

Enterprises in Hungary from a Global Perspective – The Examination of Strategical Possibilities and Threats

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SUMMARY

Publications dealing with globalisation have paid relatively small attention to the fact how to influence the sphere of enterprises this process so far. In our study – after clearing up some concepts and contexts we analyse which strategic possibilities and threats globalisation means for small-sized, medium-sized and large enterprises operating in Hungary. During the empirical research we determine the competition position of these enterprise groups, new elements of the global competition perceived by them, more important categories of followed strategies, and the organisational and relationship system of the enterprises, and where we can, we expound comparison with adequate data of earlier surveys.

INTRODUCTION

The thesis, that perspectives and possibilities of growth in the developing market economies are in a positive relationship with the process of globalization taking place at present in the world economy can be proven easily.

The activities of multinational and global enterprises are behind this process, which has been analyzed by a number of people from a number of viewpoints. However, we know less about the fact what effect the gaining of ground of global enterprises has on the operation of the enterprises in Hungary or whether they help or inhibit their access to global markets, with what advantage or disadvantage they compete on a world scale, with what strategies and success they respond to global challenges and what kind of changes take place in the organizational and relationship system of national enterprises.

It is easy to utter axiomatically the conditions of success on the level of the strategic theory of enterprises –after all who would not know that the issue is the reformation of the product (the service process), the market, the human factors and processes -, but it is much more difficult to realize it in practice.

The present study, which was prepared within the framework of the *István Széchenyi Scholarship* makes an attempt to sketch the enterprise context of globalization. It summarizes the major statements of domestic literature closely connected to the set of questions. It sketches the conceptional model of the research project and describes its assumptions. By means of the enterprise sample it

presents in detail the results of the empirical investigation and draws its conclusions.

EARLIER EMPIRICAL RESEARCH PROJECTS AND THE LATEST SURVEYS

The interest towards the enterprise connections of globalization in this country in recent years is indicated by the surveys conducted by questionnaires ever more frequently, which were seeking information exploring the situation in the following five central areas:

- > export of capital,
- > competitiveness,
- > entrepreneurial activity,
- > company management system,
- > information technology.

We summarize briefly the results of these empirical investigations in Table 1. and here we dispense with their detailed presentation because of limits of size.

We wish to utilize the most important statements of more significant empirical research projects carried out in Hungary in the era of globalization in the course of the determination of the main goals of the present research project and/or comparative evaluation of the results obtained.

THE GOALS OF THE RESEARCH PROJECT

Before sketching the goals of our present empirical research project we are going to make a short mention of our book, which could be regarded as the theoretical foundation of the research project. A significant portion of the textbook entitled „Global enterprise strategies” is about the contents, types and special analytical methods of these strategies. The theoretical message of the book, in addition to the above, has also been taken into consideration during the determination of the research goals.

The basic goal of the research project is to investigate in what form and to what extent do the effects stemming from globalization, as the determining characteristic factor of our age effect the enterprises in Hungary; i.e., to clarify how the consequences stemming from globalization are tolerated and/or what strategic alternatives they have for these challenges.

Within this context the research project wishes to find an answer to the following four questions:

1. Do the globalization and performance attained so far of domestic enterprises makes the immediate access possible for them to the global market?
2. How can the enterprises handle those problems, which arise from the fact that new elements of global competition have appeared such as quality, consumer orientation, production capacities becoming increasingly more important, technologies and life style becoming increasingly more individualized, which has an effect on shopping habits?
3. What strategies have the enterprises developed related to utilizing the opportunities offered by the globalization process and/or in order to avoid the more serious risks of this process?
4. What new questions are posed and/or what new problems to be solved are induced, given the differing organizational abilities and enterprise cultures, the development of the global connections of enterprises operating in different regions?

The provision of an exact answer to the above questions is facilitated by the conceptual model of the research project.

Table 1. The research projects in Hungary in connection with globalization

<i>The researchers</i>	<i>The area of research</i>	<i>The sample</i>	<i>The results</i>
<i>Chikán, Czakó and Mrs. Zoltay (1996 and 1999)</i>	Competitiveness	325 and 319 middle-sized enterprises	The <i>competitiveness</i> of the group of enterprises investigated has <i>improved</i> significantly between the two survey periods. <i>The adaptation to the market relations</i> developed has played a leading role in this. For this group of enterprises to be able to get ahead <i>the acquisition of resources needed for growth</i> means the biggest problem.
<i>Makó (2001)</i>	Enterprise management system	75 multinational enterprises operating in Hungary	The experiences warn about the fact that the issue is such, relatively <i>new phenomena</i> appearing in the <i>management and labor utilization practice</i> of organizations operating in the national economy whose models can only be identified and characterized by means of <i>further systematic research</i> projects.
<i>Ács, Szerb, Ulbert and Varga (2001)</i>	Entrepreneurial activity	2000 adult inhabitants, 36 experts	Summarizing the result it can be concluded that the domestic enterprises are basically <i>walking along the right path</i> and under relatively <i>favorable environmental conditions</i> it can be hoped that <i>they will stand their ground</i> in the world among the circumstances of increasing globalization and primarily also subsequent <i>to our joining of the European Union</i> .
<i>Antalóczy and Éltető (2001-2002)</i>	Export of capital	22 domestic firms registered on the stock-market	Taken everything together because of the complexity of the factors <i>it is difficult to predict the evolution of Hungarian capital investments</i> abroad. In the short run the continuation of the present trend is likely, although the realization or delay of a one or two major project will also continue to significantly influence the processes of the export of capital.
<i>Losoncz (2002)</i>	Informational technology	Small, medium-sized and large enterprises	<i>The worldwide phenomenon of globalization does not have to be mystified</i> : getting to know various effects and mechanisms may also dispel a number of misunderstandings. The time is not far when the <i>application of business solutions based on the Internet does not mean a competitive advantage, but puts an end to a competitive disadvantage</i> in the Hungarian enterprises, i.e., it will be a necessary but by no means sufficient condition of competitiveness.

THE CONCEPTIONAL MODEL OF THE RESEARCH PROJECT

The conceptual model of enterprise research strives to take into consideration the key factors of global thinking, more precisely those of the formation of global strategy and direct data collection and analysis in accordance with this.

The main factors of the model shown in Figure 1 and their connection can be described in the following way:

- The model has the hypothesis that the enterprise process is launched by two important set of factors which are in close relationship with each other: in one of them the external environmental factors or driving forces are lined up, while the other one is determined by internal conditions.
- According to the model for thinking in global business the reformation of the enterprise along three dimensions is needed. For successful realization of this the enterprise has to compare, according to particular points of view, its products, markets and people and processes with those of its competitors. It has to determine what the internal strengths and weaknesses of the enterprise are and it has to identify the external opportunities and threats of global competition.
- It can be seen in the conceptual scheme presented in Figure 2 that in case the comparison of the opportunities and threats of the global market with the strong and weak points of the enterprise has taken place, the opportunity presents itself for the formation of a strategy in accordance with this.
- A new element of the logical process is related to the introduction of the strategy, in the course of which the enterprise has to pay attention to the fact that the strategic agreement should be realized as much as possible. The enterprise structure, the management of operations and the systems of connections plays a major role in this.
- The conceptual model of the research project reflects the fact that in the formation of the process of global thinking evaluation plays an important role. The value of the global strategies can be analyzed by the enterprises from two sides. On the one hand they can summarize the potential advantages stemming from the application of strategies and on the other hand they can describe those circumstances, which can pose a risk in the course of following the strategies.

The main characteristic of the conceptual model described above is that both factors of the process contribute to the formation of the value (in other words the independent variable of the model) of the global strategy. The system of connections seen in Figure 1 presumably also has such other elements, which cannot be identified easily.

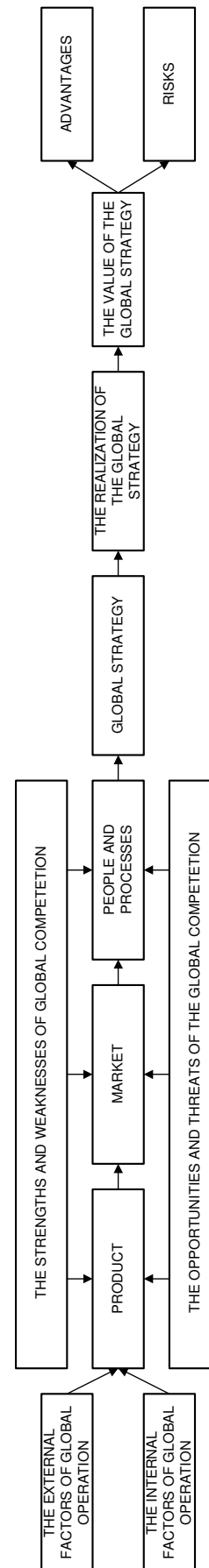


Figure 1 The conceptual model of research: the factors of the formation of global thinking/strategy

THE RESEARCH METHOD AND SAMPLE TAKING

Because of the deficiencies of national statistical data and/or in order to be able to better judge the effects of globalization a survey based on a questionnaire was conducted.

The questionnaire of 12 pages directed at upper management consists of five parts:

1. The situation of the enterprises – the access to the global market
2. The new elements of global competition – the identification of competitive advantages and opportunities
3. The enterprise strategies and the value of enterprise strategies
4. The organization, operation and systems of connections of the enterprises
5. The statistical pieces of information pertaining to the enterprises featured in the survey

Small, medium-sized and large enterprises are featured in the sample. The selection of the enterprises took place on the basis of the 2001 data of the Central Statistical Office ensuring representation according to belonging to a sector, number of employees and ownership structure.

These categories were supplemented by other ones in the course of the analysis. Such category of analysis is still the age of the enterprise, the form of capital investment, the value of the equipment and stock of goods of the enterprise as well as the proportion of export and import from gross sales realized.

We succeeded in collecting questionnaires that could be evaluated from a total of 300 enterprises.

The processing of questionnaires and the completion of statistical investigations took place by means of the *Microsoft Excel* computer program.

THE CHARACTERISTICS OF THE SAMPLE

Among the 300 enterprises featured in the sample 78 small enterprises, 114 medium-sized enterprises and 108 large enterprises can be found (Figure 2).

One quarter of the enterprises investigated deals with in the manufacturing of tools of production and consumer articles. 23 percent of them carry out mining, chemical industry, motor vehicle industry, energy industry and construction industry activities. The larger circle (52 percent) provides commercial, transportation-communication, financial and other services (for example hotel and tourism trade and real estate management).

The breakdown of the enterprises according to capital investment form is as follows: 52 percent is investment on a lot lacking any infrastructure (foundation of a completely new firm) and 48 percent is investment on a lot with existing infrastructure (the purchase of an existing firm). In our analysis the enterprise, which did not yet exist in 1990, can be regarded as established by means of investment on a lot lacking any infrastructure and the enterprise which was founded before 1990 by investment on a lot with existing infrastructure.

The enterprises were distinguished according to the ownership structure (private property is 85 percent; state-private property is 12 percent and state property is 3 percent) and the ownership origin (100% Hungarian ownership 55 percent; majority Hungarian ownership 9 percent; 50-50% Hungarian-foreign ownership 2 percent; majority foreign ownership 13 percent and 100% foreign ownership 21 percent).

The size according to value of equipment is characterized by the fact that 53 percent of the enterprises belong to the group above 500 million forints and 47 percent into the group under 500 million forints.

On the basis of the gross sales figure, even if by a small amount, the composition of the sample was shifted to the smaller firms.

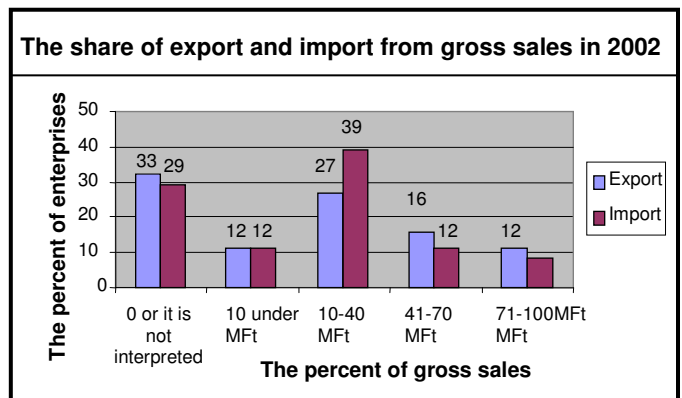
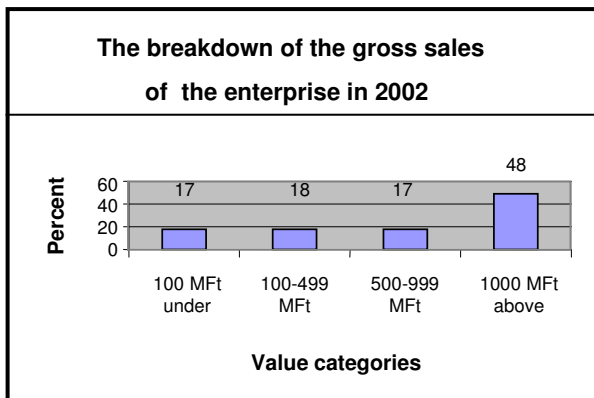
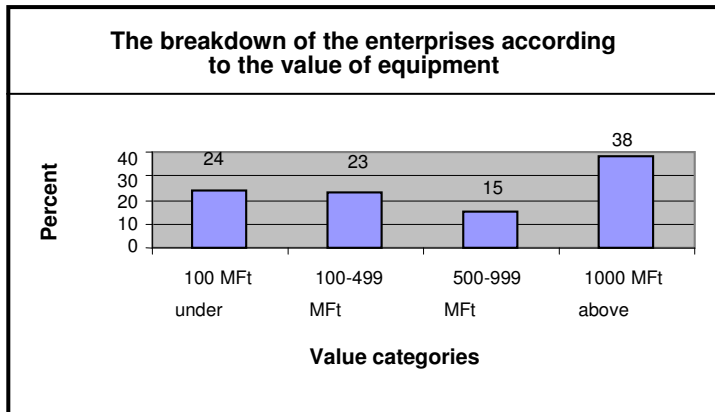
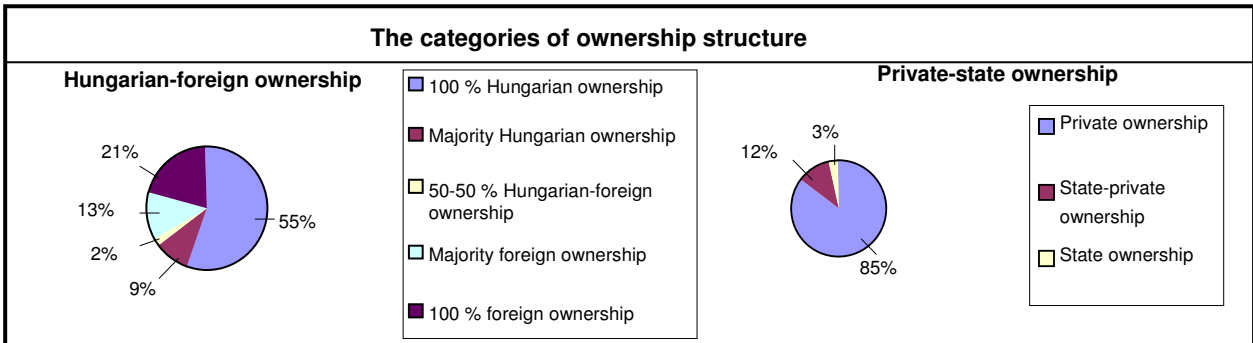
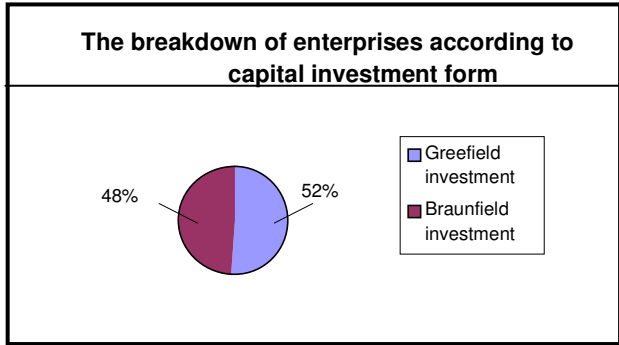
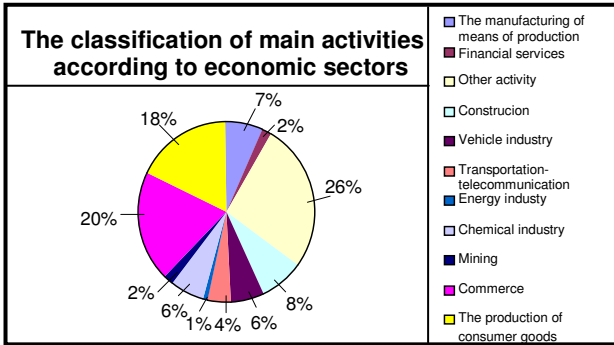
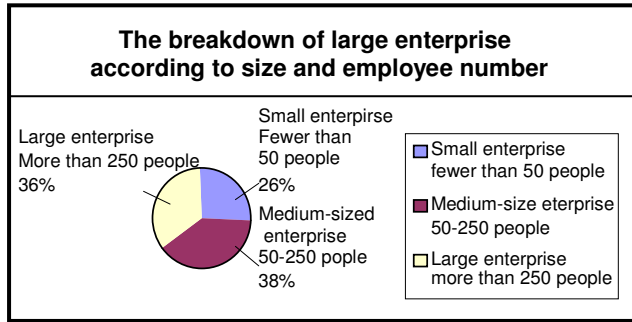


Figure 2 The composition of the sample

With regard to the proportion of export and/or import to gross sales it can be said that in firms where the proportion of export and import activities are under 40 percent of gross sales, the import is identical to export or exceeds it and where it is larger than that there the export gross sales are more significant.

The survey covered mainly the medium-sized and large enterprises. More than half of the enterprises featured in the sample are newly established firms and they are the properties of domestic private persons. This circle of enterprises tends to produce for the foreign market at present, which is increasingly interesting from a strategic point of view, since the factors of the development of the business world exercise a more direct influence on its operation and opportunities.

THE CONCLUSIONS OF THE EMPIRICAL INVESTIGATION

We think that this research project has significantly enriched our existing knowledge about the question in what form and to what extent globalization has an effect on Hungarian enterprises, at the same time it has also made it possible to examine our enterprises not only in a combined form, but also in a comparison according to size categories. For drawing the conclusions of the empirical investigation the actual contents of the conceptual model serves as a reliable basis. Figure identifies the global economic process and factors of small, medium-sized and large enterprises in Hungary. According to these our statements are the following:

The survey has shown that by now several tens of thousands of domestic enterprises take part directly in the global system of connections, while several tens of thousands, although indirectly, depend on the developments of the globalization process. This has not only a modernization effect, but inevitably it also makes them part of the business trend effects. It strengthens the role of the external factors in the strategic decision making of the domestic enterprise sphere. In the case of large and medium-sized enterprises the most important factor is the growth of the pace of technical development and the cessation of the limits of international trade, while the formation of multinational networks also affects the small enterprises.

The self-evaluation of enterprise performance presents a relatively good picture. In comparison to the major foreign competitors the strength of large enterprises lies in close customer relations and good management, while

that of small and medium-sized enterprises in flexible satisfaction of demand and in skilled employees. Nevertheless in the majority of the enterprises the rate of being behind is still great, which is shown in small and medium-sized enterprises in low technical standard, market share and poor profitability, while the efficient operation of large enterprises is mainly hindered by the lack of information systems.

There are too many enterprises which do not know the new elements of global competition; the wide and standardized variety of products is important for medium-sized and large enterprises and the appropriate marketing knowledge and processes; for the small enterprises the reaching of the market of countries rich in basic abilities is of prime importance.

According to the survey an increasing proportion of enterprises (at present close to 20 percent) are developing a strategy for the utilization of global opportunities. The small enterprises compete with a defensive strategy with local or globalized products on the local market. The expansive and combative strategy appears in medium-sized or large enterprises with regional or globalized products for the regional and/or global market.

Upon the impact of globalization changes have occurred in the organization and system of values of the enterprises. The large enterprises are advancing towards flexible organizational forms, intuitive management and team-work; the small and medium-sized enterprises are striving for ensuring appropriate information and getting intuitive co-workers. Large enterprises facilitate the reaching of these goals by the application of the methods of cost reduction and the development of supplier networks, while the small and medium-sized enterprises apply the management methods of the intensification of the R+D activity.

The enterprises featured in the survey have perceived the advantages stemming from the pursuance of international strategies in getting new customers and in the utilization of basic abilities and skills in a new way. However, for us the risk posed for the enterprise from the admission of the candidate countries into the European Union is an enigma.

It is hardly doubtful that the globalization process has brought about rearrangements in the competitive conditions, system of activities, organization and strategic thinking of small, medium-sized and large enterprises in Hungary. It is a key question that in this process when, to what extent and by what methods do the enterprises realize the development of their strategy in accordance with globalization expectations.

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Összefoglaló

A globalizáció témájával foglalkozó publikációk ez idáig viszonylag csekély figyelmet fordítottak arra, miként hat ez a folyamat a vállalati szféra. A szerzők tanulmányukban azt elemezték, hogy a globalizáció milyen stratégiai lehetőségeket és fenyegetéseket jelent a Magyarországon működő kis-, közép- és nagyvállalatok számára. Az empirikus vizsgálat során meghatározták a vállalatcsoportok versenyhelyzetét, az általuk érzékelt globális verseny új elemeit, a követett stratégiák főbb típusát, valamint a vállalatok szervezeti és kapcsolatrendszerét, és ahol lehet, ismertették a korábbi felmérések megfelelő adataival való összevetést is.

Резюме

Публикации связанные с темой глобализации очень мало внимания уделяют такому вопросу, как процесс глобализации влияет на сферу предприятий. Авторы статьи анализировали то, как стратегические возможности и угрозы глобализации могут повлиять на действующие малые, средние и большие предприятия. Эмпирическое исследование определило, конкурентоспособность этих групп предприятий (концернов), новые складовые глобальной конкуренции, основные типы складовых этих конкуренций, а также структуру предприятий и их связь. Где можно было в исследованиях авторы статьи сделали сопоставление данных с исследованиями сделанными в прошлом.