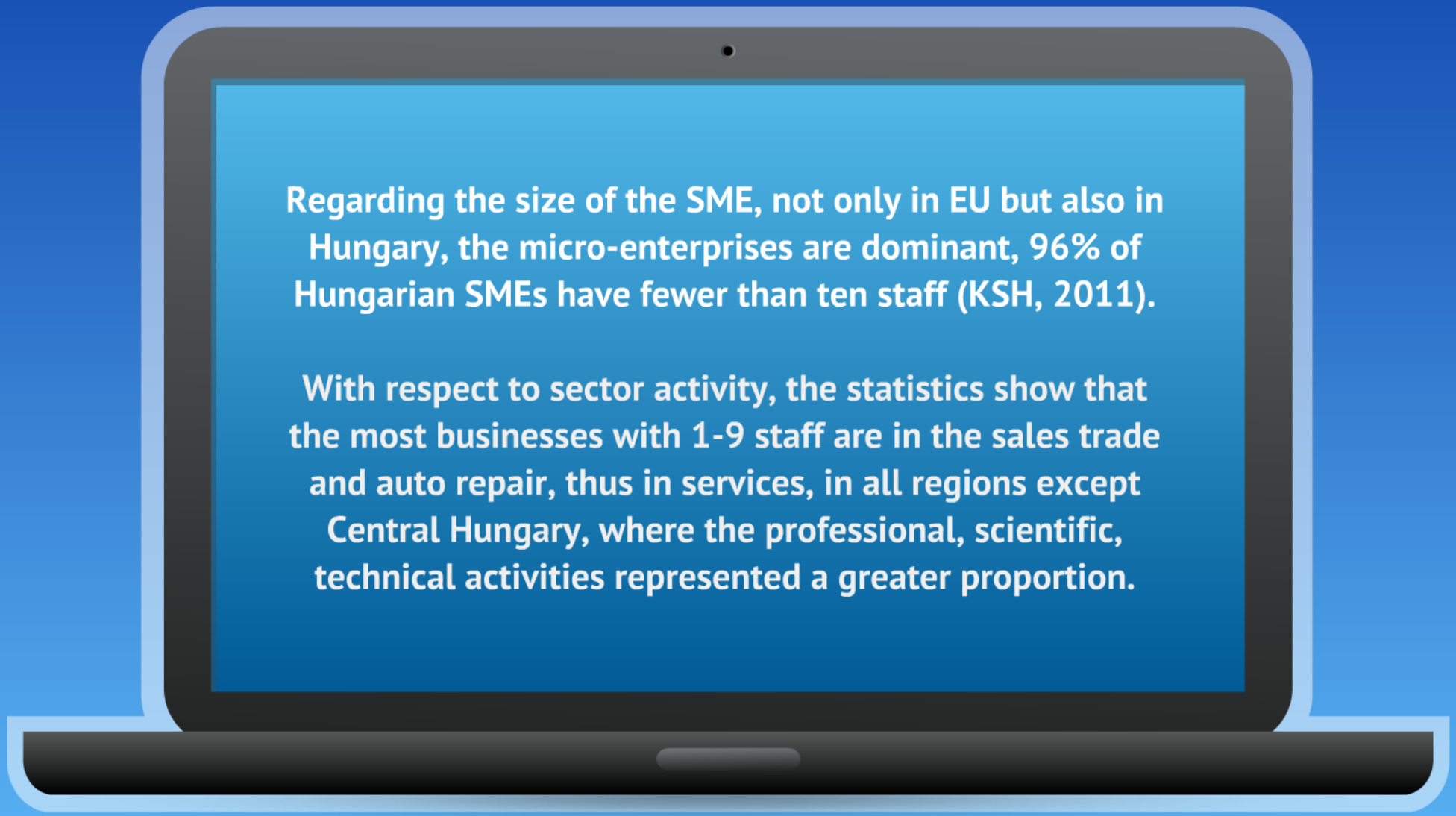


2009, the Ltd. (“Kft.”), have increased their share by 42% comparative to 1999, reaching a total share of 54% of the total SMEs.

SMEs with foreign capital: in 2009, in Hungary, a total of 29.266 companies. 7/10 -> Central Hungary region

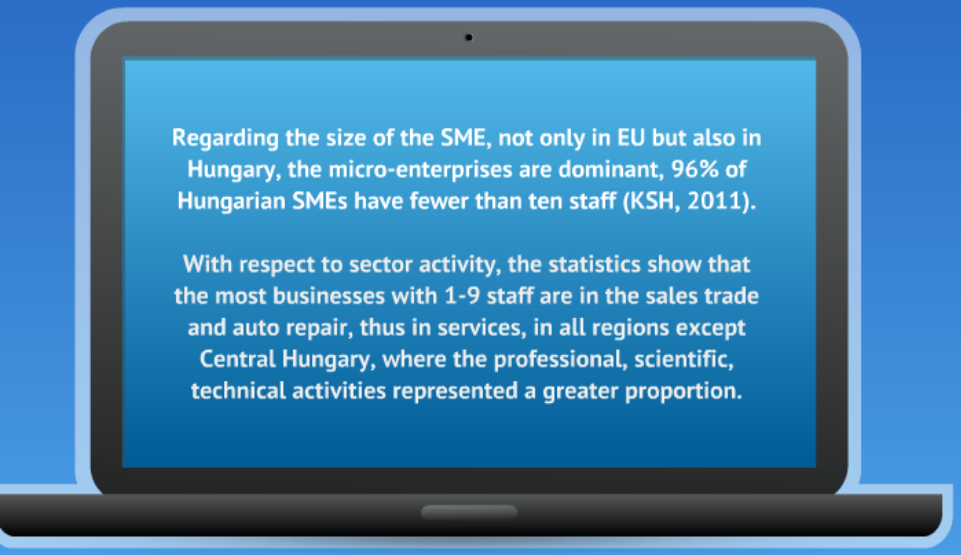
In Hungary, 46% of the foreign direct investments (FDI) were employed in SME.

FDI went in the real estate and business services followed by manufacturing industry (20%), and


Regarding the size of the SME, not only in EU but also in Hungary, the micro-enterprises are dominant, 96% of Hungarian SMEs have fewer than ten staff (KSH, 2011).
With respect to sector activity, the statistics show that the most businesses with 1-9 staff are in the sales trade and auto repair, thus in services, in all regions except Central Hungary, where the professional, scientific, technical activities represented a greater proportion.

Prezi

f the total SMEs.



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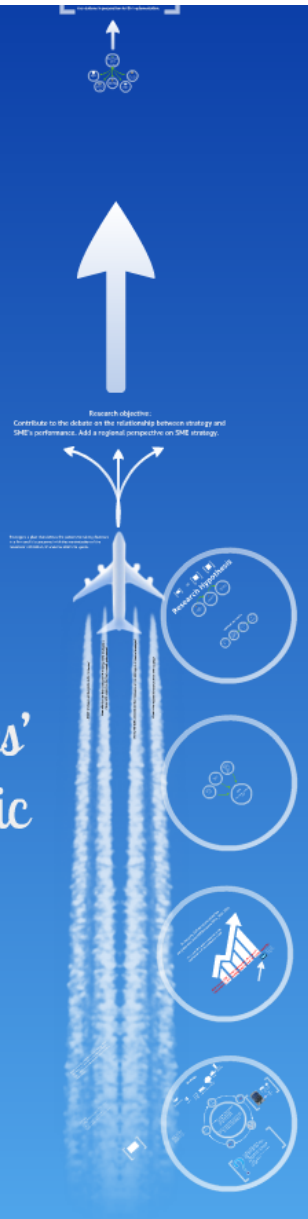

Analysis and discussion

Research Data

SMEs sector in Hungary

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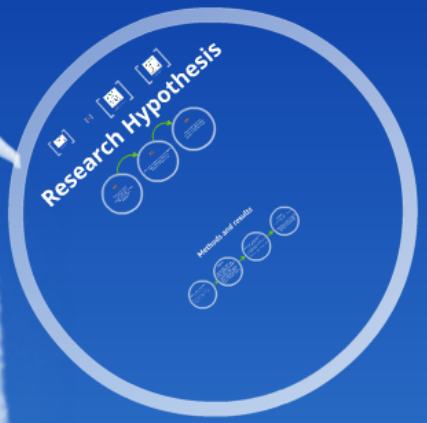


Analysis and discussion

Research Data

SMEs sector in Hungary

Should the SMEs concentrate their resources on one strategy or on several strategies?

What is the regional dimension of the SME strategy?

Prezi

Primary: survey conducted in 2012-2013 period on the Hungarian SMEs.

Secondary: Panel data:KSH, EC (SBA)

Prezi

The survey contains 1074 questions, with data gathered from 799 respondents.

Prezi

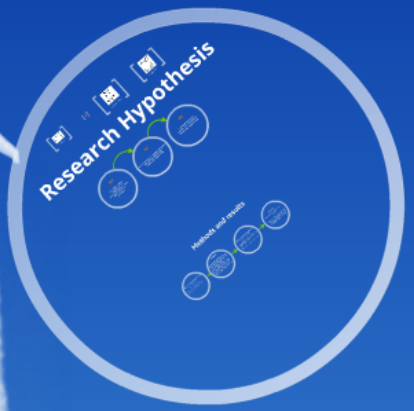
1. Demographics,
2. Management, decision-making and corporate governance
3. Strategy and business plan
4. Markets and competitors:
5. Internationalization
6. Physical resources, technology:
7. Innovation
8. Marketing
9. Performance: Sales, Financing, bidding activity, credit application,
10. Managing director characteristics

Prezi

Tools

SPSS, ArcGis, Database tools

Prezi



Analysis and discussion

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SMEs sector in Hungary

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between strategy and
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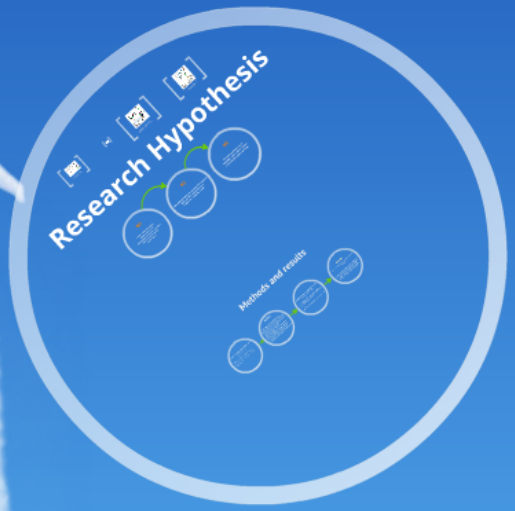

Analysis and discussion

Research Data

Prezi

Hungarian SMEs' strategy- regional perspective

Prezi

Hungarian SMEs - domain of economic activity

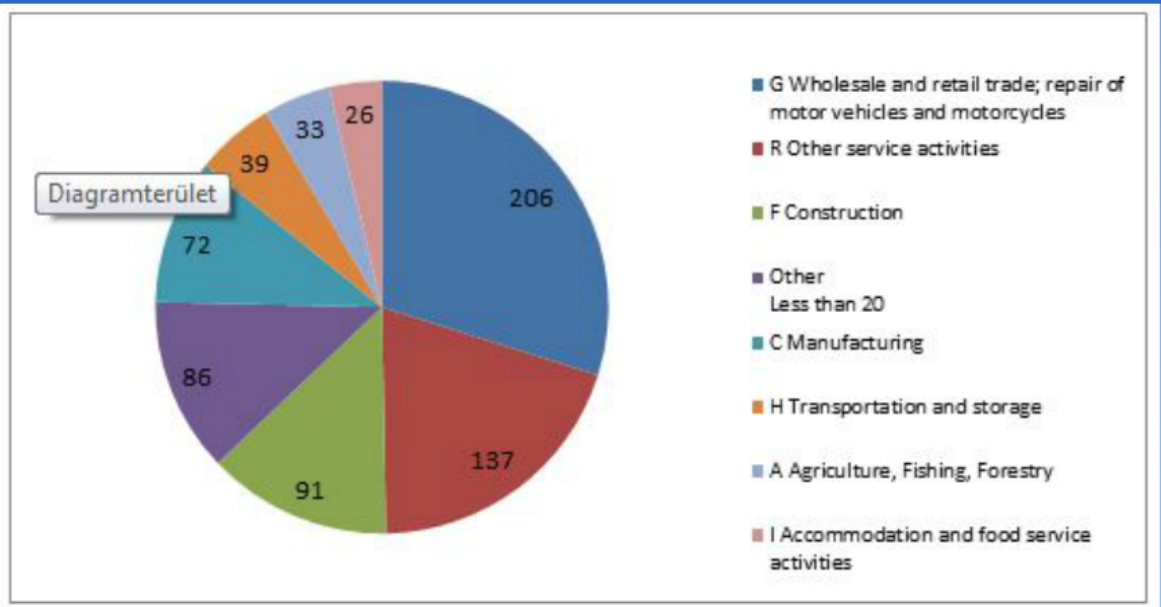

Figure 2. The Hungarian SME distribution by their domain of economic activity

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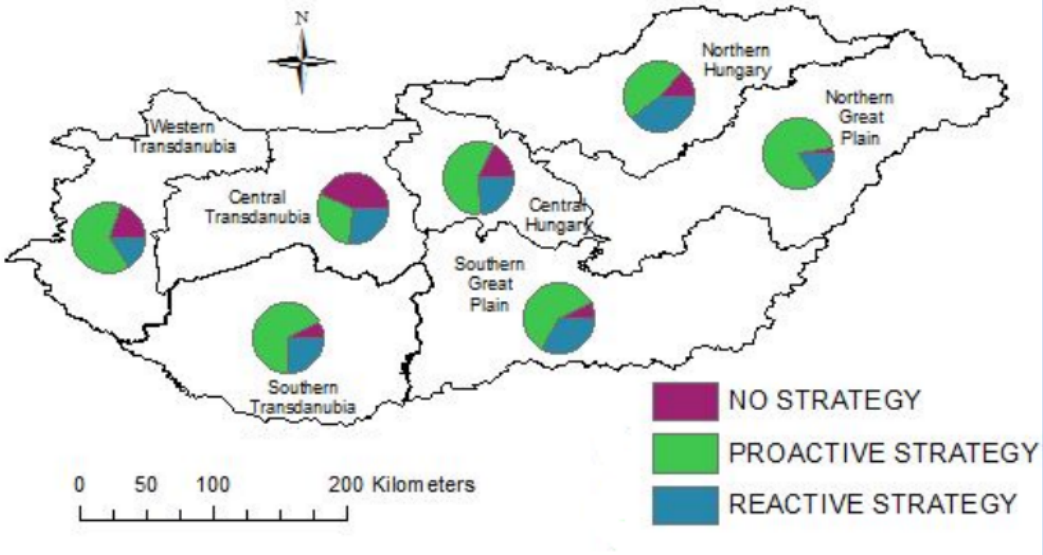
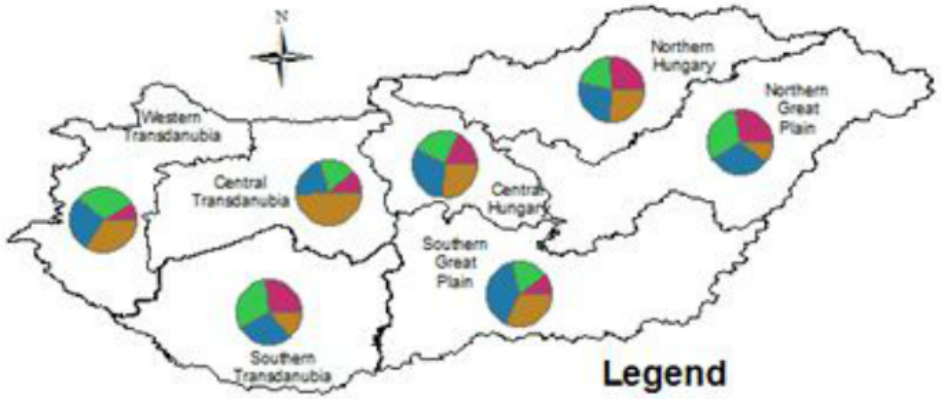


Region	No strategy (%)	Proactive Strategy (%)	Reactive strategy (%)
Southern Great Plain	7%	59%	33%
Southern Transdanubia	8%	67%	24%
Northern Hungary	13%	47%	39%
Central Hungary	18%	57%	24%
Central Transdanubia	42%	30%	26%
Western Transdanubia	19%	64%	15%
Northern Great Plain	3%	80%	15%

Proactive vs reactive strategies of the Hungarian SME at regional scale (NUTS-2)

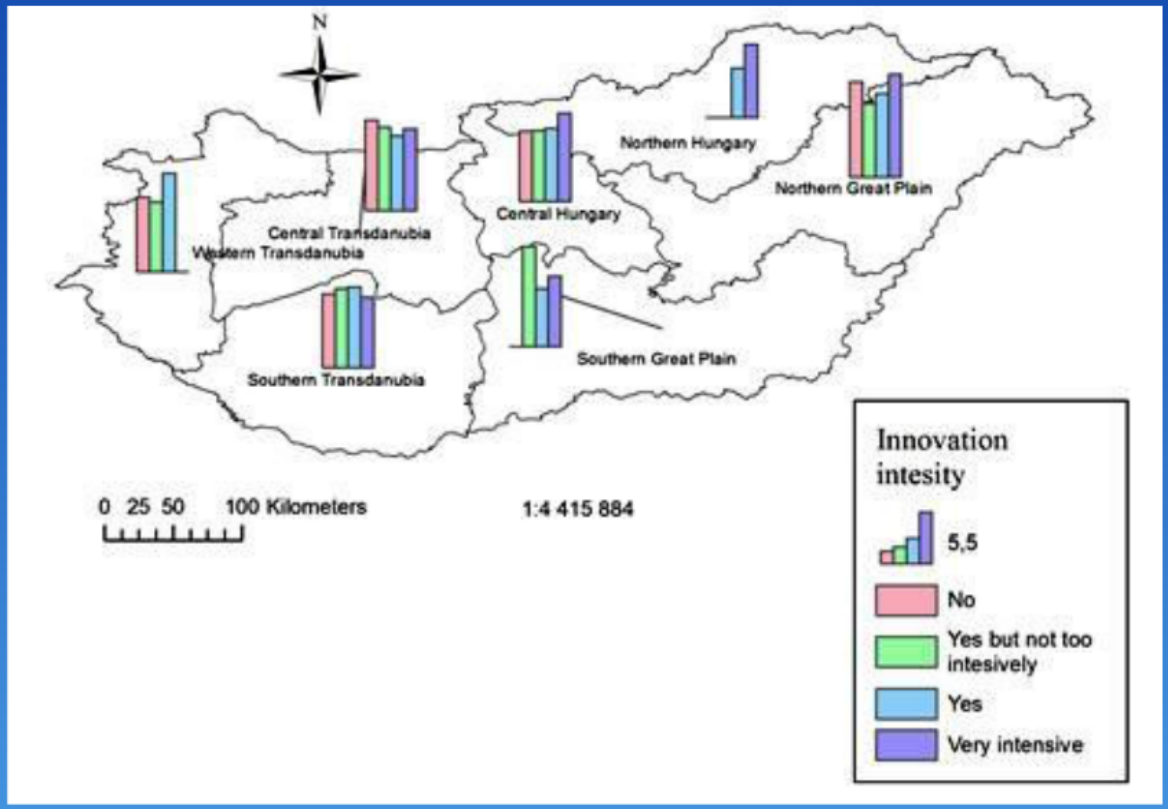
Prezi



Region	Strategy: Cost (%)	Strategy: Differentiation (%)	Strategy: Focus (%)	Strategy: None (%)
Southern Great Plain	10	18	39	31
Southern Transdanubia	26	31	28	13
Northern Hungary	25	20	27	25
Central Hungary	18	23	31	25
Central Transdanubia	12	17	21	49
Western Transdanubia	8	30	28	34
Northern Great Plain	27	31	31	10

Generic strategies of the Hungarian SME at regional scale (NUTS-2)

Prezi



Hungarian SMES' strategy - intensity of innovation at regional scale (NUTS-2)

Prezi

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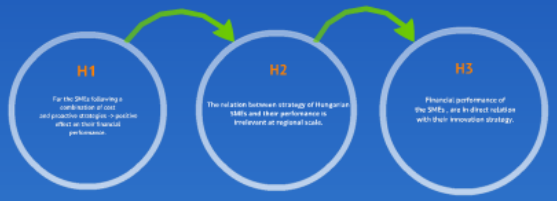
Research Hypothesis



Methods and results

Prezi

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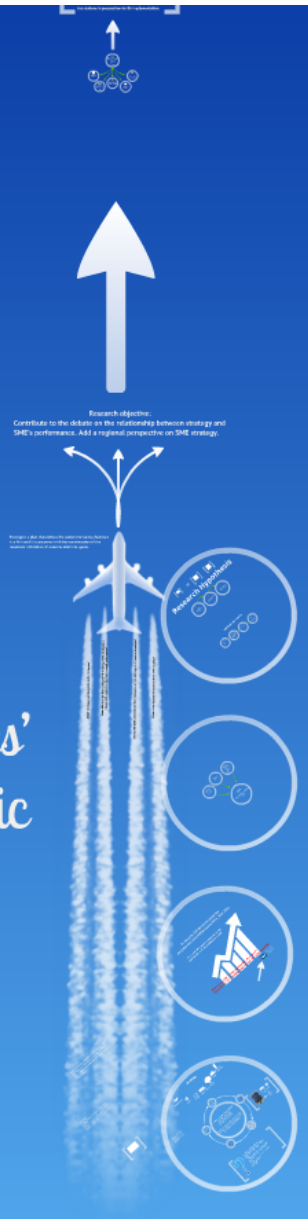

Analysis and discussion

Research Data

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Prezi

earch Hypoth

H1

For the SMEs following a combination of cost and proactive strategies -> positive effect on their financial performance.

H2

The relation between strategy of Hungarian SMEs and their perfomance is irrelevant at regional scale.

H3

Financial performance of the SMEs , are in direct relation with their innovation strategy.

Prezi

H1

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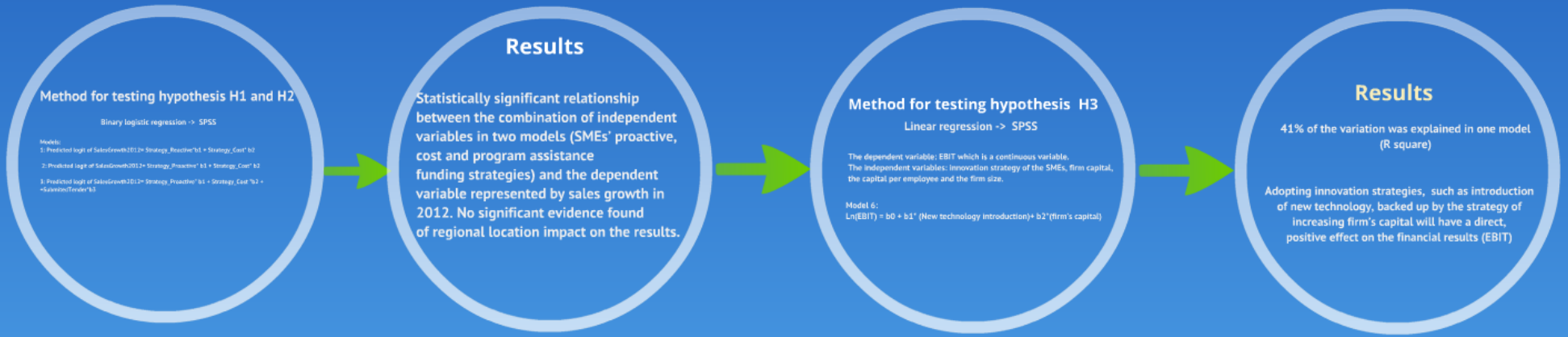

Prezi

Method for testing hypothesis H1 and H2

Binary logistic regression -> SPSS

Models:

1: Predicted logit of SalesGrowth2012= Strategy_Reactive*b1 + Strategy_Cost* b2

2: Predicted logit of SalesGrowth2012= Strategy_Proactive* b1 + Strategy_Cost* b2

3: Predicted logit of SalesGrowth2012= Strategy_Proactive* b1 + Strategy_Cost *b2 + +SubmitedTender*b3

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Results

Statistically significant relationship between the combination of independent variables in two models (SMEs' proactive, cost and program assistance funding strategies) and the dependent variable represented by sales growth in 2012. No significant evidence found of regional location impact on the results.

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Method for testing hypothesis H3

Linear regression -> SPSS

The dependent variable: EBIT which is a continuous variable.
The independent variables: innovation strategy of the SMEs, firm capital, the capital per employee and the firm size.

Model 6:
Ln(EBIT) = b0 + b1* (New technology introduction)+ b2*(firm's capital)

Prezi

Results

41% of the variation was explained in one model (R square)

Adopting innovation strategies, such as introduction of new technology, backed up by the strategy of increasing firm's capital will have a direct, positive effect on the financial results (EBIT)

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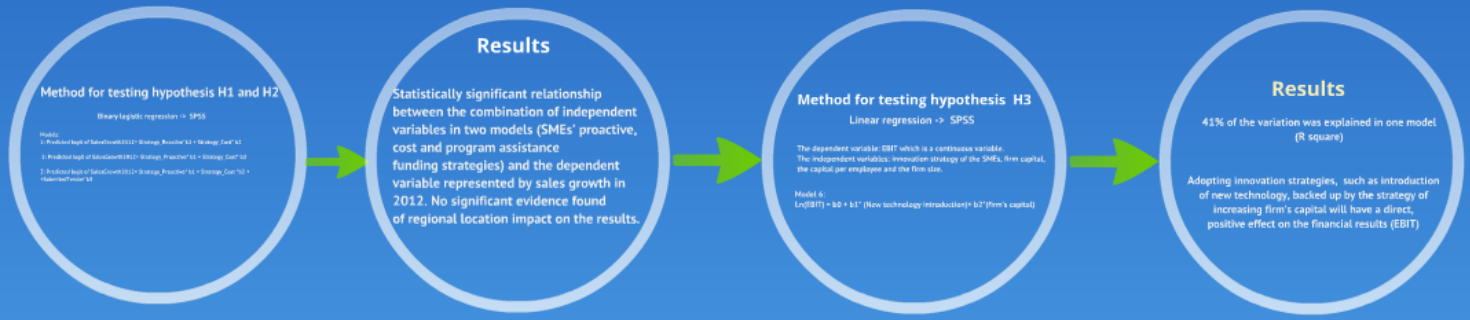
Methods and results



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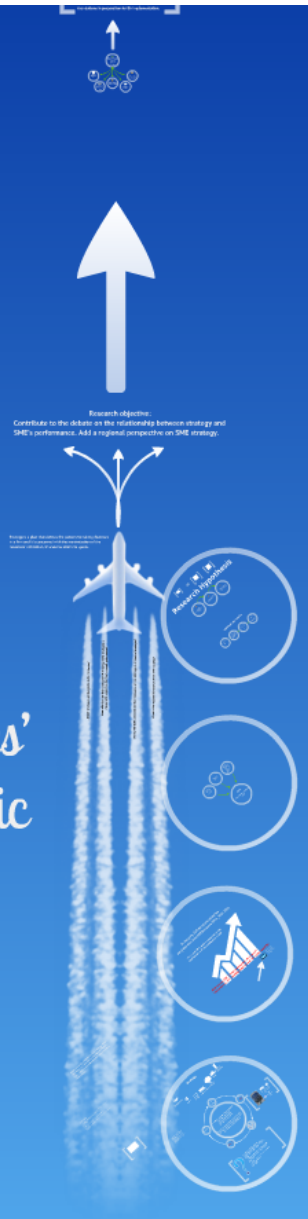

Analysis and discussion

Research Data

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Prezi

Conclusions

SMEs be able to face economic turbulences and react quickly to environement changes, SMEs management needs to follow suitable strategies

SMEs
combination of strategies = higher performance.

SMEs have limited resources and not adopting strategy at all, or following inadequate strategies -> SMEs existence in peril.

EBIT, may increase linearly for those SMEs following innovation strategy such as new technology introduction, and in little extent R&D

Adopting combinations of strategies: proactive strategy and generic strategy of cost ->the Hungarian SMEs may increase the probability of reaching positive growth in sales!

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Thank you!