



Tim Gittins

Institute for the Development of Enterprises
Corvinus University Budapest

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





Context



- 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



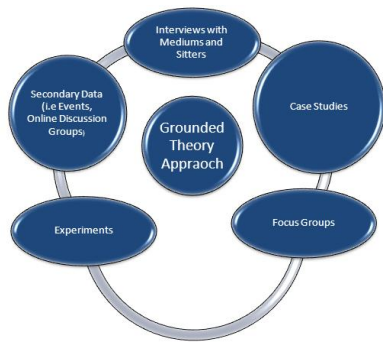


Resilience and SMEs



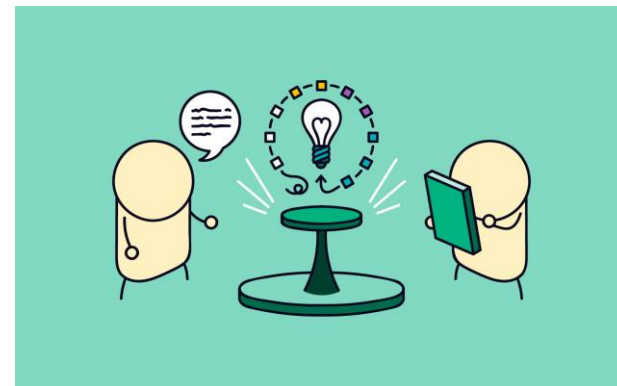
- Resilience can be described as adaptation to previously unknown conditions.
- There is little extant research on resilience and SMEs.
- The Global Financial Crisis (2007-09) could be seen as a transboundary crisis to compare to Covid-19.
- Resilience and crisis planning is mostly focused on large organisations 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.





Sample



Interviewee	Position	No. of Employees	Industry	Supplies from abroad	Markets abroad	Year of Foundation
F1	CEO	12	Fast Food Restaurant	Y	N	2008
F2	CFO	38	Light Manufacturing	Y	Y	2006
F3	CEO	30	Translation services	Y	Y	1999
F4	CEO	10	Fintech/Personal Finance	N	Y	2017
F5	CEO	14	Language Education	N	N	1996
F6	CEO	25	IT/Online marketing	Y	Y	2009
F7	CEO	14	Light manufacturing	Y	Y	2009
F8	CEO	107	Construction	N	N	2009
F9	CEO	21	IT/Server hosting	Y	N	2014
F10	CEO	101	Passenger Transport	N	N	1994
F11	CEO	23	IT/Software Development	N	Y	2008
F12	COO	125	IT/Strategic Consulting	N	Y	2010
F13	CEO	40	IT/Data Analysis	N	Y	2012
F14	CEO	5	Wholesale/Beverages	Y	Y	2014
F15	CEO	110	Freight Transport	Y	Y	2006
F16	CEO	36	IT/Data Security	N	Y	2014
F17	CEO	11	Fintech/Salary Services	N	N	2019
F18	CEO	10	Engineering/3D Printing	Y	N	2015
F19	COO	18	Light Manufacturing	Y	Y	2017
F20	CTO	40	Light Manufacturing	Y	N	1995
F21	CEO	10	BTL marketing	Y	Y	1999
F22	CEO	8	IT/Unattended Retail	Y	Y	2016



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.



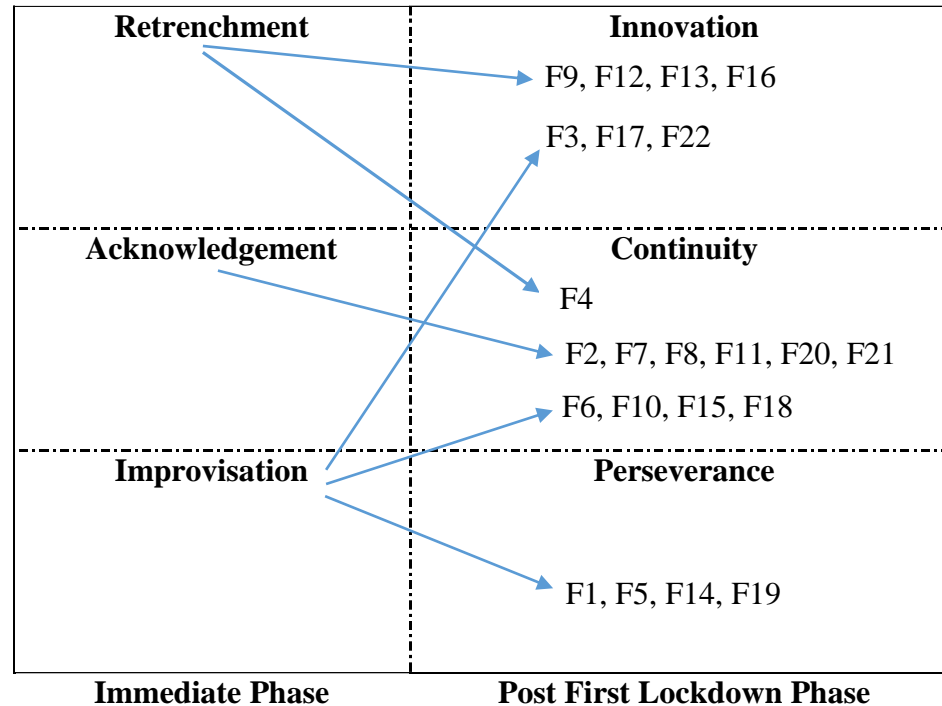


Resilience Adaption Model



Reactive Response

Coping Response





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