

West-Hungarian University

Faculty of Economics

István Széchenyi Management and Organization Sciences Doctoral School

**RESEARCH ON STRATEGIES OF MICRO-, SMALL- AND MEDIUM-
SIZED ENTERPRISES IN WEST-HUNGARIAN REGION**

Thesis for the Degree of Doctor of Philosophy (PhD)

by

dr. Zoltán Varga

Supervisor:

dr. habil. Lajos Juhász PhD.

Sopron

2016.

Doctoral School: István Széchenyi Management and Organization Sciences
Doctoral School

Head: Prof. Dr. Csaba Székely DSc.

Programme: Business Economics and Management

Head: Prof. Dr. Csaba Székely DSc

Supervisor: Dr. habil. Lajos Juhász PhD.

.....

Supporting signature of Supervisor

1. CHOICE OF SUBJECT, TARGETS, HYPOTHESES

1.1. Choice of subject, importance of it

Small and medium-sized businesses (SME-s) are represented dominantly in enterprise structure of Hungary.

Reinforcing the sector of SME businesses has become one of the highlighted goals of the economic policy nowadays; therefore, new demand occurs for economic sciences to figure an even more precise progress report of the present situation and role of SME businesses, to unfold the operation characteristics of them in order to help entrepreneurs. The leading idea of the thesis is that the managers of the enterprises should have a strategic and entrepreneur-like approach and mentality to maintain long-term competitiveness of inland micro, small and medium-sized businesses. Coping with multinational companies that appeared due to globalization has no result since it has been done such a way the enterprise will close itself up from developing possibilities and will become bankrupt very likely. The enterprises should build upon primarily strength of them and the market gap, which will ensure them subsistence. They will have chances to save, retain and develop their market position if they develop their individual peculiarities that give them competitiveness and if they can make the best of wide range of state funds and European Union tenders.

The vision of an enterprise highly depends on the basic goals of it. The target could be getting personal income, maintaining family, supporting living, or putting the enterprise into an independent, successful orbit and developing it. Most Hungarian SME businesses belong basically to the first category, even if they are successful and the phenomenon is not conspicuous for an outside observant.

The energy of SME businesses is bound by the effort to survive on the market. Therefore, they do not have enough time to prepare deliberately and carry out the strategic decisions that concern the future of the enterprise and determine the subsistence. Besides fulfilling the task concerning daily operation, more time should be spare on elaborating strategy, reviewing strategic varieties, raising the means to implement strategic aims. The reason of it is that the chosen aim and strategy could be worked out in the most successful way regardless the continual change of external and internal conditions.

Creating strategy can be defined as a deliberate action of an entrepreneur, as a result of a process. The elements of the strategy should be specified in advance, however, the parts of it should be unfolded and analysed. The basic preconditions of creating strategy are experience, mentality, professional knowledge, habit, behaviour, ideas, which separately as well as jointly influence the success.

I would like to demonstrate strategic ideas of small businesses on the basis of sampling, inward and outward effects of market, the development problems of it, and the concerns of enterprises of how to get financial sources.

1.2. The target of the research

The target of the research is to unfold the possibilities of the growth of the sector taking the interference of the participants of the market into consideration through analysing the sector of SME businesses, highlighting the strategic points of managing activity. The study concentrates mainly on the changes of output of enterprises in West-Hungarian region, and whether the activity of the managers of SME business sector is of tactic-, operative- or strategic-like.

The research points out the relation of SME businesses with the other participants of economy and whether this fact has any measurable effects on the strategy of the enterprise. In SME sector business development in itself is a market expansion factor; in case the management understand the performance-enhancing effect of the path of grow through managing affinity and knowledge.

When examining the creating and influencing factors of product positioning the quality of the basic material, production technology, the low price of the product, creating the own brand and satisfying the basic needs pointed out as follows: there are concerns of strategic mentality and planning in the sector. Every enterprise is a very sensitive market watch system. They can react in time only if they perceive the changes of environment in time and realize the connective possibilities, the potential market and add their own value creating activities linking up own resources and skills.

It is within the scope of the present dissertation that SME-s do not pay enough attention to plan costs and capacities, moreover effectiveness either. The low profitability blocks successful borrowing funds and efficiency of tenders, consequently obtaining additional capital as well.

1.3. The structure of the dissertation

In the dissertation following the introduction a review of literature can be read, through which the author sums up the theoretical differences between a company and an enterprise, summarizes the definition of SME-s, the role of them in the economy, lists the definitions of strategy and several interpretation of it. The target of the chapter is to interpret the small enterprise strategy, to present the specialities characteristic of the sector following by presentation of the theoretical approach of strategy and environment, strategy and innovation, moreover relations systems hiding in knowledge.

The target of the following chapters of the dissertation is to present the employed methods, systematization of the secondary data and showing the conclusions. The deep interviews open up the results of primary research on the basis of statistical data analysis of replies of enterprises in West-Transdanubia. At the end of the chapters survey and evaluation of hypotheses occur.

In the last parts of the dissertation new and novel scientific theses and results are stated concluded from the research. Following these, conclusions characteristic of the sector are presented deducted from experiences collected from the research.

The thesis finishes with acknowledgements, bibliography and references, and appendices.

1.4. Review of hypotheses

Every enterprise has their own image of future, strategic concept determining the means and processes of reaching the goals. However, the market takes into consideration not the existence of strategic plan but the market efficiency. Efficiency occurs to be a kind of measurement of results, which creates value through activity. Literature points out that there is a relation, correspondence between different strategies and real efficiency.

***Hypothesis 1. Measurement of company efficiency is of importance** We do not interpret this as a normative thesis, on the contrary, it should be of a basic principle in case of micro-, small- and medium-sized enterprises because one of the vital conditions of long-term existence is the measurement of company efficiency.*

H.1.a./ Creating market has priority over efficiency. Managers of SME-s consider the role of factors connecting to the market more important than advantages connecting to operation.

H.1.b./ The measurement of cost-efficiency on a reasonable way is overshadowed since the supporting IT system is mainly not available. The control is real if it is carried out by taking into consideration the features, abilities and possibilities of the named organization. The effectiveness of a company operation is guaranteed by the effectiveness of basic process. However, the manager can only have a view of this if the measurement of both financial and real efficiency is realised.

H.1.c./ A huge number of enterprises do not possess a formal (written) strategy or a definite view on the future. It does not follow from the lack of recognition, but it is due to the short-term orientation of the business behaviour. I tried to find an answer of the question whether occurrence of any forms of strategy planning and the growth of financial efficiency coincide with each other. My target is to demonstrate that success depends much more on realization of set aims rather than on the preparation form of it.

Hypothesis 2: The path of growth of SME sector creates betterment

H.2.a./ Growth potential of domestic micro-, small- and middle-sized enterprises – due to inner and outer factors as well – is more limited and they intend to survive and maintain the market position. Operation of all enterprises is connected with the conditions of the immediate environment. The number of employees and the feature of operation define the special knowledge and workforce needed, thus the demand for organizational changes. The effect on efficiency is shown up through these factors. Product differentiation results from the closeness of consumer, however, the orientation of enterprise

H.2.b./ Micro-, small- and medium-sized enterprises form their market policy to get orders and generate turnover. It is not characteristic to select the customers, to build a strategic market, to use marketing means in an intensive way, to monitor and handle the customers' invoices. The risk is greater and greater due to competitive environment. Product positioning is suitable to open up the differences between the strategies of enterprises.

Hypothesis 3: Activity of managers of micro-, small- and medium-sized businesses is operative-tactic-like not strategic-like primarily, however, it contains strategic-like elements due to 'market constraints'.

H.3.a./ Intention of innovation appear in product policy. Development of innovation for SME sector offers great possibilities. It can be true if the importance of it is realised and utilized. Small- and middle-sized enterprises with their different economic activities induce changes, supposedly development on the market, in the field of production and service of them.

H.3.b./ The manager of the SME involves contributors in fields that are considered less important (e.g.: book-keeping, project tendering, controlling), nevertheless they can be of high importance. The growth and development of the organization themselves can be factors causing downturn of the business if the successful enterprise is not able to manage the situation appropriately from the point of view of course of business. Managing abilities are also of a kind of resources that represent a failure in the sector. Unfavourable competitive positions cannot be modified without investments in them.

Hypothesis 4: Relations of small- and middle-sized enterprises with several market operators of economy (state, credit institutions); it most likely must have an effect on the strategy

H.4.a./ The state supports SME-s along the economic policy line, consequently the subsidy system is not relevant. Due to accession to the European Union the possibilities of getting EU sources opened up. Participants of SME sector cannot answer to tenders called by the government. The European Union funds influence the finance of enterprises; however, the continual development resources cannot be supplied.

H.4.b./ Credit institutions support SME sector with product package, which ignore the requirements of micro-, small- and medium-sized enterprises. SME-s could be one of key-role participants of bank sphere if the conditions would fit in specialities and features. Besides administering accounts they offer several different types of loan and credit constructions, nevertheless only a small amount of the packages can be available because of the conditions.

2. PROCESS AND METHODS OF THE RESEARCH

2.1. Antecedents of the research

Research in connection with the subject of the thesis began with processing and synthesizing of literature. The author dealt with the problems of SME sector before starting doctorate course, but his studies had verified that the subject should be

continued and the cause and effect relations should be opened up in a more detailed way. Qualitative data collecting and interviews rendered suitable information to identify the problems and to establish hypotheses. Interviews were flexible, i.e. informal conversations. They are not applicable for collecting numerical data, but they are suitable for managing complex questions.

A part of the questionnaire was composed of quantitative data which can be measured by charts, statistical methods. Interviewees were managers of enterprises giving essential pieces of information about the businesses during deep interviews. The interview was composed of guided and predetermined questions. Analysing of replies made possible to examine the reasons of similarities and differences.

2.2. Applied statistical methods

The method of statistical analyzing: descriptive and mathematical statistics. Within the scope of descriptive statistical method I count average, partition, deviation, frequency, correlation, k-means clustering while within the scope of mathematical statistical method variance analysis is carried out. A level of significance of less than 0.05 ($p < 0.05$) was considered statistically significant.

The questionnaire is multiple asking numerous data and information. Of the 600 enterprises asked to participate in the study, in 342 cases was given consent, from which 274 replies were valuable. The formed database is representative as the cumulative features of the results of the sample approximate well to the features of basic multitude. In case of the applied sample size accidental error can be planned by sampling and defining data point, therefore the method is suitable for supplying representativeness.

3. RESULTS

3.1. Results of hypotheses

H.1.a./ Creating market has priority over efficiency.

In the study it was proved that Ansoff growth investment market development characterises the enterprises in SME sector, which can be typified by keeping higher consumer satisfaction with increasing income and existing market.

Enterprises in the sample consider increasing revenues more important than cost-efficiency. This statement is likely to be valid in a greater circle as well.

H.1.b./ The measurement of cost-efficiency on a reasonable way is overshadowed since the supporting IT system is mainly not available.

Elaboration of literature shows that managerial control identifies basically market development and cost-efficiency. Process of control has a highlighted role as with the help of it managers could supply successful and efficient distribution and utilization of resources in order to fulfil the targets of the organization. Control can exclusively be appropriate if it is realized by taking the specialities, endowments and possibilities of the given organization into consideration. On the basis of the primary examinations we can conclude that there is no suitable background information available for measuring cost-efficiency. However, it does not mean that the decision-maker should not use data supporting the relevant decision profoundly.

H.1.c./ A huge number of enterprises do not possess a formal (written) strategy or a definite view on the future. It does not follow from the lack of recognition, but it is due to the short-term orientation of the business behaviour.

A significant number of enterprises literally do not have a written strategy, only a definite vision, the sharpest aim of which is to meet the consumer demands. The newest consumer demand can be satisfied only by increasing turnover and/or quality. Consequently, most of the managers of enterprises keep in mind the increase of turnover. Their decisions are mainly intuitively in case of micro- and small-sized businesses. The strategic, long-term observance is made a lot more difficult by the fact that solving the daily financial problems takes strength from the managers. The statements of the hypothesis could only be certified partly. According to my view, enterprises should create a kind of strategic aspect, a view of future and/or commit it to writing as it can contribute to the success of the business after a short while.

H.2.a./ Growth potential of domestic micro-, small- and middle-sized enterprises – due to inner and outer factors as well – is more limited and they intend to survive and maintain the market position.

With satisfying consumer demands, the entrepreneur monitors the operation of the enterprise as a daily routine. To fulfil this, they should have recent information continually. The problem lies in the fact that small-size enterprises have formal marketing. The necessary information is collected from buyers and suppliers through maintaining relationships. Enterprises would like to sell as many of their

products as possible the market to increase turnover. Operation of enterprises is in close relation with the conditions of immediate surroundings. The number of employees, the characteristics of activity determines the special knowledge, the needed headcount and the demand for changing the organization. All these have an effect on effectiveness. Closeness of consumers' cause product differentiation and in connection with it the orientation of enterprises also changes. The most important aim is to maintain the market position and less a considerate growth. The hypothesis can be reckoned as plausible. It can be stated that the great number of enterprises intend to maintain the present position. It is understandable and results from the characteristics of SME-sector.

H.2.b./ Micro-, small- and medium-sized enterprises form their market policy characteristically to get orders and generate turnover.

The characteristic of the strategy of enterprises is that it can be defined as a positive image of future, a vision – acting on the concepts of learning or business school; however, some parts of formal elements appear as well. Thus, classical interpretation and manifestation of the term of strategy cannot be revealed. Enterprises show a peculiar picture on the basis of situation of target market consumers, as the 'market' is not concentrated and confined to local markets, however, importance of them is definite but not obligate! Adaptation to consumer's needs and buyer's demands predominates through information. Knowledge, experience, in most cases intuition help with creating product policy, increasing buyers' number. Dominance of production technology and low prices can be seen but even the most important is to satisfy general needs. The risk is higher and higher due to business competition. Product positioning is suitable to reveal the differences between strategies of enterprises. **On the basis of the answers having got from the managers, the product policy of the enterprises is primarily defined by satisfying the general needs and product technology.**

H.3.a./ Intention of innovation appear in product policy.

Development of innovation for SME businesses takes in a new possibility. It can be true if the importance of it will be realized and utilized. I touched upon it in a detailed way when elaborating the literature. Changes of market have an effect even on enterprises. A segment of enterprises aims to innovate and reform within the scope of capacity limits. It appears in technologic development, modernization and profile shedding, which induces increase of turnover. SME-s can forward step by step, by small alterations and enlarge production and service on the market. The adequate innovation can result in cost-reduction in longer-terms. The ambitions of

innovation are ‘early followers’ and ‘late employers’, they are not the ‘rising’ ones, which can be a characteristic feature of innovative, fast growing enterprises. It can be stated that the great number of enterprises consider the innovation as an inevitable process, which declares their future-orientation.

H.3.b./ The manager of the SME involves contributors in special professional fields (e.g.: book-keeping, project tendering, controlling).

Growth and increase are factors that in themselves are able to throw back the business course of an enterprise if the enterprise cannot manage it in an appropriate way from the point of view of the successful business management. To satisfy consumer needs, to increase the turnover and to supply the necessary number of workforce are in the range of vision of the manager. Most of the managers are prominences of their profession but they are not economic experts. In spite of this fact, two thirds of executives make decisions on their own. Several of them do not take in part in trainings and postgraduate courses because of lack of time and partly due to professional unconcern, or they delegate appointed staff. The information, consequently, comes vicariously, thus it can occur that not the most important information from the point of view of the business flows back to the manager. Executives are not able to employ a qualified expert in every specialty because of the wages and the high incidental expenses of them or due to lack of job. Managers, in many cases, charge an outer enterprise or contributor having the expertise with fulfil the task. However, the contributor does not know the operation and problems of the enterprise as deep as the employees do, so the conclusions are drawn from data, which not always can reveal the real problems of the enterprise. Moreover, in some cases the manager does not inform the employees of the subjects concerning the business even posteriorly. The manager is concerned about satisfying customer’s demands and consequently increasing the turnover. To fulfil this, the necessary work-power is supplied. The manager cannot employ a really qualified employer due to the high incidental expenses. The economic area is generally outsourced to another enterprise.

H.4.a./ The state supports micro-, small- and middle-sized enterprises along the economic policy line, consequently the subsidy system is not relevant.

Due to accession to the European Union the possibilities of getting EU sources opened up. Some of state tenders get to SME sector late. There are tendering and monitoring firms; however, the costs of them are unpayable for SME sector. As it can be observed, the tenders are called for regions, so it is impossible to compete in many cases. The deadlines of tenders for are too short from the time of the

invitation to submitting them, therefore assembling them often fail. Another reason for not tendering is that calls are applied for fields of activity. The system is slow and bureaucratic. The European Union resources influence financing of the enterprise, but flowing development funds cannot be supplied. The tenders, due to the support system, are confined to very small strata. Tender resources are allocated to rather many areas because of the bureaucratic procedures, so the efficiency of the capital having been won will worsen.

H.4.b./ Credit institutions support SME sector with product packages.

SME-s are key-role participants of bank system and credit institutions offer them several types of credit and loan constructions beside accounts. A significant number of SME sector cannot fulfil consumer needs and development facilities without outsourcing. However, only a small number of possibilities and supplied packages offered by credit institutions are available because of the performance of SME sector. Credit institutions offer long- or short-term funds to enterprises being on the market successfully for a longer time. The short-term resource is more expensive while the long-term one is available for a relatively proper circle. The system of bureaucracy is expansive, which cannot help faster development of SME-s and get them resources effectively. Micro businesses suffer losses in the beginning, so they are basically excluded from getting outsources. According to the intentions of the government, the banks should offer enterprises loans at preferential interest rates, however, the intention and the bank rules are not concordant. Credit institutions are well-aware of the fact that SME-sector is a potential market. Alongside with the current accounts they offer bank overdrafts, pre-grant loans, liquidity-, investment- and current asset financing loans. Nevertheless, in most of the cases the offers and conditions of supply do not meet the requirements and needs of demands of micro-, small- and middle-sized enterprises.

3.2. Lateral scientific results

1. It is known from the literature that the numerous part of micro-, small- and middle-sized enterprises do not have a well-formulated vision of the future, a written strategy. However, on the basis of the primary research it was proved that they formulate their strategic possibilities in some way and they strive to carry out them, which usually is not a conscious activity.
2. It was proved from the primary research that the thoughts of the owners and managers of SME sector can be characterized by market-orientation with the aim

to increase the number of buyers and turnover. It was established according to the research that the vast number of the owners does not deal profoundly with the evaluation of the performance evaluation of the enterprise and the transitions of the inner processes.

3. The results of the research show that the managers of the enterprises emphasize their own abilities and competences when creating a strategy and the facts concerning the other involved ones are taken into consideration only in partly. It can be ascribed to the non-confidence that the examined sector has towards the opinion of the concerned ones.

4. The managers of micro-, small- and middle-sized enterprises can identify themselves rather with the approach of liquidity and cash flow. I drew the conclusion from the decisions of them made during management that the business managers use the aspects of income-expenses.

5. A significant part of micro- and small-sized enterprises can be characterized as technically underdeveloped and they want to increase their performance by investments. However, they cannot reach the efficiency of middle-sized enterprises, even with the help of this performance improvement, as the technical fallback is of high account.

6. Creating and maintaining social capital is the means of running a business. Nevertheless, handling of information and the necessary reactions are not appropriate. The problem is in the drafting of the action programme and not in the realization of it. Creating future on the basis of social capital does not go hand in hand with a high-level reformation of the inner efficiency processes that can grant adequate advantages and development to the enterprise coming from possibilities due to informational and supporting relations.

7. I could point out that tender allocations are considerably fragmented ‘.due to allocation system failure’. One of the reasons of it that there are only few EU resources are available and however, there is an intention to allocate them in a wider circle (too many products, services), which lead to fragmentation. The other reason is that there has been a ‘social’ type allocation up to now which can block the concentrated allocation of resources.

4. CONCLUSIONS, RECOMMENDATIONS

On the basis of the results of the research I conclude the following in connection with business strategy, business effectiveness, operation, increase and managerial operation:

- Executives expressed during in-depth interviews that it is needed to create a vision, to structure the thoughts in order that the enterprises could operate continually and increase. The aim of the enterprise is assigned by the ideas of the executives.
- To form a proper, consequent vision, appropriate, factual and reliable information is needed to supply managers with a wider horizon. The research reveals that administration in the great part of the SME sector is carried out by outsourcing, so the given information gets to the manager of the enterprise through many-folded transmissions. Controlling is a function that means disbursement, the proceeds of which cannot immediately be seen by the manager of the enterprise. The lack of direct information and controlling can be a danger to judge the operation of the enterprise properly.
- On the basis of secondary research it can be declared that drafting strategic goals and concepts reacts upon realizing market targets, increasing sales returns contrary to cost effectiveness. The majority of enterprises motivation means not increasing wealth but maintaining the continual operation. It can be proved with the help of the research that those enterprises could reach average profitability that have either definite future plans or written strategy. Some of the managers learnt by their losses how to set objectives in a proper way. Managers involve a small number of contributors in preparing a decision and decision-making. Centralization of decision-making increases market orientated behaviour of the sector, which involves a risk of operation. Besides maximizing the result and sales returns, it is of high importance to review, to reorganize the organization to be more effective.
- Managers of micro- and small-sized enterprises take part daily in managing in an operative way. It can cause a problem, as they do not have time to think over the long-term concepts.

- The manager of the enterprise should observe the changes of the market and the inner operation. Some of the micro- and small-sized enterprises realizes the market intuitively, so the success of the financial efficiency is influenced by numerous factors not known by the entrepreneur. This situation is sharpened that even the demand of cost-efficiency does not often occur because of the low education level of the managers of micro- and small-sized enterprises.
- A crucial proportion of SME sector aims at maintaining the market position with a low level of marketing activity. Product policy of enterprises can be characterized by satisfying general needs, but increasing role of production technology and low prices are also characteristic. A part of SME sector meets the requirements of market segments, while participants of another group act as suppliers for one or two companies.
- Among the enterprises there are many necessity enterprises, and the level of the own capital is very low. The research sample presents it very well. There is an unfavourable process of circular debts, which causes continual liquidity problems for the immense part of the sector. Defencelessness of the SME sector is high due to having contacts with only few business partners. Therefore, the competitive position is unstable.
- As the primary research shows, a proportion of SME sector is a small-sized, technologically underdeveloped enterprise, in which new resources conduce to develop the enterprise and improve the process of creating value, however, the relative competitive disadvantage maintains. The problem of the SME sector is profitability connecting with technological underdevelopment, lack of resources. Innovation helps modernization of means of production which creates a possibility to improve the quality of the product and to reduce the costs.
- Increase of the SME sector is only possible by increasing sales returns and after tax profit. The manager and the owner of the enterprise is the same person, far from different interests. Predominance of inner resources prevails over outsourcing. The position of the owner and top manager tasks are protected, ownership interest is not likely handed over, which also can deteriorate effectiveness.
- On the basis of the results of classification of SME businesses, it can be stated that micro-sized enterprises operate with greater proportion of equity and less proportion of supplier obligation than small- and middle-sized competitors of them. This fact also verifies that possibilities of acquisition of resources are

restricted even now, more of them are not creditable and they are not able to raise the expenses of banking products offered them by banks.

- Managers of the enterprises get to information late, which hinders submitting tenders in the proper quality for deadlines. Tenders, for many enterprises, have only been unutilized possibilities up to now as there is not an extra person to explore tenders. Tendering system is overcomplicated, at the same time it is fragmented, moreover, several forms of fields of activity are excluded from the tendering system. A small number of micro-sized enterprises submitted a tender, and they submitted fewer tenders on average than the other enterprises did. Nevertheless, they were less successful in tendering than the average, compared to the small-sized enterprises. Consequently, a tender watch company would be of help.
- Their equity is composed of savings and loans from acquaintances and family members. A characteristic feature of SME sector is the lack of liquidity due to debt queues. Poor payment discipline makes concentration on work more difficult.
- Needs and bearing capacity of micro-, small- and middle-sized enterprises do not correspond with the constructions offered by banks. Participants of SME sector get the necessary information of favourable funds barely from the account provider credit institutions since it is less profitable for the credit institutions because of low interest rates. Furthermore, enterprises of SME sector get loans with more rigorous conditions, higher interest rates and higher coverage level, which not always meets requirements of effectiveness.
- SME businesses lean mainly on equities when they operate or finance their development, however in case of micro-sized enterprises the financing role of equity is even higher. It was proved through in-depth interviews that a significant proportion of SME sector closes from involving another business partner having capital. They consider independence important, so they do not claim for investment resources at this hazard. Medium-sized enterprises have business partners with capital.
- Participants of SME sector see the risks of operation primarily in market distress (market competition, loss of market, deterioration of payment discipline), secondly in regulatory environment, and only thirdly in inefficiency of financing resources.
- To sum up, it can be stated that participants of the SME sector have a definite role in forming economic processes. Increase their efficiency moves economic processes into positive direction. Strategic aspect should be reformed because of

the changes of outer operational environment, which are not foreseen or foreseen with difficulty. There is not a unified definition of the term of strategy. In some cases, the adaptable feature of being 'semi-fixed', fitting to the structure of small-sized enterprises occurs as a definite characteristic.

Recommendations to managers of the sector:

- Numerous risk factors hide behind every production and service. Risk factors should be analyzed and the causes of failure or success and their relation should be looked for in relation to the set goal. The managers' role is of importance as they have to re-appraise the goal of the enterprise taking the opened up risk into consideration in order that they could adjust them to new market demands regarding the available means.
- Marketing should get a higher role in everyday activity of enterprises with the help of which market demands can be co-ordinated with local specialities and managers could get more direct information.
- Acquisition of properly qualified workforce is difficult which can mean a growth limit for the enterprises. The problem is not only with paying for the knowledge of potential employees but also with the fact that there are no employees on the market having the necessary professional experiences.
- In the world of information technology, most of the data occurring in inner processes can be processed by a computer. Changes in stock of suppliers and customers should be observed, the possibility of control should be increased, which could decrease the risk of the enterprise, the conspicuous management; however it can help supply the management with prompt information.
- The sector has to force the Chambers' faster reactions in connection with information, tenders, taxation, increase of turnover, and exploring favourable business and innovational possibilities.
- In-depth interviews with managers showed that further education, trainings are needed on financial and taxation knowledge yearly in order that the new regulations could be set into operation. The organized education of the managers could give an immense impulse to the sector; the co-ordinating role should be acted by the Chambers.
- Tenders for many enterprises are not used possibilities as they do not have a particular person to search the appropriate tender. This situation could be helped

by realizing the necessity of co-operating with chosen reliable project tendering firms.

Recommendation to credit institutions:

- The Hungarian National Bank should standardize the conditions of borrowing in case of SME enterprises and supply with effectual guidelines and measures. On the other hand, credit institutions should provide the account holders with continual, important pieces of information, with the help of which the SME sector will be prepared to submit application for credit. It is also important that credit scoring would take short time.
- Innovative ideas, new procedures should be supported by the banking system with the help of state risk management programmes in order that they would be introduced in time, therefore competitive advantage will also be reached by SME sector.

Recommendations to the government

- The most important tool to ease the operation of enterprises is to decrease the taxes, which are high even internationally, charging Hungarian, micro-, small- and middle-sized enterprises. It is available to the extent the state of the budget makes it possible.
- Distribution of the European Union resources should be carried out by a deliberate conception. We should break with the system of social distribution, i.e. everyone gets resources even if they do not use them efficiently. Those enterprises should get resources which ones could improve capital efficiency and capital structure this way.
- Defects can be experienced in the field of counselling and mentoring. It should be the service field where relatively good results could be reached by relatively low cost.
- It would be important to create more simple and transparent regulatory environment than today, to lighten administrative burdens further, to reform regulatory system and to build in and exercise quality elements. They should strive for decreasing of unpredictability of regulatory system.
- Targeted tax reduction of micro-, small- and middle-sized enterprises could have an important effect on increasing employment. Popularity of forms of employment would be reached by tax reductions offered specially to SME enterprises, which apply flexible employment forms. The complicated system of tax reductions increases the administration burdens of enterprises on the whole.

- In disadvantaged regions the support of free enterprising zones should be continued in order to broaden the number of employees. Enterprises operating on the territory of free enterprising zones can get different tax reductions (e.g. reductions of corporate tax, employment tax) in order to promote development of disadvantaged region.

5. PUBLICATIONS CONNECTING TO SUBJECT OF THESIS

VARGA ZOLTÁN (2012) A vállalkozás-vezetés és stratégia problémái. Nemzetközi Tudományos Konferencia a Magyar Tudomány Ünnepe alkalmából, Nyugat-magyarországi Egyetem, Sopron, 2012.11.12. (ISBN:978-963-9883-99-4)

VARGA ZOLTÁN (2013.) A vállalkozás vezetés és a stratégia problémái a KKV szektorban. VIKEK 3. Vezetéstudományi Konferencia, 2013.05.11. Szeged, előadás „Vezetés és szervezés Taylor után 102 évvel” (ISSN: 2064-4361)

VARGA ZOLTÁN (2013.) A vállalkozásfejlesztés és a stratégia problémái a KKV szektorban, mintavétel alapján. Professzorok az európai Magyarországért”Tudományos próbapálya” PEME VI. PhD-konferencia, Budapest, 2013.03.13. (ISBN:979-963-88433-8-8)

VARGA ZOLTÁN (2014) A vállalkozás vezetés és a stratégia problémái. TAYLOR: Gazdálkodás és szervezéstudományi folyóirat, Virtuális Intézet Közép-Európa Kutatására Közleményei 6. pp.539-549, Szeged (ISSN: 2064-4361)

VARGA ZOLTÁN (2014) Obstacles to development in the small and medium-sized enterprises sector in Hungary. Selye János Egyetem, Komárno, (2014) Selye e-Studies Elektronikus folyóirat (ISSN-1338-1598)

<http://journals.indexcopernicus.com/passport.php?id=9353>