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FACTORS INFLUENCING THE EXPORT OF HUNGARIAN SMES - IN COMPARISON WITH THE EXPERIENCES OF OTHER VISEGRÁD COUNTRIES

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Introduction

- Export increase after the crisis of 2008 – way of recovery
- Analysing factors that influence exports positively and negatively
- V4 countries are most integrated into global production networks – supplier SMEs
- Questionnaire survey (online filling, anonym) sample: 148 SMEs

Network internationalization

- Advantages of networks: access to resources, skills, capabilities, and knowledge, extend activities, specialize
- Groupings of networks:
 - ▣ formal, informal and intermediary;
 - ▣ horizontal and vertical
- Disadvantages: SME as passive follower, can hinder partnering with others, lead firm can dominate
- Critics: definition of network – broad, subjective

V4 experiences, export after the crisis

- **Poland:** Danik et al. (2016), Daszkiewicz (2014) Danik-Kowalik (2015), Kowalik et al. (2016), Wach (2016)
- **Czech Republic:** Reková (2016), Danik et al. (2016) Pollard and Jemicz (2010), Toulová, et al. (2015), Kokavcová (2016), Zapletalová (2017)
- **Slovakia:** Horská - Gálová (2014), Ferenciková-Hlusková (2015), Kaputa et al. (2016), Malega (2017)
- **Hungary:** S. Gubik (2014), Szerb et al. (2013) Kazai-Pecze (2014), Ábel - Czakó (2013), Chikán et al. (2014)

Results of previous surveys

□ **Factors of success**

- ▣ Managerial attitude, vision
- ▣ Innovation, product development
- ▣ Strategic partners, contacts, network
- ▣ High demand, opportunities abroad (external)

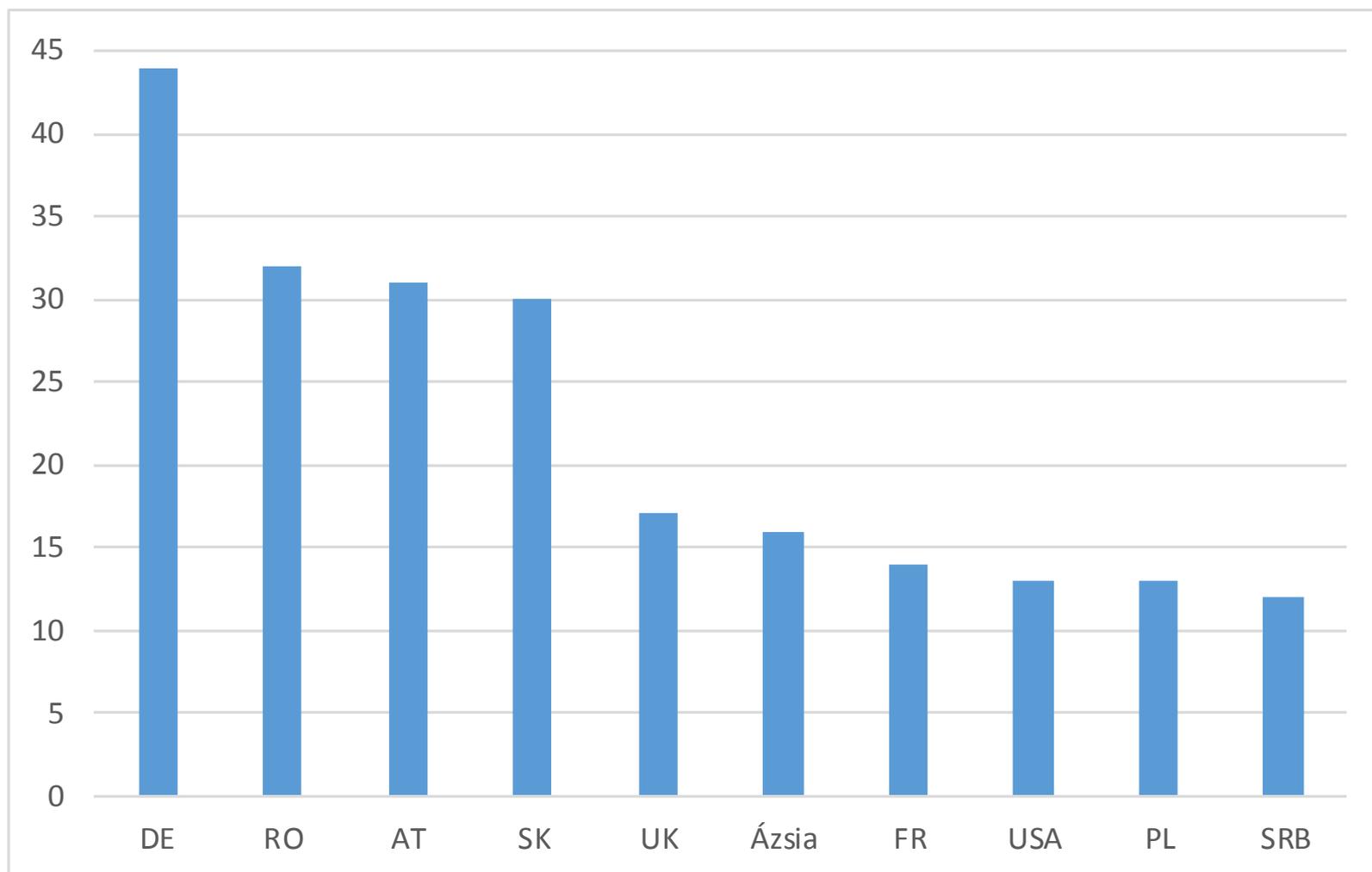
□ **Export barriers**

- ▣ Lack of skills, capacities, managing problems
- ▣ Lack of information
- ▣ Financing problems
- ▣ Bureaucracy, transport costs, competition (external)

Characteristics of our sample

		No. of responses	Percent of total sample
Foundation year	before 2008	120	81,1
	after 2009	24	16,2
	missing value	4	2,7
Foreign ownership	yes	20	13,5
	no	127	85,8
	missing value	1	0,7
Number of employed persons	below 10	43	29,1
	below 50	61	41,2
	below 250	44	29,7
Is the firm a supplier to a multinational?	yes	76	51,4
	no	71	48,0
	missing value	1	0,7
Type of export product	end product	93	62,8
	component	39	26,4
	both	9	6,1
	missing value	7	4,7
Total		148	100,0

Main export markets (% of valid answers)



Factors for successful export % of valid answers

Factor	Very important			Important			Neutral			Not important		
	T	S	NS	T	S	NS	T	S	NS	T	S	NS
Permanent customer on the external market	73.6	76.3	70.8	23.6	23.7	23.6	2.7	0	5.6	0	0	0
Committed own management	66.7	71.1	62.0	29.3	27.6	31.0	4.1	1.3	7.0	0	0	0
Market knowledge	62.8	64.5	61.1	34.5	32.9	36.1	2.7	2.6	2.8	0	0	0
Knowledge of foreign languages	56.8	60.5	54.2	37.8	36.8	38.9	5.4	2.6	8.3	0	0	0
Constant development of technologies	49.3	50.0	52.8	41.9	47.4	36.1	8.1	7.9	8.3	0.7	0	1.4
Stabile, predictable domestic environment	48.3	44.7	46.5	35.4	38.2	32.4	15.0	10.5	19.7	1.4	1.3	1.4
State help, promotion	24.0	22.7	25.4	32.9	36.0	29.6	36.3	37.3	35.2	6.8	4.0	9.9
Devaluation of the domestic currency	11.7	14.9	8.5	33.1	27.0	39.4	49.0	52.7	45.1	6.2	5.4	7.0

Success factors— low (L) and high (H) export-intensity companies

Factor	Very Important		Important		Neutral		Not important	
	L	H	L	H	L	H	L	H
Permanent customer on the external market	67,7	77,9	30,6	18,6	1,6	3,5	0	0
Committed own management	62,3	70,6	31,1	27,1	6,6	2,4	0	0
Market knowledge	67,2	60,5	27,9	38,4	4,9	1,2	0	0
Knowledge of foreign languages	47,5	64,0	45,9	31,4	6,6	4,7	0	0
Constant development of technologies	39,3	57,0	50,8	34,9	9,8	7,0	0	1,2
Stabile, predictable domestic environment	47,5	49,4	32,8	37,6	18	11,8	1,6	1,2
State help, promotion	30,0	20,0	28,3	36,5	38,3	34,1	3,3	9,4
Devaluation of the domestic currency	8,5	14,3	25,4	38,1	59,3	42,9	6,8	4,8

Export barriers (% of valid answers)

Factor	Strongly restrictive			Restrictive			Neutral			Not a barrier		
	T	S	NS	T	S	NS	T	S	NS	T	S	NS
Demand on foreign market	39.9	35.1	44.9	41.3	47.3	34.8	12.6	9.5	15.9	6.3	8.1	4.3
Lack of information	37.9	29.3	47.1	49.7	52.0	42.9	9.7	13.3	8.6	2.8	5.3	1.4
Lack of foreign language knowledge	31.5	28.4	34.8	47.6	48.6	46.4	12.6	13.5	11.6	8.4	9.5	7.2
Lack of capital	29.2	29.3	29.0	52.8	52.0	53.6	13.2	13.3	13.0	4.9	5.3	4.3
Lack of qualified workforce	24.3	21.3	26.5	47.6	48.0	47.1	21.0	20.0	22.1	7.7	10.7	4.4
Lack of developed technology	23.8	18.9	30.0	50.0	52.7	47.1	19.4	20.3	18.6	6.3	8.1	4.3
Bureaucratic regulations on target market	21.7	24.3	18.8	44.1	44.6	43.5	27.3	21.6	33.3	7.0	9.5	4.3
Reorganisation at buyer firm	11.3	17.8	4.3	44.4	39.7	49.3	34.5	31.5	37.7	9.9	11.0	8.7
Exchange rate fluctuation	11.2	12.3	10.0	40.6	41.1	40.0	41.3	39.7	42.9	7.0	6.8	7.1

Export barriers - low (L) and high (H) export-intensity companies

Factor	Strongly restrictive		Restrictive		Neutral		Not a barrier	
	A	J	A	J	A	J	A	J
Demand on foreign market	36,2	42,4	37,9	43,5	17,2	9,4	8,6	4,7
Lack of information	28,3	45,2	63,3	39,3	3,3	14,3	5	1,2
Lack of foreign language knowledge	27,1	34,5	42,4	51,2	20,3	7,1	10,2	7,1
Lack of capital	27,1	31,0	52,5	53,6	11,9	13,1	8,5	2,4
Lack of qualified workforce	16,9	28,9	42,4	51,8	30,5	14,5	10,2	4,8
Lack of developed technology	19,0	28,2	44,8	52,9	24,1	16,5	12,1	2,4
Bureaucratic regulations on target market	20,7	22,6	48,3	41,7	20,7	31,0	10,3	4,8
Reorganisation at buyer firm	8,6	13,3	37,9	49,4	41,4	30,1	12,1	7,2
Exchange rate fluctuation	10,5	11,9	35,1	45,2	49,1	36,9	5,3	6,0

Effect of export on SMEs

	Low export int.	High export int.
Knowledge on foreign markets increased	80,0	96,4
Profits increased	71,7	74,7
Product quality improved	43,3	72,6
Introduction of new technology	33,3	67,9
Employment increased	33,3	61,4
Management was reorganised	26,2	49,4

Cases of SMEs 1 – in network

- **Strongly in network:** Antal Metal Ltd. (9 empl)
 - ▣ steel and aluminum vehicle parts since 2009 to a German firm who became an owner in 30% in 2014
 - ▣ Dynamic development, fulfilling orders with full capacity, high quality products, no product innovation and marketing
- **Loose in network:** Adu Alba Ltd. (60empl)
 - ▣ Specific packaging materials since 2003, family firm, precise delivery to lot of MNEs, manager's vision dominates
 - ▣ high quality products, constant innovation and marketing, prize winning

Case studies 2 – export intensity

- **Good contacts with the government:** Meditop (185 empl)
 - ▣ Present firm since 1995, pharmaceutical, first subcontractor than own products, relative low export-intensity (15%)
 - ▣ R&D, innovation, govt. delegations, EU and state support
- **Export intensive, creative:** ChocoMe (30 empl)
 - ▣ Exclusive sweets from 2010, export/sales = 80%
 - ▣ Constant product development, training of managers + employees, national + international rewards, selecting partners

Conclusion

- Hungarian SMEs recuperated strength after the crisis and are optimistic regarding future prospects (91% plans gaining new markets and 83% plans exporting new products in the next 5 years). But: labour shortage!
- Stable foreign partner and management attitude – most important factors in export success
- There are some differences between supplier and non-supplier SMEs, but mostly insignificant (all SMEs export in the sample)
- Even within a network those are successful where management is devoted. Policy implication: training and education of human resources are extremely important.