

# Survey of Business Competences among Graduated Students of Alba Regia University Center, Óbuda University

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**Abstract**—In everyone’s life there is a moment when we would like to harness and exploit our acquired knowledge and begin our adult life. We should take a stand for an income generating activity and we have to decide that will we want to work as an employee or will we start an own company. In our country the workplace creation is a government program. Accordingly there are many grant and tender opportunities which you might not hear often, but these are exist and available to support SME’s. In Hungary – like other EU countries – 99% of companies are micro and small businesses. The probability is very strong that jobs of our graduated students will come out of this segment or they will become self-employed. This requires not only professional knowledge but business sense and entrepreneurship are also needed. It is essential that we can exert a positive influence on our students to dare to start their own business. We have to extend their knowledge in connection with enterprises and we need to stimulate their interest in business life. Perhaps we find surprising facts if we try to compare the appearance of entrepreneur standards in our country with other European countries. By personal and direct information we can insight into the formerly and newly-established enterprises from the beginning to the present.

## I. INTRODUCTION – WHAT ARE SMES?

**Small business:** A business that is independently owned and operated, is not dominant in its field of operation, and can be started with a moderate investment for that industry.

**SME:** Small and medium-sized enterprises (SMEs) are often referred to as the backbone of the European economy, providing a potential source for jobs and economic growth. The main factors determining whether a company is an SME are:

- **number of employees** and
- either **turnover** or **balance sheet total**.

These ceilings apply to the figures for individual firms only. A firm which is part of larger grouping

my need to include employee / turnover / balance sheet data from that grouping too [2], [3].

TABLE I.  
MAIN FACTORS BY COMPANY CATEGORY

Company category	Employees	Turnover	or	Balance sheet total
Medium-sized	< 250	≤ € 50 m		≤ € 43 m
Small	< 50	≤ € 10 m		≤ € 10 m
Micro	< 10	≤ € 2 m		≤ € 2 m

## II. SMES IN EUROPEAN RELATIONS

### A. SMEs in the European Union

**European Commission** policy in relation to SMEs is mainly concentrated in five priority areas, covering:

- the promotion of entrepreneurship and skills;
- the improvement of SMEs’ access to markets;
- cutting red tape;
- the improvement of SMEs’ growth potential and;
- strengthening dialogue and consultation with SME stakeholders.

A special **SME envoy** has been set up in the European Commission Directorate-General for Enterprise and Industry with the objective of better integrating the SME dimension into EU policies.

**Annual structural business statistics** with a breakdown by size-class are the main source of data for an analysis of SMEs.

Development of small and medium-sized enterprises (SMEs) has been examining continuously for two decades in our country and in international relation too.

Basically the employment policy of economies justifies the sustained attention because people who operate in sectors are the two-thirds of all employees.

Examination of the SME sector is taken place in two dimensions in a complex way. On the one hand, it's done by the data of regular statistics from the ECOSTAT's enterprise database and from balance sheets. On the other hand, it's done by using the firm's representative results.

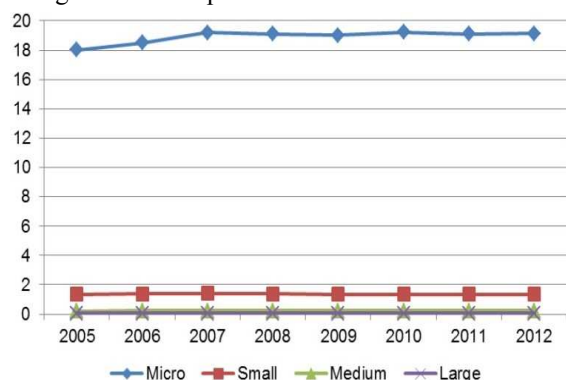


Figure 1. Number of enterprises by size-class, EU-27, 2005-2012 (Eurostat)

Figure 1 illustrates one of the three core SME indicators in absolute terms. With respect to the number of enterprises by size class, only micro enterprises showed an increase over the 2005-2012 periods.

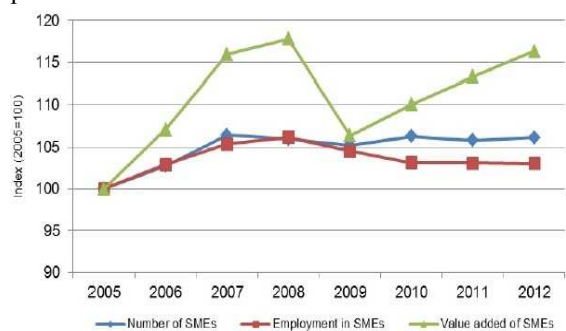


Figure 2. Number of SMEs, employment in SMEs, and value added of SMEs (2005 = 100) (Eurostat)

The performance for SMEs across the EU is measured with the help of three main indicators: the number of enterprises, their output via their gross value added (GVA) and the number of employees on their payroll. These three indicators reveal a mixed picture. Clearly SMEs were hit hard by the economic and financial crisis up until 2009, with year-on-year deteriorations across all three indicators, although large enterprises fared even less well. In 2010, the decline in the number of SMEs was largely halted, and there was a strong recovery in GVA across all size categories. Employment, however, declined across the board for the second successive year. The estimates for the trends leading up to the end of this year point to a rather shaky and fragile development for the EU overall: while estimates for 2011 broadly point to a stalled recovery with an expected reduction in the number of enterprises overall (with small firms the least affected), for 2012, the number of enterprises and GVA overall is expected to increase again

while employment in the micro and medium firms is to decline (it is expected to increase in small and large enterprises) [1], [2], [3], [7].

### B. SMEs in Hungary

The new enterprise structure was formed at the same time when state ownership collapsed. Foreign capital had a decisive role in connection with the rapid establishment of it. As for the employment, SMEs contributed significantly about stagnating unemployment in a manageable rate during the change of regime. The sector's efficiency is less than large companies' but still profitable. The representative survey inquired the expectations of companies. SMEs perceived that domestic business cycle effects are more reliable than the international ones but middle and large-sized companies think just the opposite of it. The supplier role of the national SMEs still has been forming; its technical development is moderate and uneven. With the promised aids, the sector will be able to become stronger within a few years.

In our country, the business sector's economic weight and its role that determining the development are even smaller nowadays than in other industrialized countries. Growth of micro-enterprises is still typical for the country and small businesses are evolving with steady dynamism too. The total number of middle and large-sized enterprises that are expected the most productive firms are mainly reducing. Enterprises in the middle-size category haven't developed enough yet for the formation of the optimal business structure. Their engagements haven't reached a harmonic, well-balanced level which is necessary for the development.

As the percentage of SMEs in Hungary is about 99%, two-thirds of the employees are employed there and 45% of the GNI's is also produced there. Economic growth, jobs, social well-being, individuals' satisfaction are depend on the success of these enterprises. According to some research, there is an intense correlation between the number of enterprises and the economic growth. Nowadays it's especially essential to support the establishment of companies because of the financial crisis which has held back the world economy for several years. The Lisbon Strategy which was reformulated in 2005 by the European Commission has become urgent: if Europe wants to preserve its competitiveness then more companies, more investment spirit for entrepreneurs and more innovation are needed. This could be accomplished by creating an entrepreneur-friendly policy.

In a nutshell:

- SME sector is stagnant in Hungary since at least 2005;

- Micro-firms are of particular importance as they provide more than 36% of the business economy;
- Hungary is still trailing other EU-countries in 8 out of 10 SBA areas, although in many there has been a recent gradual improvement of the situation;
- Government is remaining active on SME policy, but selected measures threaten to have a detrimental effect on SMEs [1], [4], [5].

C. Differences between the EU and Hungary

TABLE II.  
NUMBER OF ENTERPRISES IN HUNGARY (ESTIMATES FOR 2011)  
(EUROSTAT)

	Number of Enterprises		
	Hungary		EU27
	Number	Share	Share
Micro	543.773	94,8%	92,2%
Small	24.854	4,3%	6,5%
Medium-sized	4.257	0,7%	1,1%
<b>SMEs</b>	<b>572.884</b>	<b>99,9%</b>	<b>99,8%</b>
Large	805	0,1%	0,2%
<b>Total</b>	<b>573.689</b>	<b>100,0%</b>	<b>100,0%</b>

As regards all important descriptive features of its SME sector, Hungary emulates closely the EU average. Firstly, the stratification of the SME sector by the different size-classes is very similar. Secondly, also the sectorial patterns of the country's SME sector are almost the same as the EU's. In terms of the importance of hi-tech manufacturing activities as well as knowledge-intensive services, the situation is once again rather similar in Hungary and the EU as a whole. As regards knowledge-intensive services, their share in all services is very similar to those for manufacturing.

(Index: 2005=100, estimations as from 2010 onwards)

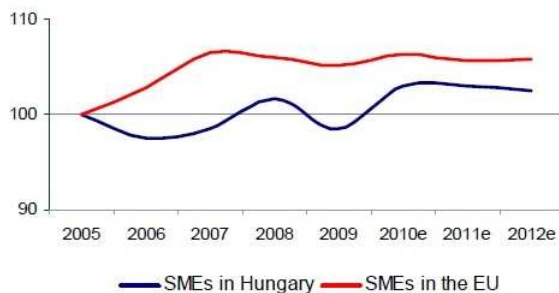


Figure 3. Number of enterprises (Index: 2005 = 100, estimations as from 2010 onwards)

However, when it comes to the development of the SME sector over the past few years and during the crisis, there are clear differences between Hungary and the EU. Hungary is one of the few countries in the EU that has seen a near stagnation of its SME sector since 2005. The total number of SMEs is estimated to stand at 572884 at the end of

2011. This would be just little more than 16000 additional SME since 2005 or a yearly increase of around 0,5%.

TABLE III.  
EMPLOYMENT IN SMEs IN HUNGARY (ESTIMATES FOR 2011)  
(EUROSTAT)

	Employment		
	Hungary		EU27
	Number	Share	Share
Micro	896.453	36,4%	29,6%
Small	475.398	19,3%	20,6%
Medium-sized	416.798	16,9%	17,2%
<b>SMEs</b>	<b>1.788.649</b>	<b>72,7%</b>	<b>67,4%</b>
Large	671.976	27,3%	32,6%
<b>Total</b>	<b>2.460.625</b>	<b>100,0%</b>	<b>100,0%</b>

If anything, the importance of micro-enterprises of less than ten employees is slightly more pronounced in Hungary than in the EU at large with 94,8% of SMEs being micro (EU: 92,2%) and an employment share of 36,4% (EU:29,6%).

(Index: 2005=100, estimations as from 2010 onwards)

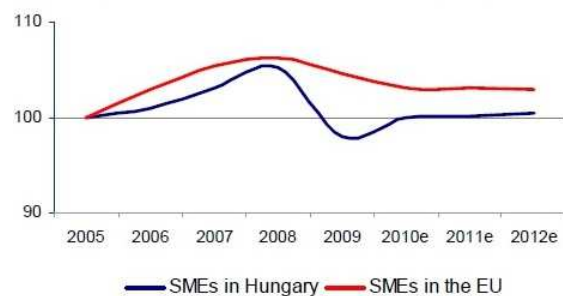


Figure 4. Employment in enterprises (Index: 2005 = 100, estimations as from 2010 onwards)

Neither the number of SMEs nor the number of employees working on those has been growing consistently and significantly over the past 7 years. The number of persons employed by SMEs is estimated to have remained similar between 2005 (1788010) and 2011 (1788649). It remains a concern that, in none of the SME size-bands, there is no evidence of an expansionary trend in terms of the number of firms and the absorption of additional employees by SMEs.

TABLE IV.  
VALUE ADDED OF SMEs IN HUNGARY (ESTIMATES FOR 2011)  
(EUROSTAT)

	Value added		
	Hungary		EU27
	Billion €	Share	Share
Micro	8	18,2%	21,2%
Small	7	16,0%	18,5%
Medium-sized	9	19,6%	18,4%
<b>SMEs</b>	<b>25</b>	<b>53,8%</b>	<b>58,1%</b>
Large	21	46,2%	41,9%
<b>Total</b>	<b>47</b>	<b>100,0%</b>	<b>100,0%</b>



Services is the most important sector accounting for 53% of all SMEs (EU: 45%), 41% of employment (EU: 40%) and 42% of value-added (EU: 43%) while trading, manufacturing and construction follow in that order. Hungary counts more than 5700 or 11% of all manufacturing SME (EU: 12%) which generate 70140 jobs (19%) and 28% of total value-added in manufacturing (EU: 30%). These figures have to be put in perspective, though, as many indicators measuring Hungarian SMEs innovative performance show very low scores.

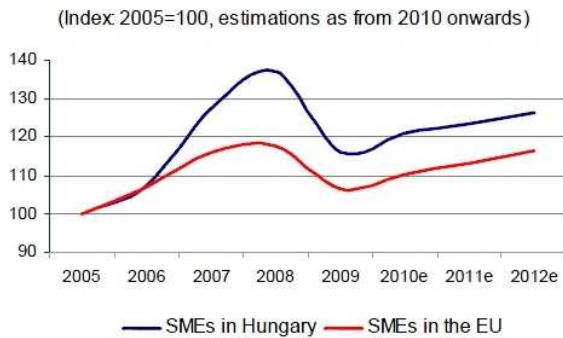


Figure 5. Value added of enterprises (Index: 2005 = 100, estimations as from 2010 onwards)

Only the figures for value-added are more closely in line with the EU trend and even surpassing it. The latter provides a silver-lining at the horizon in the sense that, in the absence of particular start-up dynamism in Hungary, it appears that at least the established SMEs have managed to grow at a decent pace.

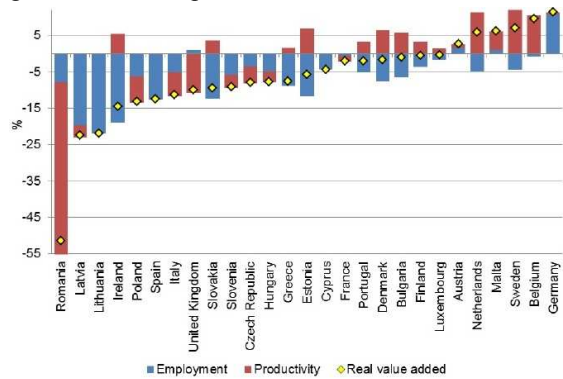


Figure 6. Annual growth percentages in employment, real value added and real productivity of SMEs in EU 27, 2008-2011 (Eurostat)

The best performing countries in terms of SME value-added and employment, experienced mainly employment growth and to a lower extent real productivity growth. Other countries that experienced a positive GVA growth during this period, achieved this mainly via a steady increase in labour productive overcompensating the parallel loss in absolute employment. On the negative side, the picture is equally mixed. There is a group of countries where a massive fall in SME employment was partially mitigated by a considerable increase in labour productivity hinting at an increase in

competitiveness. There are many countries where a loss in employment was accompanied by a simultaneous drop in productivity. It also includes some other Member States that were implement austerity measures.

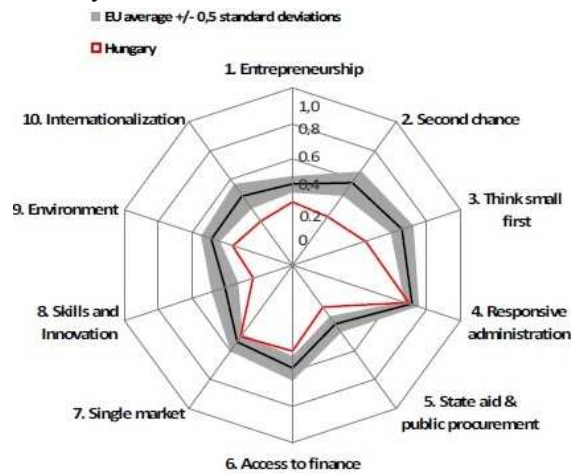


Figure 7. Hungary's SBA profile

If anything, it has become even more poignant this year, as there are only two SBA areas left where the compound growth rate for the collective indicators for the period 2007-2012 was negative – “Think small first” and “State aid and public procurement”. In all other areas, the growth rates seem to suggest an improvement of conditions over the past five years but below the EU average [1], [4], [6], [7].

#### D. What Help can SMEs Get?

**Small Business Administration:** The SBA is an independent agency of the federal government, created in 1953 for the purpose of protecting the interests of small-business owners. Big-business interests are promoted in Congress by well-organized lobbies, which work to create an atmosphere favourable for big business. Small businesses did not have this type of lobby power; for this and other reasons, the SBA was created. One important SBA function is to provide loans. The SBA's Office of Management Assistance aids people who want to develop their managerial skills.

**Incubators:** The incubator is a facility, office, shop, or location in which fledgling businesses can share space, costs, services, and information to grow their firms and to become strong enough to leave and operate independently.

**Small-Business Investment Company:** The SBIC is a privately owned and operated company licensed by the Small Business Administration to furnish loans to small firms.

**Minority-Enterprise Small-Business Investment Company:** A MESBIC is owned and operated by established industrial or financial concerns, private investors, or business-oriented economic development organizations. Minority

owners can ask for financial and managerial support from a MESBIC.

The **European Union** provides support to European small and medium-sized enterprises (SMEs). This is available in different forms such as grants, loans and, in some cases, guarantees. Support is available either directly or through programmes managed at national or regional level, such as the European Union's Structural Funds. SMEs can also benefit from a series of non-financial assistance measures in the form of programmes and business support services. Eligibility for support under many EU business-support programmes targeted mainly at companies of this size: E.g. research funding, competitiveness and innovation funding and similar national support programmes that could otherwise be banned as unfair government support ("state aid").

Of course there are some Hungarian organizations that also provide some supports for SMEs (such as FIVOSZ, RVA and SEED) [2], [3].

### III. OUR PROJECT

#### A. Project Description

Successful entrepreneurs could give the real incentive for young students who will leave their school shortly to dare to dream something big. It's important to evolve entrepreneurship in higher education and obtain basic knowledge about economy, law and finance besides acquiring professional knowledge that are required to start your own business. So our project's goal is to survey business competences among our graduated students.

On the one hand, we collected data from our personal relationships and on the other hand, from our teachers about our graduated students who do entrepreneurial activity now. We tried to inquire in both professional and economic ways too. Mainly, we visited teachers who have some significant business relationships in connection with data collecting.

After that, we contacted to these entrepreneurs via e-mail and phone to talk over appointments. Initially, we sent informative e-mails about our project that contained our project's description and the interview questions. We were searching for different types of enterprises because we considered this important for the purpose of our survey.

We defined some topics to organize our questions in groups. These questions were selected by us based on our common decisions. The most important topics are:

- Origination and history of the firm (ideas, financial resources);
- Occupation of the firm (services, manufacturing their own products);
- Clientele, consumer layer, market;

- Qualification of specialists, demands of the owners;
- Vision of the firm; current situation;
- Investments, developments, adaptation to the market (usage of loans);
- Free time.

#### B. General Conclusions

**Introduction, studies:** During our conversations with our interviewees it turned out that most of them finished their studies at Kandó Kálmán College of Electrical Engineering in the department of IT system analyst. During their studies they weren't planning to start an own business in the future but it was revealed that most of the entrepreneurs who are looked up by us worked in the Videoton as an employee. At the time of privatization the Videoton was privatized and lots of people were fired. Some of them thought that they must pay their way so they started their own business. Based on the responses that we got from the entrepreneurs, it turned out that lack of professional knowledge is occurred in case of forced entrepreneurs. On the contrary, the appropriate professional knowledge was always presented in case of those who consciously prepared for the entrepreneurship.

**Description of the enterprise:** As for the operating forms of the companies, enterprises typically chose the limited company (Ltd.) operating form but it is occurred that their former companies' legal form was limited partnership. Most of them chose an activity which is in connection with their studies e.g. IT services (software and website development, hardware sales). Most of the enterprises are micro-enterprises based on the number of employees working there. These belong to the SME sector. As for the extension of enterprises, these are considered to regional ones but a smaller proportion of them are nationwide because they operate in the entire country. It's worth to mention their market relations because enterprises those operate in the SME sector have an extensive relationship which could even expand to the international market in some cases. Owners are professional and financial investors of their companies in all cases. As the owners explained, it turned out clearly that they strived to avoid construction and working capital loans when they started their own business. In this way, they could stabilize the financial position of their enterprises as soon as it's possible. Most of the entrepreneurs tried to build up and develop their firms with their own resources or they took the helping hand of their families instead of banks. Most of the enterprises haven't got any own product except for companies who deal with development of software and website applications.

**Manpower:** They had a common statement that it's very hard to provide competitive salary and qualified professional resupply which has an appropriate knowledge. Their experiences show that the lack of adequate work experience causes the lack of professionals and the lack of appropriate resupply in most cases. The introduction of different kind of placement tests during job interviews was necessary because of the lack of adequate professionals. Entrepreneurs said that economic crisis made it necessary to reduce the staff in some cases. This situation has stabilized in this year with salary reduction and workforce retention grants. In this way, they managed to avoid another staff reduction. Trainings take place in many areas because of the lack of appropriate professionals in the SME sector. There are some own trainings which are financed by the enterprises to educate an appropriate professional staff and resupply from the available manpower within the company.

**Current state of the enterprise and its future views:** Most of the enterprises are in a stagnant situation. They are striving to stabilize their position in the market. Despite the fact that implementation of developments has been very hard since the economic crisis they are striving to increase their profits with minor improvements. In this way, they can keep their success which has been achieved so far at a given level.

**Grant opportunities:** All of the interviewed entrepreneurs have reached a point (at least at a conceptual level) when they want to use an EU grant. Some of them have already presented different kinds of grants (such as workforce creation, site development, R&D). However, one part of these grants was failed because of the adequate self-effort and the other part of them was used successfully. Based on what entrepreneurs said it turned out clearly: Those who managed to win the amount which is necessary to develop have already had the self-effort which is required for developments because of the current terms of tenders. So support wouldn't have been so necessary for them but on the contrary it couldn't be said in case of enterprises that are in lower growth or in case of start-up companies. Based on what they said despite the expectations terms of tenders haven't been simplified yet. In their opinion calls for tenders and their terms are so complicated that they need to ask for help from proposal writer companies to increase the chance of winning the tender. Despite the mostly negative experiences they said that they are still trying to win a tender because every small amount of money facilitates their companies' development.

**Working hours, free time and family:** Most of the entrepreneurs said that 12-14 working hours are necessary to reach an income level for their companies that produces as much profit as it

enough to evolve their companies, maintain their families' living standards and enough to cover their additional costs (such as salaries, bills). Besides of these, they have only a little free time that they could spend with their families, hobbies, and entertain. That's why all of them try to take advantages of this little leisure time. Some of them do sports regularly to relieve the tension besides their common programs with their families. There are also some entrepreneurs among them who write poems utilizing their artistic veins to find the source of joy among the difficulties of weekdays.

### C. Advantages

After completing the interviews we organized a workshop where our current students could meet with the entrepreneurs. Entrepreneurs reported there that how did they start their own business; they introduced their company, products and services; shared their experiences; opened our current students' eyes to difficulties by an open interview. These served as useful advices for the prospective young entrepreneurs. We will also publish an educational guide on DVD about entrepreneurship for them. This research project is also beneficial for the entrepreneurs because they could advertise their companies in this way. We got many experiences during this project in connection with entrepreneurship and relationship building so it's no wonder that it was useful for us too.

## IV. SUMMARY

As for a first step, a good idea is essential to make our dreams come true in the business life. The sufficient motivation and inspiration are necessary to dare to start our own enterprise. It's important that we must try to effectuate most of our resources from our own resources avoiding loans. Enough money requires to investments. We mustn't satisfy with the income that we realize in the first few years because we have to reinvest the money in our company. Besides the money, market relations are also important to advance and improve our enterprise step by step. Finally, lots of persistence and intrepidity are needed to continue our business successfully.

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