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Covid 19 and Hungarian SMEs
The response of Hungarian SMEs to the Covid-19 pandemic: a Resilience Adaption Model

- Qualitative research was conducted in October 2020.
- This paper has been accepted for publication in a special issue of the Journal of Eastern European Management Studies
• Lack of empirical research on SME crisis management generally.
• Emergence of ‘transboundary’ (Boin, 2019) or global crises.
• Covid-19 represents a continuous crisis and not a single event crisis from which recovery can be planned.
• Hungary is an open economy with a robust SME sector
Resilience and SMEs

- Resilience can be described as adaptation to previously unknown conditions.
- There is little extant research on resilience and SMEs.
- The Global Financial Crisis (2007-09) could be seen as a transboundary crisis to compare to Covid-19.
- Resilience and crisis planning is mostly focused on large organisations with structured plans.
- SMEs typically lack resources for resilience planning and may respond to crises on an *ad hoc* basis (Herbane, 2019).
- SME research related to Covid-19 is still emerging. A prominent theme is that of assessing the response over time (Kraus *et al*, 2020, Kuckertz *et al*, 2020).
Research Methodology

• Covid-19 represents a form of crisis unexperienced in living memory. A qualitative grounded research approach (Corbin and Strauss, 2014) was applied to develop new knowledge.

• Purposive sampling was applied to identify key informants in different industrial sectors.

• Online interviews were conducted with 22 SME key informants in October 2020.

• Transcripts were recorded and analysed by means of open coding to inductively produce findings and common themes.
<table>
<thead>
<tr>
<th>Interviewee</th>
<th>Position</th>
<th>No. of Employees</th>
<th>Industry</th>
<th>Supplies from abroad</th>
<th>Markets abroad</th>
<th>Year of Foundation</th>
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</table>
Findings

Initial response to the pandemic varied in strategic terms. Half the sample had structured responses.

Exposure to pandemic-related economic volatility tends to be more demand than supply related.

Virtual working has not adversely affected staff morale as the crisis has progressed.

Hiring of new staff is easier than before the pandemic.

Leadership roles of CEOs have assumed greater importance.

Revenue shortfalls in given client sectors are compensated for by increases in other sectors.

Severe liquidity problems are not related to firm age.

Government support is limited.

Scope for adaptation and introduction of new products/services due to accelerated economic shift to digitalisation.

Survival prospects are varied as the pandemic continues.
Common Themes

• Ad hoc response in the immediate Covid-19 phase is not related to firm size, age or sector. These firms may have experienced an ‘ontological’ shock (Harries, McEwen and Wragg, 2018).

• Structured response was more associated with IT firms and strategic focus on operations by diversifying client sectors through risk management.

• Longer term focus on innovation of existing and planned products.

• Heavy exposure to the pandemic may drive coping based resilience for firms with limited resources.
Resilience Adaptation Model

- Reactive Response
- Retrenchment
  - F9, F12, F13, F16
  - F3, F17, F22
- Innovation
  - F4
- Acknowledgement
  - F4
- Continuity
  - F2, F7, F8, F11, F20, F21
  - F6, F10, F15, F18
- Improvisation
- Perseverance
  - F1, F5, F14, F19

Immediate Phase

Post First Lockdown Phase


