Small businesses are the break-out possibility of the North-Hungarian region

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Summary findings, conclusions, recommendations

The area of the North-Hungarian Region is 13,429 km2, which is 14.4% of the country's territory. In terms of area and population the region lies in fourth place in Hungary. The region is remarkable for the beauty of its landscapes, which are rich in untouched natural values with its significant ecological potential. Among its natural treasures we can find medicinal, thermal and mineral water springs. The wine producing regions of Eger and Gyöngyös are well known in Europe, while Tokaj is world famous.

Significant problems in the North-Hungarian Region are unemployment exceeding the national average, caused by adaptation and modernisation crises, low-level employment, and the concentrated appearance of underdeveloped settlements and population groups.

As small businesses represent an outstanding employment ratio in the region - about 70% - socio-economic development is not possible without increasing the number and competitiveness of small businesses. In our research we looked for an answer to what the necessary conditions are for this.

Recommendations for increasing the competitiveness of small businesses in the North-Hungarian Region:

• Small businesses need to improve in the area of supplier activity, quality, information and confidence.

• Small businesses must improve precision, supplier discipline and quality.

• When establishing co-operation and partnership relations the greatest preventative factor is lack of confidence. Most of the businesses are afraid of transferring their own knowledge and information; they are ready to accept every benefit of co-operation but without its risks.

• Higher-level co-operation will be necessary among small businesses, supporting organisations, chambers and municipalities.

• Efficient support must be given to the participation of small businesses in the network economy and to the establishment of small businesses' common efforts.

• Common large-scale purchasing and selling by small businesses must be efficiently supported.

• The changing of small business/managerial mentality needs to be supported in the following areas:

- problem solving ability
- business sense
- high-level professional knowledge
- organising ability
- practise-focusing
- high-level communication skills

- managerial knowledge
- co-operation ability
- risk taking ability
- analysing ability
- idea representing ability
- computer skills

• Efficient, target-oriented training and extension training, needs to be organised for managers and employees of small businesses.

• Transparent, clear legal frameworks must be established.

• Tax burdens should be reduced, especially those exerted on labour.

• Efficient capital search and credit programmes are needed for small businesses.

• An efficient small business relations system needs to be created with research sites and higher-education institutes using the latest R&D results.

• Efficient support must be given to small businesses to access new markets.

• The establishment and efficient operation of the Regional Small Businesses Support System (REKTÁR), planned and worked out by ourselves, would basically help with small business competitiveness. REKTÁR, overseen by small businesses, would provide help at each stage of small business activity in the field of business establishment, strategy development, business development, solving technical tasks, training and extension training, crisis management and winding up.

1. Introduction of North-Hungarian Region

The North-Hungarian Region is situated in the north-eastern part of Hungary and covers the counties of Borsod-Abaúj-Zemplén, Heves and Nógrád. Area of the region is 13,429 km2, which is 14.4% of the territory of the country. Considering the area and population the region has the fourth position in Hungary. Based on geographic and natural endowments of North Hungary this is one of the most various regions of the country, which appears with prodigy of beauty of its landscapes to be rich in untouched natural values.

The region is rich in minerals for building industry purpose and in lignite sites; has significant ecological potential and among its natural treasures we can find medicinal water-, thermal water- and mineral water springs.

Economy of the region was primarily determined by heavy industry and mining. After social transformation these branches of industry were collapsed and industrial production was declined. However, suffering large losses, it could preserve its consolidated large company-nature by help of foreign investments; its machine- and chemical industry characteristics. Penetration of foreign capital transforming the economic structure has not reached the critical mass yet, however since 2002, along the motorway being constructed, in the region of Miskolc, Eger and in the western regions situated nearest to Middle-Hungary the economic development has commenced.

Share of the agriculture in the gross added value is average.

In this region the forest coverage is highest and also ratio of grass is high. Agricultural land endowements – mainly depending on the terrain – are very various. Wine producion and fruit growing of the region are considerable. Wine production region of Tokaj is world famous and ones of Eger and Gyöngyös are known in Europe.

Tourism attractions of the region are given by varying natural endowments, cultural values, ethnographic traditions, medicinal waters, famous grapes and wine traditions, culture.

Significant problems of the region are unemployement exceeding national average, low-level employement, concentrated appearance of the falling behind settlements and population groups. To help their raise – similar like nationwide – no long-term efficient and sustainable measures and strategies have been made.

The role of higher education is determining in the region. There are significant research-development capacities available, however their density also stays below the average of the six rural regions. In our research we were wonder too, wether this capacity is used by small-and medium size businesses. (In the followings the businesses employing less than 50 persons are considered small businesses.)

Because the small businesses represent a dominant role, about 70% in employement of the region as well, therefore the social-economic rising cannot be possible without improvement of competitiveness of small businesses. On our research we looked for an answer wether what conditions are for it.

2. Economy of North-Hungarian Region

In the North-Hungarian Region 1,493 billion HUF Gross Domestic Product was produced in 2003, it is 8.1% of the national average. Share of the region was lower than five years before, it means it fell back again from 2001 in the order of the regions to seventh, last position. Measured in 2003 at GDP purchase power parity per person

Table 1

Area distribution of Gross Domestic Product (GDP), North-Hungarian counties, seven regions and Hungary, 2002

Description	Area distribution of GDP %	GDP per person in thousand HUF	GDP per person in percent of national average %	Order of counties and regions based on GDP per person
Borsod-Abaúj-Zemplén County	4.6	1,025	62	17.
Heves County	2.4	1,209	73	12.
Nógrád County	1.2	897	54	19.
North-Hungary	**8.1**	**1,050**	**64**	**7.**
North-Plain	9.9	1,062	64	6.
South-Plain	9.3	1,136	69	5.
Middle-Hungary	45.6	2,701	164	1.
Middle-Transdanubia	9.7	1,462	89	3.
West-Transdanubia	10.2	1,703	103	2.
South-Transdanubia	7.1	1,204	73	4.
Nationwide	**100.0**	**1,648**	**100**	**-**

(PPS) it was 8,198 PPS in Northern-Hungary, 38.3% of average of 25 member states of EU.

Unfavourite condition of the North-Hungarian Region is indicated by the fact that it is last in the figure of operating businesses per 1000 inhabitants among the regions, it means in the business density.

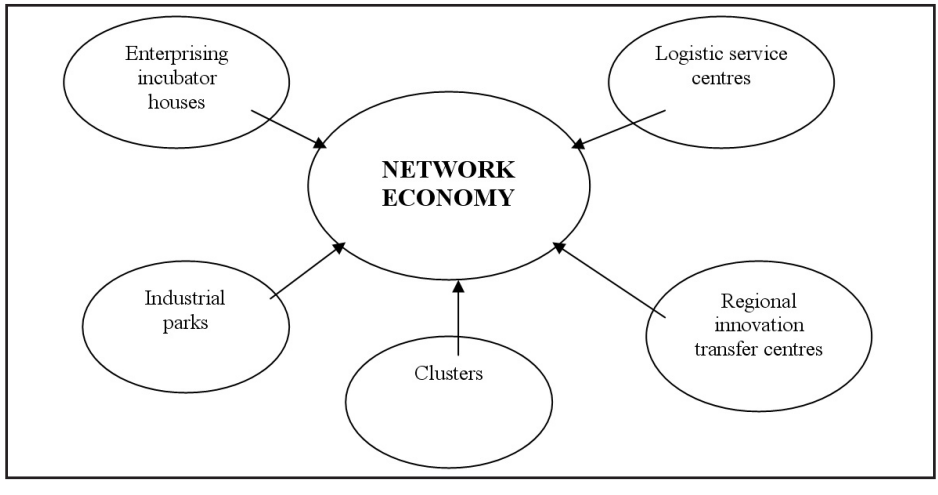
3. Small businesses and network economy

The network economy is such a complex structure, in which the players of business, public- and civil sphere are closely and permanently connected to each other. Since the last third of the 20th century the information has fulfilled more and more role in the economies, it is more and more becoming a resource, therefore the role of those institutes is increasing, which make possible fast accessibility of useful information. During our resarches we concluded that the greatest spare of the regional economic development is establishment and efficient running of basic elements of the network economy at the beginning of the 21st century *(Gergely – Nagy, 2006).*

In the following figure the elements of network economy are shown.

Figure 1

Elements of network economy



Networking, co-operation in clusters is much more important to small businesses than to large companies. Competitiveness of small business is determined by the fact that how way and how fast these ones can react to challenges set by marketplace and large companies. How these can meet requirements of suppliers and subcontractors. Appearance of competitors of huge capital capacity forces the small businesses to stay in the competition and to get competition benefits through establishing strategic alliances and networks.

One key element of organising networks is multinational companies operating on international market and domestic large companies, which can attract and enforce the local small businesses.

3.1. Industrial parks

The industrial parks are important organising scenes of capital attraction, modern industry, logisztics and services and therefore their establishment and filling

up have basic importance in term of modernisation of a given region.

Considering characteristics of the industrial parks the situation of North-Hungary is medium in comparison with other regions of the country, because 25 industrial parks operated in the region in 2006 from 179 ones of the country (of which 14 in Borsod-Abaúj-Zemplén, 7 in Heves, 4 in Nógrád), it is the fifth position, but in term of number of the employees it is third among the regions with the figure 23,705.

Figure 2

Industrial parks in the North-Hungarian Region



In the North-Hungarian Region 533 businesses operate in industrial parks, which is the second position among the regions. From 28 sub-regions of the region there are industrial parks in 18 ones. Their number is outstandingly high in the sub-region of Miskolc (5), but in the sub-regions of Kazincbarcika, Hatvan and Gyöngyös 2-2 industrial parks were established as well. The number of businesses operating in industrial parks of the region indicates quite large difference, since there is place where only 9 companies works, while the maximum reaches 47. Based on our researches it was concluded: an industrial park can only fulfil its economy development role when it helps activity of the small businesses through its services and helps them to be concentrated in the same location and to make co-operations.

3.2. Enterprising Incubator Houses

Based on the term of Federation of Incubators „ an enterprising incubator (house) is such a combination of industrial and service facilities established in a plant, which is primarily able to provide the beginners in business with necessary provisions for production of modern goods and application of latest technologies at highest level". The incubator houses do not give financial support to small businesses and rather provide them with beneficial services at much lower costs than ones of marketplace. In the North-Hungarian Region four incubator houses are operating, which are members of Federation of Enterprising Incubators

• Service Incubator House of Regional Enterprise Development Foundation of Nógrád County, Salgótarján City;

• Enterprising House of Sátoraljaújhely, Sátoraljaújhely City;

• Enterprising Centre and Incubator Foundation of Ózd, Ózd City;

• Inntek Co. Centre of Innovation and Technology, Eger City.

Incubator houses were established only in a few locations of the region, but their services are unvaluable to small businesses and beginners, both in reduction of their costs, getting information, networking and obtaining information to their innovation activity.

3.3. Logistic Service Centres

A Logistic Service Centre (LSZK) is a totality of such businesses, organisations belonging to service sector and settled in a closed plant, which are built on a common infrastructure system, information network. In their activity these ones are connected to purchasing, selling, goods – and information transfer – besides services of goods traffic centres- via production-technological elements, processes in a manner of value increasing.

Table 2

Certified regional logistic centres of the North-Hungarian Region, 2007

Company name	Facility under the below address	Certified title
ÁTI Depo Closed Inc.	6. Repülőtér str. Miskolc 3526	Regional Logistic Service Centre
Trans-Sped Logistic Service Centre Co.Ltd.	TVK-Plant,Tiszaújváros, 3581	Regional Logistic Service Centre

Source: www.mlszksz.hu

3.4. Regional innovation transfer centres

Economic competitiveness can significantly be increased by establishment, efficient operation of regional innovation transfer centres, because these ones can organise connection of industrial parks, professional organisations and research workshops of the region to innovation process at region level. Within the frame of it an information system of technical development can be created and a databank can be operated on research-development activity of the region. Also, a network based establishment and later operation of regional business-and innovation centres can be supported in this way. In Hungary the establishment of innovation transfer centres is planned in a few large university cities.

In the North-Hungarian Region a consortiun deals with establishing innovation system, which is led by the North-Hungarian Regional Innovation Agency. The members are

- North-Hungarian Regional Innovation Agency;
- Innovation and Technology Transfer Centre of Miskolc University (Miskolc);
- Public Foundation of Applied Research of Zoltán Bay (Miskolc);
- Innocenter Innovation Transfer Centre Co. (Miskolc);
- INNTEK Co. (Eger).

3.5. Clusters

Based on our studies it was concluded that the level of networking in the North-Hungarian Region is behind the other regions of the country, because the clusters were recently made.

- Carpaths Supplier Cluster (KBK – Sátoraljaújhely)
- North-Hungarian Automotive Cluster (NOHAC – Miskolc)
- Bioenergetic Innovation Cluster (Gyöngyös)

These clusters were initiated by organisations dealing with economy development, education, not by the businesses themselves, however it is true no any cluster can be made without businesses consisted of its core. Of course, the non-profit institutions of area-and economic development can have a catalyst role in this field.

4. Large companies in the North-Hungarian Region

4.1. Research hypothesis

According to our research hypothesis by studying structure, strategy and motivation of the large companies settled in the North-Hungarian Region the small companies will be able to adapt to requirements of the large companies and join more easily the system of corporate networks and their chance of becoming a permanent supplier will be improved.

4.2. Purpose, method and results of the research

A questionaire aided evaluation was prepared in 2006 on the situation of large companies operating in the North-Hungarian Region, with help of which the situation, management and operating characteristics of the large companies of the region were exploited, and also co-operation and competition attitudes, mentality of the top managers and finally their look forward. Also, industrial branch relations, ownership structure, network relations of the large companies working in the concerned areas were evaluated. The local roots of a given large company were investigated and also the areas, in which co-operation can be found with other organisa-

tions, with special consideration to small businesses.

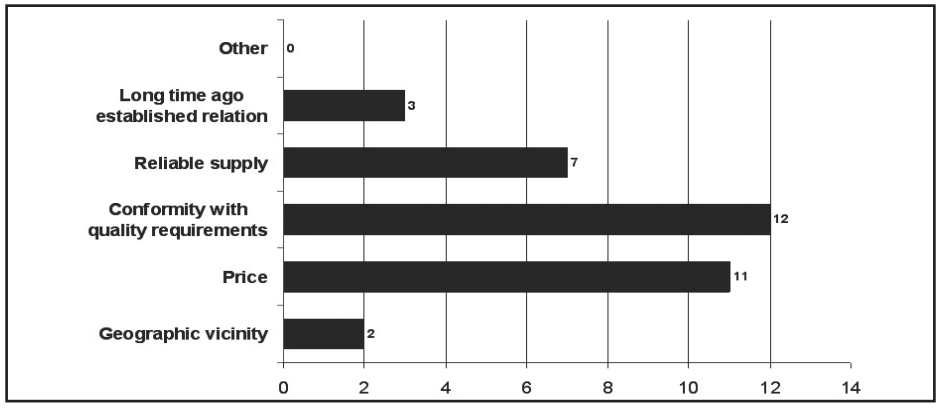
When selecting large companies we started from the fact that 88 profit-oriented companies operated in the North-Hungarian Region in accordance with data of the *Central Office of Statistics (KSH) (2005),* which is 9.3% of total figure of the registered large companies in Hungary.

Of the 88 large companies 83 ones were contacted via questionnaire sent by post and also the managers of the large companies in person in order to make verbal questionnaire evaluation.

Summary of the most important results of the research can be seen below.

Figure 3

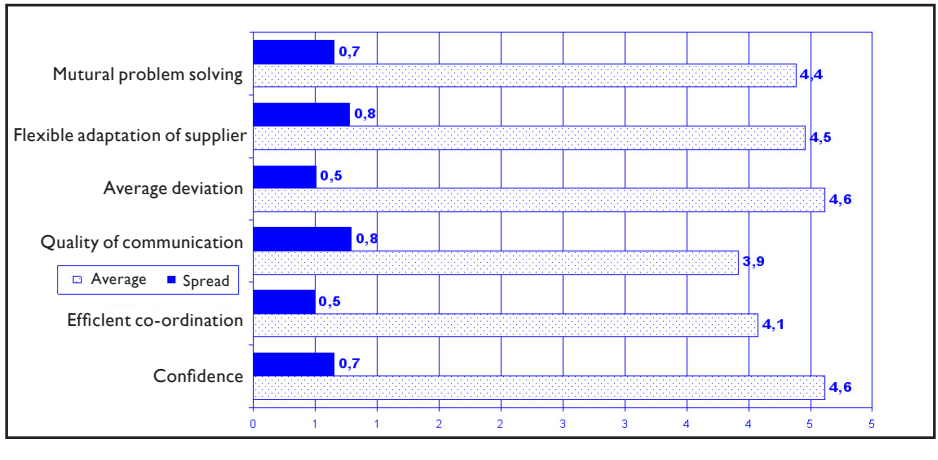
Aspects of selecting suppliers



In opinion of managers of the large companies the most important criteria set against the suppliers are conformity with quality requirements (12 companies), price (11 companies), reliable delivery (7 companies), already existing relations (3) and vicinity (2). Consequently, small businesses can primarily get supplier' position with improving quality.

Figure 4

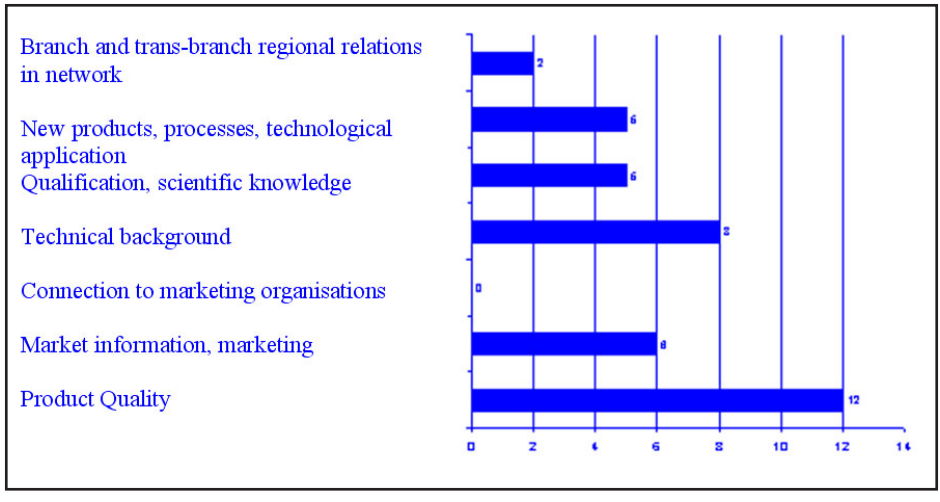
Success factors of long-term supplier's relations



In accordance with the investigated large companies the success of long-term supplier's relations is mainly influenced by confidence, accuracy and flexibility of the supplier, while efficient co-ordination and quality of communication only in smaller extent.

Figure 5

Internal corporate factors mainly determining competitiveness



Product quality and technical background, also market knowledge and marketing are considered by the large companies as three most important internal corporate factors, while connection to market organisations is not seen important, which is allowed by size of the company.

In opinion of the managers of the large companies the mostly missing factors for more efficient supplier activity of the small companies are conformity with quality requirements (22 companies), accuracy and discipline (14), co-operation ability (11), and development of machinery (8). These factors shall be changed by the small companies in order to be capable to meet supplier's requirements of the large companies long-term as well. Opinions about co-operation ability of the Hungarian businesses show very mixed picture. In their opinions the businesses are only able to co-operate if their interests are same, get in emergency or enjoy benefits from it. There was such opinion that majority of them is against the multinational companies.

According to 29% of the replies only one organisation could support the small businesses in most efficient way, further 45% supposes to do it with only a few organisations.

5. Competitiveness of small businesses in the North-Hungarian Region

5.1. Secondary research

During our researches aimed at exploitation of competitiveness of small businesses of the North-Hungarian Region the greatest difficulty of secondary research was lack of data and impenetrability between data. Today KSH and APEH can provide data in Hungary about small businesses. But at both authorities the employement data are considered among small busines-

ses limiting criteria. This causes distorsion of data. Both KSH and APEH can process data, maximum at sub-regional level and only from 2000. We note that it is unavoidable to arrange records of small businesses because without it any authentic information cannot be received about them, if it is not possible then how their operation can be adjusted? Then, how can it be to work out programs to them?

The following table contains most important data of the small businesses in the North-Hungarian Region for 2004 and 2005.

Table 3

More important data of small businesses of the North-Hungarian Region by corporate size, 2004-2005 (million HUF)

Regio total	Number of business	Net turnover	Export	Profit befor taxes	Number of emp-loyees	Own capital	Registe-red capital	Profit under balance-sheet
Small businesses								
Year 2004.	21,917	987,540	73,059	39,268	74,575	280,723	102,540	130,637
Year 2005.	22,580	1,093,284	71,155	47,660	77,317	337,624	136,942	22,757
Of which: Micro-businesses								
Year 2004.	20,198	500,700	30,223	21,999	36,211	137,342	60,686	67,456
Year 2005.	21,013	552,289	30,953	24,202	36,754	187,223	91,963	10,842
Medium size businesses								
Year 2004.	401	514,877	139,264	20,133	47,296	230,852	107,214	57,680
Year 2005.	393	580,494	177,523	30,856	40,332	224,990	108,637	6,209
Total								
Year 2004.	22,318	1,502,417	212,323	59,401	121,871	511,575	209,754	188,317
Year 2005.	22,973	1,673,778	248,678	78,516	117,649	562,614	245,579	28,966

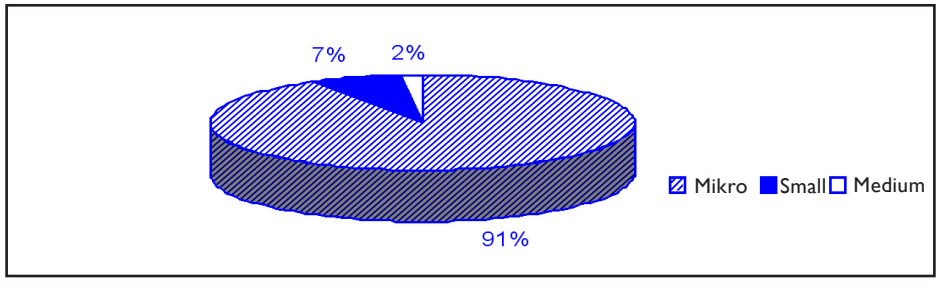
Source: APEH, calculated from tax reports

Comparing the two years the most figures show increasing tendency. But, there are significant exceptions as well. Among these, one most important fact that profit margin has reduced in each size category, its greatest extent was in case of the medium size businesses, but when considering total figure of the small businesses then the value of 2005 was only 10.7% of one of 2004.

We can state based on data of the above table that – in case of lower size categories – increase of number of the employed people is necessary to higher efficiency, while the medium size businesses can increase their turnover without it and perhaps their export as well.

Figure 6

Ratio of small businesses in the North-Hungarian Region, 2005 (%)



Source: own plotting based on APEH data

5.2. Primary research

Negative experience of primary research made among small-and medium businesses is low-level responding ability. Majority of small businesses did not see important to take part in such a research program, which aims at providing practical recommendations. In personal contact a responding ratio of 30% was achieved, which could be seen good because our questionnaire was detailed and deep.

During research the primary research of small businesses consisted of two parts. In the first part the financial and employment data were estimated via the sent questionnaire, while in the second part the questionnairing was done in person.

5.3. Sampling

Number of small businesses to be investigated was determined proportionally to those operating in the counties. Numer of small businesses operated in the North-Hungarian Region in 2004 was 29.262, of which in Heves County 7.733, in Borsod-Abaúj-Zemplén County 17.189 and in Nógrád County 4.340. 1% of small businesses found in the region, 300 businesses were selected to study in details.

5.4. Content and method of research

During researches our goal was to exploit qualification, inventory of knowledge, getting sources of information, their accessability, efficiency factors of information process-usage, characteristics of operation, tendencies of changes, co-operation and competition attitudes of the small businesses, mentality and looking forward of the small businesses of the North-Hungarian Region.

Similar methods were used to study characteristics of environment created by local, sub-regional and regional players and also their influence on operation of small businesses; emphasizing possibilities and conditions of reinforcing the supporting elements. Special consideration was put on finding out wether what resources were used to capital and operation of the small busineses.

During primary research the following aspects were focused on:

- Innovation
- Supply in, working in
- Network economy
- Strategy
- Mentality of managers

As mentioned earlier the employment and financial data were asked in the writ-

ten questionnair, while the structure of questionnair filled in person was the following:

- Basic data
- Financial data
- Investments, developments, innovation
- Network economy, supplier-, Business relations
- Human resources management, trainings
- Mentality of manager
- Business environment
- Strategy
- European Union
- Environment protection
- Energy awareness

5.5. Results of research

Distribution of small businesses investigated in the North-Hungarian Region by foundation year shows that 58% of the businesses was found between 1987 and 1996. Between 1997 and 2006 the 34% of the small businesses was established.

Most of the investigated small businesses have been existing for and more than 10 years.

40% of the small businesses have developed their business in the past 3 years, which is not a good ratio at all.

It was found out in the research that only 7% is the ration of the small businesses taking part in E-commerce. However, this opportunity would one of the most serious purchasing-selling benefits for small businesses.

The asked small businesses indicated mainly own sources as investment resources, while credit provided by financial institutes in smaller extent. Spread of state subsidies is proved by the fact that domestic state subsidies are followed at third position and finally the European Union resources. However, the risk capital providers said to be as one basic resources provider for the small businesses are only ranked at the end. 32% of the businesses do not plan any investment in the coming 3 years, main reason of which is lack of capital.

More than half of the small businesses mean innovation important, but 74% do not perform innovation activity at all.

Concerning network economy 35 questions were included in the questionnaire.

Table 4

Distribution of opinions on network economy at small businesses of the North-Hungarian Region

Description	Taking part (%)	Means important (%)	Does not mean important (%)	Does not know (%)
Cluster	0	13	24	51
Co-operation	23	33	18	11
Co-operative	2	23	51	10
Industrial Park	9	40	29	6
Incubator house	1	20	41	26
Supplies	23	49	12	4
Sorting out	10	18	44	13

The much we have learned that the small businesses think small importance of various possibilities of common efforts. However, without these ones it cannot be hoped to be principal improvement in competitiveness.

Majority of businesses do not seem the cluster important and do not know it at all. This is same for incubator houses. Also, no great importance is seen for co-operatives and sorting out. However, the co-operation, industrial park and supplies are mentioned useful.

As shown in our researches in the North-Hungarian Region, the greatest problem of today is that the small businesses even do not know their possibilities. One of the most important goals is to change this situation.

Some hope is seen that the small businesses not only think supplies important but they also take part in it in great extent, it is 49%.

Concerning the manager's mentality the questionnair contained a combined question, which invited the manager's attributes. The order of manager's attributes set up by them is the following:

1. Problem solving ability
2. Business sense
3. High-level professional knowledge
4. Ability of organising
5. Practise – oriented
6. Developed communication skills
7. Managerial knowledge
8. Co-operation ability
9. Risk taking ability
10. Analysing skills
11. Ability of representing ideas
12. Computer skills

Managerial style of the managers was summarised in four models:

- Optimising approach
- Elementery solutions
- Prestige principle
- Intuitive solutions

The 59% of the asked small business managers voted for optimising approach.

It was concluded based on the answers given by the questionnaire for question group of the business environment that the small businesses hardly deal with analysing their environment and possibilities. This fact was connected with the situation that there were micro-businesses in great extent among the asked ones, where the main goal was rather to exist and not to expand at all.

The 82% of the small businesses ranked the taxation system at grade one/two. The current taxation sytem mainly reduces competitiveness of small businesses of the North-Hungarian Region. The tax burden for small businesses is high in both regional and European context. Especially, the very complicated taxation system, annually made hectic changes on taxation system and outstanding high level of tax burden after labour, which are unfavourite by the small businesses.

Important purpose of our research was to estimate wether what environmental factors are meant most important by the small businesses in their operation. We received the following sequence:

1. Good relations with customers
2. Domestic market
3. Financial resources
4. Purchasing opportunities
5. Good relations with suppliers
6. Economic policy
7. Foreign market
8. EU market

The 48% of the asked small businesses already required credit. Among these ones the most popular was the Széchenyi-card, followed by Micro Credit.

The small businesses set up the following order depending on what organisation supported them most efficiently:

1. Interest representation organisations
2. Ministries
3. Financial institutes

4. Mainly state-maintained small business oriented advisory
5. Industrial parks
6. Sub-regional development offices
7. Municipalities
8. Federations
9. Innovation organisations
10. Colleges, universities
11. Inkubator houses
12. Research institutes
13. Foundations
14. Business angels
15. Civil organisation

The 61% of 82 small businesses involved in the questionnaire prepare strategy for some time, which can be considered a good ratio. The 30% of the answering businesses do not prepare strategy for any period of time. It can be concluded that making strategy is independent from size of the company.

6. Small business supporting organisations in the North-Hungarian Region

6.1. Research hypothesis

Recognition and increasing efficincy of activity of the organisations, mayors and sub-regional experts supporting the small businesses operating in the North-Hungarian Region provide the small businesses with ability of more efficient resources utilisation and improvement of their competitiveness and co-operation skills.

6.2. Purpose of the research

Purpose of the research was – through estimation of elements of the small businesses supporting organisations – to know activity of the organisations influencing, supporting the operation and competitiveness of the small businesses and also their services provided to the small businesses and role in development of the small businesses. Based on it and in agreement with other sub-research results such a strategy was elaborated, which is able to help development, co-operation skills improvement and increasing competitiveness of the small businesses working in the North-Hungarian Region in efficient manner.

6.3. Sampling

The researching principal mass was consisted of mayors, sub-regional experts, small businesses supporting organisations and higher-education institutes of the North-Hungarian Region. Because of large number of settlements not all the mayors were asked, but they were selected based on the number of inhabitants of the settlemens.

6.4. Structure of the questionnaire

Verbal and written questionnaire contained the following subjects:

1. Basic data
2. Managerial attributes
3. Management style, mentality, attitude
4. Environment awareness
5. Innovation
6. Small businesses

In order to make process of the questionnaire easy the method of alternative answer option and ranking of importance and qualification was also used within the closed question group. A few open questions were asked as well.

In Hungary – and of course also in the North-Hungarian Region – the small business development supporting institutional system is extensive, however its efficiency, goal-focusing ability and service-oriented activity are not perfect at all. If the supporting organisations worked in a sub-regional structure then efficiency of their activity would be much higher.

7. Regional small business supporting system – REKTÁR

7.1. Substance of the development

REKTÁR is serving professional and business interests of industrial and service small businesses in order to get socially recognised and reasonable income from their successful activity supported by recommendations. Activity of REKTÁR efficiently contributes to sustainable improvement of competitiveness of the small businesses. Through its activity REKTÁR increases employment and living standards in the North-Hungarian Region and improves life quality of people living there.

7.2. Purpose and activities of REKTÁR

Its purpose is to establish an independent advisory organisation, main interest of which is to increase income of the small businesses operated and to be established in the North-Hungarian Region, consequently income of the population of the region will be stabilised and/or increase as well.

For small businesses found in the North-Hungarian Region to provide basic, general advisory and specific advisory concerning production of a given product or service to be made by REKTÁR.

REKTÁR helps organising of industrial clusters fulfilling important role in the North-Hungarian Region and European Union and of other production, service clusters, industrial co-operation networks, other formations of network economy, service co-operations, purchasing-selling associations, machine utilisation associations, marketing networks of interests, vertical and horizontal integrations, industrial parks, technological incubator houses, logistic service centres, regional innovation transfer centres; and efficiently supports their successful operation with its activity.

Figure 7

Most important activities of REKTÁR

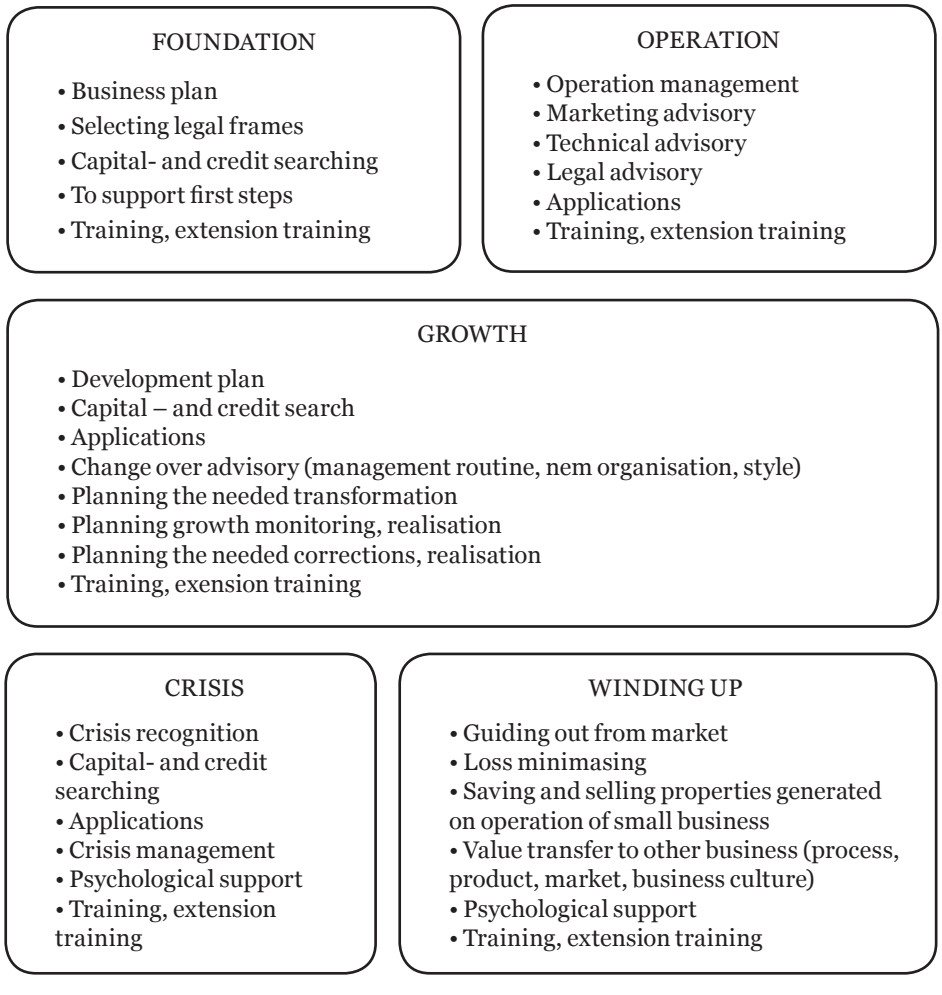
- Advisory
  – small businesses
  – municipal
  – technical
- Company foundation
  - To start business
  - Not to start, giving reasons
  - Goal, product, competition analysis
  - Legal frames
  - Finansing
  - First business plan
- Development
- Company strategy
- Company management
- Occasional advisory
- Gathering small business information, process and forward to decision makers
- Recommendations to change regulations
- Training
- Extension training
- Small business softver-management
- Organising research co-operations
- Organising cluster with participation of small businesses
- Inviting small businesses in industrial park
- Small business participation in logistic service centres
- Small business participation in incubator houses
- Small business participation in regional innovation transfer centres
- Knowledge centre
- Basic services to small businesses
- Charged services
  – corporate strategy
  – investment feasibility study

7.3. Tasks of REKTÁR in different situations of small businesses

REKTÁR shall support small businesses in each situation. As shown in the following figure there are different tasks at time of foundation, operation, growth, crisis and winding up.

Figure 8

Tasks of REKTÁR in different life situations of the small businesses



7.4. Financing of REKTÁR

It is worth to establish REKTÁR from tax incomes and European Union funds because its progressive role to be fulfilled in modernisation, increase of competitiveness and moderation of disadvantageous situation of the North-Hungarian Region.

REKTÁR collects incomes through activity of the advisor done at 20–25% lower cost than usual, market price is. Components of finacing are the Hungarian State,

EU funds and own incomes of REKTÁR. Their distribution is in the first year 40-60-0%, which would gradually reach – during 10 years – the income ratio 20-40-40%, it means own service income of 40%.

7.5. Operational results of REKTÁR in the North-Hungarian Region

From the second year the small businesses helped by REKTÁR at a more efficient operational level can generate a GDP growth of 0.15–0.30 % in the economy of North-Hungarian Region. It means that – calculated with GDP of 20,429 billion HUF in the North-Hungarian Region in 2004 – the annual growth can extend from 30.64 billion HUF up to 61.29 billion HUF.

In the increase of employment the REKTÁR can have role in the most disadvantageous sub-regions, regions and settlements of the North-Hungarian Region by helping activity of there operating municipalities, small businesses through its advisory and other services. Its job maintaining and new jobs creating effect can be estimated between 3500 and 5500 annually, considering the most careful estimation.

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