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## SUMMER MESSAGE OF THE SCIENTIFIC DIRECTOR



**Distinguished ERENET Members and Friends,**

Under the Hungarian Presidency, the European Union and its members have been facing extraordinary challenges. The public debt crisis continues. This highlights serious problems in the Greek political system despite their role as the cradle of world democracy, the Fukushima atom power disaster raising fundamental questions on energy supply, and unexpected Arab protest demanding free speech and democratic rule in formerly autocratic countries.

Foreign Minister János Martonyi summarised the contribution made by the Presidency in a press conference saying that "the Hungarian Presidency wanted to strengthen the European Union." "Hungary intended to be a honest broker" between member States and individual institutions of the EU. The Minister highlighted Hungary's contribution with the package of six legislative proposals to lay a foundation for economic governance and a new European level economic policy harmonisation for Member States. A major step had been made in the Danube strategy and in the field of Roma integration. Last, but not least, it is worth mentioning that Hungary paved the way for Croatia's EU accession.

Hungary handed over the Presidency to Poland on 1 July 2011. On this occasion Viktor Orbán, the Hungarian Prime Minister said, that "For a Hungarian, coming to Poland is a moving and emotional occasion." Referring to the role of Pope John Paul II and the Solidarity movement, the Hungarian Prime Minister emphasised that it was Poland that had given spiritual direction and political strategy to Central Europe. Without these two essential contributions Hungary would not have been able to join Poland in becoming a free country.



2011.hu

With regard to the ERENET Network, on 20 May 2011, the 5th Annual Meeting was convened at the Corvinus University, Budapest. It was held in cooperation with the European Small Business Alliance and 55 members attended.

Tina Sommer, President of the ESBA addressed the audience. The representative of the new Hungarian Ministry of National Development highlighted Government strategy in the field of SME development. Two special sessions were held: the first presented best practice in entrepreneurial education from the following Central-European countries: Croatia, Germany, Hungary, Poland, Romania, Serbia and Slovakia. The second one provided a forum for Central European PhD students to introduce themselves and their thoughts on research and thesis development. In parallel to this second session discussions were carried out under the supervision of László Kállay, the new SBDC Director of Innovation regarding transfer possibilities.

In conclusion, there is plenty of good news. *First* congratulations to our new Honorary Member: Prof. Dr. Marian Onoro Liviu, Rector of the Petru Maior University for his outstanding commitment in developing cooperation between the CEE universities and for his support to ERENET. *Second*, I am pleased to inform our distinguished Readers that the number of ERENET Members is now 175 from 41 countries. And *third* we can now be found on Wikipedia in English, German, Hungarian, Polish and Russian. It offers a major opportunity to entrepreneurs, governments, academics, especially in management education, students in all disciplines and the general public to enhance their knowledge in economic and social development.



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## ROLE AND RELEVANCE OF BUSINESS INCUBATORS IN ICT LED GLOBAL EDUCATIONAL SYSTEM: CASE FOR ECO-ENTERPRISE VILLAGE

### ABSTRACT

*Following paper presents the case of Business Incubators (BIs) as future educational and learning centres. It explores the question of how feasible and relevant is this concept and how they can be designed to deliver educational & training programmes that meet the requirement of knowledge economy by suitably preparing youth to face the challenges of the global market. Business Incubators are businesses aiming at nurturing and establishing other businesses. They are considered to be an excellent tool for Small and Micro Enterprises (SMEs) development. Targeted assistance at small entrepreneurs & start-up businesses- help them grow and graduate to mature enterprises. According to ILO estimates 300 million jobs have to be created world over in the next 5 years. As many as 45 million young people enter the job market annually, at a global level. There are three different kinds of BIs and they are public, private, and university based BIs and are commonly classified by ownership. In the IT-led global knowledge village, there are seamless potentials for study, earning a degree and education outside of the college campuses. Virtual campuses are the reality today. What are needed then would be centres for imparting practical lessons on commercialising the knowledge, innovative ideas, and technical skills. Also it is important to impart real training in starting, managing, making profit and pursuing the growth of enterprises & ventures that a youth entrepreneur could launch. In the knowledge economy, BIs can be real learning centres. Also, technological and academic oriented knowledge & literacy is not the only skill required for attaining success, set-up a business or getting a well-paying job in the new knowledge based global economy. But what is required are a set of skills called 21<sup>st</sup> century skills, which can be well delivered through BIs, when they are turned as educational centres. The paper also presents a BI model, which has an objective of building businesses with a strategic orientation towards environment and sustainable development. The BI design presented is called as Eco-Enterprise Village.*

**Key words:** Business Incubators; Micro, Small and Medium Enterprises; Information & Communication Technology; Education and Training; Eco Enterprise Incubator

JEL Code: L22, L26, M15

The concept of a BI is very simple and appealing. A business incubator is something like a premature infant incubator in a paediatric ward. However, the paediatric incubator attempts to nurse a premature infant baby, so that it may survive its own. Whereas a BI nurtures a company, which is at its infancy, to a stage till, it could successfully stand-alone and survive in the market place. (White, 2006) As the phrase itself implies, BIs are programmes intended to help small businesses get off the ground. According to Antal Szabo, former UN Regional Advisor & Scientific Director ERENET, 'Business Incubators are businesses aiming at nurturing and establishing other businesses'. (Szabo, 2010) They are multitenant facility providing affordable space and an environment that promotes the growth of small companies. They provide both services and rental space to start-up companies. The services typically include administrative help, consulting, and referral. Incubator programmes are managed both by public and private agencies.

BI programmes are often called as "new entrepreneur creation projects" or new enterprise development programs. They help develop new entrepreneurs and enterprises as well as provide support to start-ups businesses to survive and be in the business on a sustainable basis. (Bayhan, 2006) Some of them have been built upon a kind of real estate business model. A large area of office space between 30,000 to 50,000 sq. feet is what is required, to house up to 40 start-up businesses. A number of additional revenue generating activities within the BI can also be planned. They include education & training programs;

networking event; exhibitions etc apart from gains from equity partnership. Present paper explores how business incubators can be designed to deliver educational & training programmes that would meet the requirement of knowledge economy needs by suitably preparing youth to face the challenges of contemporary global market.

## WHY BUSINESS INCUBATORS NEEDED IN THE INFORMATION ECONOMY?

Within the framework and compulsions of the global market, it is almost impossible to accomplish the sheer number of tasks that need to be accomplished in the time frame available today for the start-up businesses. Successful entrepreneurs of the past several decades shows that they did not need incubators to come up, grow and diversify. Great entrepreneurs of yesteryears had an advantage of time, which is not available in today's information economy which is led by various components of Information and Communication Technology (ICT) which is faster. Challenge before an entrepreneur is to make claim in the market space, build a brand, and launch a company at the earliest in nanoseconds. There is no space for much experimentation. So how does an entrepreneur with a great idea accomplish this? Looking for help from a successful incubator is a solution. Whether it is office space, back office support, packaged finance, key personnel, marketing plans or leveraging investor relationships and past success; an incubator is essential to the current ICT led information economy. Traditional companies could always use the services of lawyers, agents, accounting firms, consulting companies and other services. Needs of the companies in the "new economy" are perhaps slightly different and require an even greater specialization and knowledge. Packaged services to those desirous start-up enterprise clients have thus emerged through business incubators. (Brandt, 2000) Here come the definition offered by Antal Szabo becomes relevant that BIs are businesses aiming at nurturing and establishing other businesses.

BIs foster the growth of entrepreneurial companies, helping them continues to stay alive and grow during the initial period. They provide a number of services to their client companies. Services that are being provided include business 'support services and resources tailored to young firms for their growth and development. (IPI/IKED, 2005) BIs are considered to be an excellent tool for building a thriving SME sector. (Bayhan, 2006; Koshy, 2010) EBay and other successful Internet ventures needed incubators to gain financing and attain the market share that they currently enjoy.

Incubators provide access to suitable rental space and flexible leases and shared basic business services and equipments. They also provide assistance in obtaining the financing necessary for a company grow. It is the provision of management guidance, technical assistance and consulting tailored to young and growing companies make business incubator programs unique. (Smith, 2004 ; Whitepaper, 2008; NBIA, 2009)

Incubators differ in the way they deliver various services. Their organizational structure also varies depending upon the types of clients they serve. There are different types of BIs with differing goals that include diversifying rural economies, providing employment and transferring technology from universities and technology institutions. Incubator clients are at the forefront of developing new and innovative technologies, products and services, which could improve the quality of lives. (NBIA, 2009)

## BUSINESS INCUBATORS AND EMPLOYMENT GENERATION IN THE LOCAL MARKET

Job creation is a global challenge. In this context, BIs can contribute in building youth entrepreneurship and youth owned companies so as to create employment opportunities in the local market, within the neighbourhood economy. Building *youth owned enterprises* is critical to innovation. Creation of jobs for the growing population can be addressed only by developing youth entrepreneurship as they could probably grasp global market dynamics and provide better enterprise leadership.

Youth can contribute to create competitive, efficient and innovative enterprises. Here comes the role of building a strong foundation in human resource development. For it is from this source that innovators & entrepreneurs have to emerge to make a difference. However youth who come out from the academic world need to be empowered for being self-employed, to start new ventures and commercialise their knowledge. Therefore, it is critical to direct them to the world of MSMEs to build an innovative, creative and competitive MSME sector. For the youth living in the information economy needs the institutional support system of BIs.

According to ILO estimates 300 million jobs have to be created world over in the next 5 years. As many as 45 million young people enter the job market annually, at a global level. Youth unemployment rates are three times higher than those of adults, as a worldwide average. Unemployed youth make up almost half of the world's total unemployed population. The rate of young people unemployed increased from 74 million to 85 million between 1995 and 2005. (ILO/09/39, 2009 ; GTZ, 2010)

## DIFFERENT VARIETIES OF BUSINESS INCUBATORS

Business incubators come in a variety of shapes and sizes in the modern economy. There are three different kinds of BIs and they are public, private, and university based BIs. BIs are commonly classified by ownership. Many of the BIs are attached to the universities, technical and technological institutes and management institutes. And most of them are under public ownership and are being run as not for profit initiatives. Numerous sets of subclassifications also exist, depending on their status as for-profit or nonprofit entities. (Zablocki, 2007)

First incubator in the history came up as a private initiative in the US. Often BIs come up with the support of the governments, LGIs (local government institutions). They could also be established as a CSR program. Bank Muscat in Sultanate of Oman set up a BI as part of their CSR initiative. (Bank Muscat, 2010)

For Profit BIs are privately funded and managed. The Incubator Company has the advantage of taking an ownership position in each of the companies that it nurtures in their incubator and can have the share in the profit, once the harvest begin. BIs can accelerate the time that it takes to get products of a company reach the market in a very short time span. Often private BIs are being set-up by venture capital companies, entrepreneurs, and corporations. According to a study on US incubators, 24% of BIs there take equity share in the start-ups that they nurture. Whereas when it comes to specialized incubators, 72% of technology BIs take some percentage of equity in those companies. This has now come to be as a source of revenue for incubators especially for privately owned BIs. (InfoDev)

Private Incubator fees can include a monthly service fee for various facilities provided such as telephone, computer usage, office space, and administrative services, as well as fees for professional assistance. Many of the for profit incubators accept outside investors. According to an estimate 15 to 20 percent of the US incubators are in the private sector. In the US, in terms of location, the bulk of BIs are urban (45%), then rural (36%) and suburban (15%). The main focus areas are: 43% Mixed use, 34% Technology and Targeted, 10% manufacturing 6% Services and 7% Empowerment and others. (Lalkaka, 2001)

## FINANCING BUSINESS INCUBATORS

Traditional approach to financing a BI model is that of State owned BI model, where the government funds and manages a BI. Even today, globally, most of the incubators are founded and funded by the governments themselves. But the trend is fast changing with the role of the State in the business arena itself has changed. BI itself could emerge as an industry that build, nurture new businesses. In addition to the government sources, corporate sources such as CSR initiatives add to the range of funding for incubators. University incubators are mostly financed by the universities themselves and government/private agencies. Governmental departments, various State agencies local economic development agencies, local government intuitions(LGIs), financial institutions and others who want to promote and develop SME sector and facilitate job creation at local level also finance and supports BI projects. There are also particular businesses that want to tap the market of SMEs and entrepreneurs are also probable financiers of BIs, in order to build business relationship with incubator clients. Chambers of Commerce, Trade & industry associations, corporate and community foundations etc are examples in this regard. BIs could also expect support in terms of tax incentives, low interest loans and tax credits to entities investing in incubators. Private partnership funding is yet another method of financing, which is by way of raising money from a coalition of businesses and banks for operational funds. (Chandra, 2007)

The pattern of US incubator sponsorship is as follows, based on a NBIA report 2000: (Lalkaka, 2001)

Sponsor Percent (%)	
State/local/provincial government	24
No sponsor (independent)	18
Economic development group	18

Educational institution	20
Venture capital	8
Other	12

Other possible services and revenue generation avenues need to be explored for BIs to be self sustainable in the years ahead. This would also possibly attract more private participation in this industry. Some of the other possible revenue generation tools are providing skill development and educational training programs through the facilities & by pooling skilled human resources at the disposal of a BI , organization of various networking events for the larger SME sector as well as start-ups such as exhibitions, seminars, conferences and industry oriented workshops.

### SERVICES PROVIDED IN A BUSINESS INCUBATOR

Initially, BIs used to provide inexpensive physical environment in old or vacant buildings. But BIs evolved over a period of time to concentrate on companies themselves, helping them to grow. A range of services was developed to assist small companies by providing shared support services such as:

- secretarial assistance
- receptionist
- access to photo copiers
- internet, telephone ,fax, telex;
- technology transfer
- professional services like
  - business planning
  - legal
  - accounting & marketing support.
- mentoring support
- help in fulfilling regulatory requirements
- help in the new firm getting registered
- help in company going public through IPOs and capital/share market participation
- Access to working capital is also arranged through provision of debt and equity financing, government grant/loan assistance, by connecting them to a financial network of angels, bankers, and venture capitalists. In the USA 33% of business incubators have in-house investment funds. (InfoDev)

### HISTORY OF BUSINESS INCUBATORS

First incubator in the history came up as a private initiative in the US, in Batavia, New York in 1959. It began as a real estate venture. It was an attempt to utilize unused industrial warehouse building space, as a commercial venture and was pioneered by Joseph L. Mancuso. One of the first tenants at Batavia Industrial Center was a chicken company, which was into poultry production. (Asme) In 1951, Stanford University created a research park in an attempt to bring in companies that would develop research and commercialise them for their student base. Incubation pioneers appeared in Europe at the end of 1960s established as research parks and concentrated on building technologically oriented start-ups. (narmsp.sk)

The earliest BI programs focused on a variety of technology companies or on a combination of light industrial, technology and services firms. Such BIs are referred to as mixed-use or general incubators. Whereas recent years witnessed the emergence of new incubators that targets specific industry sectors such as food processing, medical technologies, space and ceramics technologies, arts and crafts, and software development.

Incubator sponsors also started to target specific areas for instance micro enterprise creation, the needs of women and minorities, environment and telecommunication sectors.

By 1980, there were only 12 incubators in the United States. Between the years of 1984 and 1987, the U.S. Small Business Administration developed several initiatives to build the incubator movement. (Asme) In the 1970s, the first incubator was set up in Australia and in 1974 in Asia . In the 1980s, incubators were opened in Scandinavia and in Germany. The first Latin - American incubator was created in 1986. The 1990s



were a chance for Central and Eastern Europe, when those countries were faced with a transition from socialist model to market economy. In the former socialist countries of East Europe and Russia, incubators were being considered as a tool for building the private sector economy which was smaller in size prior to transition.

There are around 7000 business incubators around the world, according to an estimate. GCC has around 20 incubators. The first incubator in the GCC came up in the Kingdom of Bahrain, when it took initiative to set up a BI in 2003 with the support of UNIDO. Since then a number of other countries in the GCC set up incubators. The Sultanate of Oman also came forward and set up Knowledge Oasis Oman (KOM) as a joint venture with UK technology park programs. (ALMUBARAKI, 2009) Eco- Enterprise Village (EEV) is an interesting concept with a focus on nurturing environment friendly enterprises. At present, more than 60 national and international business incubation associations and research and technological parks exist in the world, which actively support the development of new enterprises and regional economic growth. (narnsp.sk)

## **BUSINESS INCUBATORS AS A TOOL FOR SME DEVELOPMENT**

Business incubators are an important part of the support infrastructure of SMEs in the world. Their greatest benefit is enhancing enterprise survival rate. Incubated companies have a considerably higher rate of survival. Studies have documented that Business Incubators enhance chances of firm survival by 80 to 85 percent. The establishment of new incubators peaked in 1987, and the new wave of economic development initiatives in the 1990s focused on helping existing businesses survive and prosper in the face of global competition. Small business incubation is now a well-established and an accepted economic development tool. Incubators are now used to promote the growth of entrepreneurial ventures of every imaginable type. Incubation can be very useful for a new company, but they should have an internal business plan and management team as early as possible. (LABJ, 2000)

## **EDUCATION WITH A FOCUS ON EMPLOYMENT**

The high percentage of youth unemployment is being considered as one of the most serious concern and a barrier to economic and social development. In this context to promote and accelerate youth employment opportunities what is required is a multi-sectoral employment generation strategy. These strategies have to generate synergies among policies and institutions that are active in the economic, education, employment, and social sectors. (GTZ, 2010) Education is not yet employment-oriented as it should be.

Youth empowerment through education and employment demands greater attention. The unique position of education in preparing students for the competitive job market need not be overemphasized. The relevance of higher education in this regard is the extent to which the courses studied by students could readily and easily be fixed into the context of demanding market conditions. The role of higher education in preparing youth for job market is becoming more challenging in the modern society. (Olufunke Akomolafe, 2009; Yorke, 2006)

It is often the current system of education that does not adequately prepare students to be self-employed. This could be mainly due to lack of educational programs in those lines. But the youth of today want to have focused education and training that have the potential to be applied in real life situations, empower them and enable them to take on the challenges of life, especially work related and finding a suitable career/profession that gives them satisfaction as well as income for their living. For instance, take the case of the youth population that wants to set up their own business establishments. How far today's educational system geared to train and assist them towards realizing their targets in life?

For the growing number of population, the solution for the unemployment problem is indeed self-employment through entrepreneurship development. After finishing formal education, young people should be able to consequently make successful 'transition to work' with the skills and knowledge they acquired (UNESCO, 2005). World over today, many graduates of higher education remains unemployed, some under-employed. Only a minority of them becomes self employed despite opportunities. What is required in this context is a new model of educational delivery that empowers a student to be self-employed, and to launch one's own ventures and commercialise knowledge acquired.

Entrepreneurs are plenty. And, youth have the potential to make a difference, if, appropriate support,

assistance and encouragement are given. They have high aspirations, eager to experiment with innovative ideas and take risks to prove themselves. But, when it comes to launching a new venture, they need support. Though there are entrepreneurship development programs (EDPs) in select management institutes but their scope is limited in enabling youth to start their own ventures as they don't provide the support system that a BI do provide.

### **EDUCATION TRANSITION IN DELIVERY THROUGH ICT: LEARNING FOR A KNOWLEDGE ECONOMY**

In the IT-led global knowledge village, there are seamless potentials for study, earning a degree, knowledge building outside of the college campuses. Virtual campuses are the reality today. What are needed then would be centres for imparting practical lessons on starting, managing, and pursuing the growth of enterprises & ventures that a youth entrepreneur could launch. In the knowledge economy, Business Incubators can turn to be real learning centres. Each student need to identify commercial relevance of the knowledge acquired so as to survive in the highly competitive world. Educational establishments also could help students by way of setting up business incubation programmes to find commercial application of acquired knowledge.

Technological literacy is not the only skill required for attaining success and set-up a business or getting a well-paying job in the new knowledge based global economy. EnGauge of the North Central Regional Educational Laboratory (U.S.) has listed a set of skills that are required for the knowledge based information economy. Those skills are called 21st Century Skills. 21<sup>st</sup> century skills includes "digital age literacy (consisting of functional literacy, visual literacy, scientific literacy, technological literacy, information literacy, cultural literacy, and global awareness), inventive thinking, higher-order thinking and sound reasoning, effective communication, and high productivity". (Tinio, 2003)

Following table illustrates the skills required in the ICT led work places and knowledge economy.

**21<sup>st</sup> Century Skills**

<b>Digital Age Literacy</b>	
Functional literacy	Ability to decipher meaning and express ideas in a range of media; this includes the use of images, graphics, video, charts and graphs or visual literacy
Scientific literacy	Understanding of both the theoretical and applied aspects of science and mathematics
Technological literacy	Competence in the use of information and communication technologies
Information literacy	Ability to find, evaluate and make appropriate use of information, including via the use of ICTs
Cultural literacy	Appreciation of the diversity of cultures
Global awareness	Understanding of how nations, corporations and communities all over the world are interrelated



<b>Inventive Thinking</b>	
Adaptability	Ability to adapt and manage in a complex, interdependent world
Curiosity	Desire to know
Creativity	Ability to use imagination to create new things
Risk-taking	Ability to take risks
<b>Higher-Order Thinking</b>	Creative problem-solving and logical thinking that result in sound judgments
<b>Effective Communication</b>	
Teaming	Ability to work in a team
Collaboration & interpersonal skills	Ability to interact smoothly and work effectively with others
Personal and social responsibility	Be accountable for the way they use ICTs and to learn to use ICTs for the public good
Interactive communication	Competence in conveying, transmitting accessing and understanding information
High Productivity	Ability to prioritize, plan, and manage programs and projects to achieve the desired results. Ability to apply what they learn in the classroom to real-life contexts to create relevant, high-quality products

Source: Adapted from EnGauge. North Central Regional Educational Laboratory; Victoria L. Tinio, *ICT in Education, e-premier*, UNDP-APDIP, 2003, p. 7

## ICT ORIENTED EDUCATIONAL DELIVERY AND BUSINESS INCUBATORS

An important aspect of Information and Communication Technology (ICTs) is its ability to transcend time and space. Online course materials, could be accessed 24 hours a day and 7 days a week. Radio and television and such other broadcasting technologies could also be made applicable. ICT-based educational delivery dispenses with the need for all learners and the instructor to be in one physical location-class room. Here comes the potential for BIs to work as the real learning centres for the enterprising youth population. In this context of business incubators can prepare students to be self supportive, and self-employed. While they acquire some of the business management techniques and much required as 21st century skills from a BI students could continue their learning that they could otherwise do from traditional college or a university through ICT modes and practical/applied educational programmes from a BI.

Also, ICTs can facilitate access to resource persons such as mentors, experts, researchers, professionals, and business leaders, from all over the world to assist enrolled students in a BI. Further, there is access to remote learning resources. With the Internet and the World Wide Web, a wealth of learning materials in almost every subject and in a variety of media can now be accessed from anywhere at any time by an unlimited number of people.

Educational institutions have to prepare students to be entrepreneurs. In the context of growth of population and challenge of providing employment opportunities to them can be addressed by churning out graduates who can be self – employed with entrepreneurial and enterprise management skills. The challenge hence is to have model that would combine education, learning and training with employment and enterprise creation. . In the information age, learning is much more collaborative and active process. Here, learners learn as they do and, whenever appropriate, work on real-life problems in-depth, making learning less abstract and more relevant. (Tinio, 2002) Education oriented business incubators thus appears to be a solution. As table above explained, 21<sup>st</sup> century skills can be imparted in a better way through educational centres located at a business incubator.

## BUSINESS INCUBATOR AS FUTURE EDUCATION CENTRE

Considering the scope and potential of un-identified youth talent, there needs to be a much vaster network of BIs. These BI's could provide a diploma or degree in economic leadership, business & enterprise leadership to those successful candidates during the pre-incubation stage

### *A Business Incubator Model*

Eco-Enterprise Village (EEV): Business Incubators for building environmentally focussed companies  
Why Eco-Enterprises Business Incubator?

Eco-Enterprise Village (EEV) is a general type business incubator concept. It focuses on building & nurturing green oriented companies for whom environment-conservation and sustenance as core corporate strategy. It would help commercialise new technologies, new ideas and all kinds of innovative products and services, with a focus on contributing to sustainable & eco-friendly development.

Deterioration of the eco-system is a major issue that the world faces today. This is due to rapid economic growth and race for attaining much faster growth. In this race what is ignored is the environment. EEV- BI model is an attempt to build companies as partners in sustainable development with a focus on environment. Below is a list of few select sectors that would be nurtured and encouraged in an EEV- BI. They include the following but are not limited the below list:

- Solar technology Companies and alternative energy products
- Recycling industry, Waste management industry
- Information and Communication Technology units
- Public Relations, Advertising, Marketing and other such service sector units
- Business Process Outsourcing Units

**Targeted population: Youth**

Targeted population would be youth within the age bracket of 18 – 25. It would target youth population and imparts lessons, training, exposure, in-house networking possibilities, space and post launch mentoring assistance to up to 20 to 40 start-up ventures.

#### Features of EEV □ Business Incubator

To be sustainable and to offer additional services EEV should have a space between 40,000 to 60,000 sq. feet. EEV business incubator would have a focus on pre-incubation phase as a thorough preparatory period. During which an entrant entrepreneur will undergo rigorous training, coaching and s/he would be provided with opportunity for extensive interaction with the industry that prepares them as entrepreneurs as well as enterprise manager.



Figure 1 Eco-Enterprise Village features

#### Focus on education and training: Pre-incubation programs at EEV

The present education system, at all levels, is not tuned to produce ready to work and ready to perform graduates or students. It is a fact that the world of academics is different from the world of work. The EEV educational and training programs are designed to bring out youth ready to work for their own company. They would be taught and given certificates, diplomas or degrees as well. The training programs help them prepare themselves for the world of work and introduce them to demanding work site & enterprise management needs.

#### Educational, skill development and training programmes

Offering practical and applied education and training programmes for the youth and any other desirous entrepreneurs as well as anybody else would be a major part of EEV – BI programmes. A list of

probable courses that would be offered include: Entrepreneurship development; enterprise management; financial management; accounts management; sales & marketing; communication for managers; and IT for enterprise managers.



*Figure 2 EEV Education & Training Programs*

This would essentially act as an additional revenue generation for EEVs, as such programs would be offered to youth in general as well.

#### **Pre-incubation phase- focus on training**

In addition to educational programmes offered to youth, there would be very specific Pre-incubation training phase which is being planned as a six month long training leading to a diploma or post-graduate diploma in enterprise development and management, with practical and exposure programmes. Pre-incubation training is expected to be a very comprehensive training in all aspects of enterprise management.

#### **Towards Incubation: Starting a venture and getting admitted to EEV Incubator**

During the pre-incubation phase, training & preparatory period, an entrepreneur gets equipped to enter into incubation stage. Training and education, empowers them to perform their responsibilities. Once training period is over, which is compulsory, all the potential entrepreneurs then move to the EEV business incubator for which, EEV management conducts a crucial screening of desirous entrepreneurs and choose the apt on the basis of certain criteria that the management decides.

**Assistance would be provided during the interim period in the following aspects:**

- Developing a bankable Business plan
- Each candidates to be attached with a mentor

- Technology Selection & identifying partnerships
- Facilitating Business partnerships
- Seeking licenses/regulatory assistance

#### Incubation phase: Services available to incubate start-ups

Companies will be permitted to stay in EEV Business Incubator, to begin with, for a period of 36 months. Monthly service charge will be levied to a company for the period of first 12 months, and at a higher rate from second and 3<sup>rd</sup> years. EEV, Business Incubator management at its own discretion, as per the requirement, permit companies to extend their stay for a maximum period of another 24 months.

#### Incubation phase services in Eco-Enterprise Village

Office/workshop/ lab space & furnitures	High speed internet	Computers/Photoc opying	Common Reception
Fax/Telephone/Co mmunication	Mentoring support	Marketing Support/ PR support and Initial promotin	support to fulfill regulatory requirements
Finance/funds identification, IPO Support when required	Marketing support/Promotio n /common PR	Technology transer/internatio nal collaboration	Networking opportunities

Figure 3 Services during Incubation Phase in EEV

#### Joining the EEV

- One time registration and joining fee (to be fixed)
- Will undergo a 6 months training program at EEV and get a diploma in enterprise development and management
- After 6 months they will be attached to a mentor, in addition to EEV staff who would assist the entrepreneur in setting up and running their companies
- Receive assistance in availing bank finances and other sources of funding
- Can take an office space as per the requirement at a cost which is fixed from time to time

#### Enterprise Resource Centre (ERC)

The EEV would house an Enterprise Resource Centre which would be a centre for providing various services to MSMEs and entrepreneurs. Following are some of the services that the ERC would provide:

**Business and market intelligence:** Resource centre would provide information pertaining to all aspects of market, finance, technology, changing policies, business rule and any other relevant information that are required for the enterprises. This service would be a revenue source for the EEV.

**Market studies, reports and feasibility studies:** would bring out regular market studies and analysis would conduct feasibility studies on projects as and when asked for on a fee basis

**Business directories and publications:** ERC would compile and bring out directories and other useful materials for business houses

**Events:** ERC would organize events such as exhibitions, seminars, conferences, workshops and other



networking event on a regular basis

## CONCLUSION

Business Incubator as detailed above can function on a sustainable basis and serve society, economy and communities in creating employment opportunities, building sustainable eco-focussed enterprises and thereby alleviate poverty and promote and assist in building a thriving Small and Micro Enterprise sector. If given an educational focus and provide it as a service that would be an additional revenue source for BIs. Together with business incubator services, educational programs for business leaders and services of ERC, the model of BI suggested here called Eco-Enterprise Village offer a promise to youth population to build sustainable youth enterprises.

What is needed in today's complex and challenging global market scenario for the youth population are institutions that would provide education as well as mentoring support to translate the knowledge acquired for commercial uses and youth coming out from academic world to be self-employed and start new ventures of their own on a successful manner. Business Incubator model, presented here with a focus on imparting educational and networking services by harnessing ICT tools could prove to be a panacea for some of the challenges and issues of the modern times such as building a competitive SME sector, eco-friendly businesses, unemployment and building youth enterprises and entrepreneurship.

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## THE CHARACTERISTICS AND DEVELOPMENT POSSIBILITIES OF FAST-GROWING SMALL AND MEDIUM-SIZED COMPANIES IN HUNGARY

### ABSTRACT

*This paper is the summary of the Theses of Ph.D. Dissertation of Mr. Krisztián Csapó prepared within the framework of Business and Management Ph.D. Programme at the Corvinus University of Budapest.*

JEL Code: L22, L26

### BACKGROUND AND AIM OF THE RESEARCH

#### The Economic Importance of Fast-growing Companies

“We live in the period of entrepreneurs and businesses”, writes János Vecsenyi (2003) in the introduction to his book which is considered to be the most important secondary literature in the topic of entrepreneurship in Hungary. His statement can be justified, because the expansion of globalisation and the Internet contributed to the increase in the number of companies to a great extent. More and more people would like to establish a company, thinking that it will make a living for them. Thus companies usually have a small size at the beginning, and most of them remain small forever. This is proved by the statistics of the OECD, which show that the proportion of small and medium-sized enterprises is over 95% in the member states (OECD, 2002a). Small businesses employ a growing proportion of workforce, so the economic policy of most countries pays special attention to them; these businesses have become a tool for employment policies in many places.

While small businesses have a significant role in today's economies on the whole, the prospects of the individual small companies are uncertain. Many young companies go bankrupt in the first year of their operation, and the life of many companies is a constant struggle to survive. This is why dynamically growing companies that are able to show a constant high growth and gain a significant profit for their owners receive special attention. According to several researches, the economic role of such companies is also important: in the period examined by David Birch (1998) in the United States, 75% of the new jobs were created by fast-growing companies. The study of “Innovation in Industry” (1999) emphasises that half of the US economic growth can be attributed to (gazelle) companies that did not even exist a decade ago. Fast-growing companies are not only leaders in terms of creating workplaces and contributing to the GDP: they are also more innovative than other companies.

The social role of fast-growing companies is at least as important as their economic significance, because they act as a pulling force: they show an example to other companies, and encourage them to grow (Brophy, 1997), thus they operate as the motor of the economy (Szirmai, 2002a). We can read and hear about the success of several such international (Microsoft, Google, Starbucks Coffee, Subway etc.) and national (Graphisoft, Fornetti, NavNGo etc.) companies. What is common in these companies? All of them are relatively young companies that started as small businesses, and showed an incredibly high growth rate in the past years, bringing fundamental changes to certain sectors in many cases. Recognising the significance of such gazelle companies, the European Union made the following statement in the bulletin on the implementation of the Lisbon Programme: “if Europe wishes to maintain its social model, there will be a need for a higher rate of economic growth, more new companies, higher entrepreneurial motivation to invest in innovation, and even more small and medium-sized businesses with high growth potential” (Európai Közösségek, 2006).

In the course of the last few years many developed (Western) countries had to face high unemployment rates and slow economic growth. According to economists, these were caused by unfavourable

macroeconomic circumstances, the nature of labour and product markets, fast technological changes and the effect of globalisation (OECD, 2002b). More and more people share the view that the growth of small companies and the encouragement of entrepreneurial activities are essential to be able to solve the problem. The vast majority of new companies, however, have a very limited effect on economy, since most of them will never engage in innovation or grow, and what is more, they do not even have the intention to do so. According to economic policy experts, new workplaces, and new businesses creating them, are needed to promote the growth of the economy. The creation of new, high-quality jobs also requires development at corporate level (Autio, 2005).

Although the important role of small-sized enterprises in the national economy is undisputable, “the great number of new enterprises in itself is not a guarantee for dynamic economic growth.” There is a group of companies standing out among the SMEs (Small and Medium-Sized Enterprises) that comprises companies growing much faster than others, at a pace significantly above the industry average. In the secondary literature of economic science they are referred to as **dynamic, high-growth, rapidly growing or gazelle companies** (see: Abell et al., 1993; OECD, 2002b; Birch, 1987; Vecsenyi and Kovach, 1995).

### The Questions and Goals of the Research

Our knowledge about fast-growing companies is still very limited: it is unknown why such companies grow bigger, while others do not. This is encouraging, but at the same time very frightening as well. It may discourage the owners of small-sized companies, who need advice on what to do in order to increase the growth rate of their companies; and it can discourage economic policy experts, who would like to know what can be done to help these companies. Yet, at the same time, it is a source of motivation for researchers, because this means that there is an undiscovered area with the exploration of which scholars can contribute to the increase of knowledge (Autio et al., 2006).

As a result, examining fast-growing companies is a very popular topic in the leading international newspapers that are dealing with entrepreneurship-related issues. The increasing publication activity of the researches of the Jönköping Business School (Anderson, Davidsson, Delmar, Wiklund) gave an especially large impetus to the researches concerning dynamic companies in the second half of the 90s. They pursued empiric researches into fast-growing companies primarily in Sweden, defining the direction of the international professional discussions fundamentally in the past few years.

Although lately several international researches dealt with fast-growing companies, and a significant knowledge base is available, Hungarian dynamic companies and their behaviour is still an area about which we have very few information. The Hungarian public could get to know fast-growing companies (gazelles) through the publications of János Vecsenyi (Vecsenyi-Kovach, 1992, 1995; Vecsenyi, 1999, 2002, 2003). The notion of gazelles is mentioned in several articles and books on business angels and venture capitals, and in some recent publications as well (like *Népszabadság* 50, 100 Kistigris, Deloitte Technology Fast 50) which introduced the profiles of the most promising companies in Hungary (including several fast-growing ones). Since the target group of these publications was very wide, they were not intended to offer a deeper analysis.

In the last twenty years more and more people became interested in fast-growing companies in Hungary as well. More businessmen who became rich after the change of regime are willing to invest in other promising companies, acting as business angels. At the beginning of the 1990s venture capitalists also appeared in Hungary, and since then they have been providing the necessary resources that have been essential for the growth of several companies. Consultancy companies also show a growing interest in gazelles, because these companies can be profitable clients for them. The intention of the government and the economic policy is also to provide a more significant role to dynamic companies, which, similarly to the Western models, is reflected in the development of new systems aiming to support them.

Considering the above mentioned facts, I decided to devote my dissertation to this topic: I am going to examine what happened to dynamic companies in Hungary in the years after the change of regime. There are still many undiscovered areas, so our knowledge regarding the following issues is limited:

- What are the characteristics of the Hungarian gazelles?
- Do they differ from their foreign (Western) counterparts?
- Which markets do they prefer?
- What kind of financing habits do they have?
- What challenges do they face?

- What kind of turning points do they have in their lives?
- Do they pursue any international activities, and if yes, what kind of activities?

Among others things, I will try to find the answers to these questions during my research. Another important part of my research is to examine the attitude of economic policy experts towards supporting dynamic companies, whether there are any initiatives that are directly intended for them, and if yes, whether these initiatives operate effectively. Of course, the other party, i.e. fast-growing companies will also be asked about what kind of services they use and what services they would actually need.

My research was given a huge impetus by the survey that was launched by GEM in the spring of 2006. During the international research entitled "Survey of governmental initiatives and programmes that support fast-growing companies" the initiatives supporting fast-growing companies were collected and evaluated in the participating countries. Another aim of the research was to introduce and spread best practices. Due to the help of László Szerb, the associate professor of the University of Pécs, I had the opportunity to take part in the researches of the Hungarian survey.

There was another research that played an especially important role in the completion of the present dissertation: the research titled "Development and growth in the world of SMEs with respect to preventive and supportive factors, examined with an empirical approach" was prepared by the Small Business Development Centre of the Corvinus University in Budapest for the Ministry for National Development and Economy. Within the framework of this research a whole chapter was devoted to fast-growing companies that were considered to have an outstanding significance in the opinion of the ministry as well (see Csapó, 2009). The Structure of the Dissertation and applied methodology

### 1.1. The Structure of the Dissertation

My dissertation consists of seven chapters. The introduction is followed by a description of the economic role of small and medium-sized enterprise and the characteristics of the sector in the European Union and Hungary. This chapter can be justified because I suppose that the peculiar Hungarian circumstances define the situation of Hungarian gazelles fundamentally.

The third chapter deals with one of the most important issues concerning fast-growing companies: their growth. Within the framework of a detailed review of the international secondary literature, studies about the measuring methods of growth are also described, as well as the factors that influence the increase according to some empirical research findings.

The fourth chapter describes fast-growing companies: it summarises their main characteristics based on the international secondary literature and researches; the second part of the chapter provides an overview of researches on fast-growing companies in Middle and Eastern Europe.

Chapter five summarises the initiatives and services of the Hungarian state which can contribute to the development of fast-growing companies.

In the first part of chapter 6 I formulated my research hypotheses; the second part of the chapter deals with the methodology of the research.

The last chapter sums up the results of the research. The results of the test are presented, which prove the hypotheses that were set in the dissertation. The main characteristics of Hungarian gazelles are also described, just as well as the services they have used, can use and miss, and how the state could play a more active role, contributing to their future growth. Finally, the chapter points out to further research directions.

### 1.2. Methodology

Based on examples from the international secondary literature, there are basically two ways of studying fast-growth companies:

One of them is macro-level research, which means a combined analysis of all fast-growth companies. Out of the authors referred to in the present thesis, this approach was applied by Davidsson, Delmar and Wiklund. It involves the collection and analysis of data on all companies classified as gazelles, followed by the drawing of conclusions. According to international experience, this is a hard way. No research programme has been able to use this approach without methodological restrictions. This is because it is practically impossible to collect data on all companies from a given country with a view to identifying gazelles, usually because the



relevant authorities do not (or are not allowed to) release such information, not even for research purposes. The databases that can be purchased for research purposes (e.g. Dun and Bradstreet) are far from being complete, and contain information only about a limited number of companies. In this regard, the situation is better in the Northern European countries (Sweden, Finland), where reliable data are available. This is why the authors mentioned above have been able to apply this research approach. But in Hungary this is not a viable solution. On the one hand, it is rather difficult to obtain such detailed information. On the other hand, as it is well-known, financial statements do not always reflect reality.

The other method, which is applied in the present thesis, includes taking a sample from fast-growth companies operating in a given area based on an accurately established selection methodology, and the exploration of their characteristics through deep interviews, case studies and questionnaires. This approach allows the identification of subtypes among fast-growth companies. Besides, the information obtain in this way can be used for various purposes. The drawback of this method is that data collection is more cumbersome than in the first approach, where the task is only to obtain a proper database.

### 1.3. The Selection of the Sample

There is still only limited information available about fast-growth Hungarian companies. Many of them hardly ever appear in the domestic media, due their international orientation, thus receiving hardly any attention. Besides, successful entrepreneurs are usually very busy, and are reluctant to take part in activities they cannot directly benefit. For this reason, we used the snowball method to select the companies to be involved in the research, which is a technique applied mainly in the case of studying subjects that are hard to access (Hunyadi et al., 1996, pp. 315.). Snowball sampling means that based on our information (including the Népszabadság's list entitled "The 50 most promising Hungarian companies", the Üzletárs magazine's publication called "100 little tigers", the already mentioned Deloitte Technology Fast 50 list, other relevant publications from business journals, and the APEH list of major tax-payers), as well on information from friends, relatives and business partners we select a few fast-growth companies, and then, at the end of the interviews, we ask them to recommend some other rapidly growing companies they know. This method do not result in a mathematically random list, but in this case it is offset by the fact that it allows us to reach a high number of Hungarian fast-growth businesses.

International research findings referred to in the present thesis suggest that it is practical to base selection on sales revenue and the number of employees, as these parameters describe the best the companies' performance in the national economy. In addition, the review of the secondary literature resulted in the idea that both absolute and relative indicators should be used, as relying only on one of them could result in misleading results. Based on the above considerations, we selected SMEs for the study that met the following criteria: Their sales revenue in 2002 was at least 10 million HUF (the sample included a few companies who started later; in their cases, data from the first year of operation was taken into consideration).

- Their sales revenue grew at least by 20% annually through at least three years between the base year (2002 or 2003) and 2007<sup>1</sup>.
- They generated profit in 2007.
- They are characterised by Hungarian majority ownership.
- Their success did not result from privatisation.

In order to check the above figures, we used the D&B Hungarian Company Database, the referred publications and company websites.

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<sup>1</sup> It represents nominal growth, i.e. it is not corrected for inflation. In the years in question the inflation rates were as follows: 2002: 5.3%; 2003: 4.7%; 2004: 6.8%; 2005: 3.6%; 2006: 3.9%; 2007: 8.0% (source: Statistical Office). Thus the required growth rate (above 20%) was a multiple of the inflation rate.

#### 1.4. Data Collection, Analysis

In the case of selected companies case studies were also prepared, in addition to the general data collection. Meredith and Vineyard (1993; quoted by Voss et al., 2002) highlighted three benefits of using case studies:

1. Subjects can be studied in a comprehensive manner through case studies, which may result in findings that questionnaires and open questions would not be able to provide.
2. They help developing a complex understanding of problems through allowing the use of 'what', 'why' and 'how' questions regarding specific issues.
3. They are especially useful in the first phase of a research through bringing up questions that can be used in questionnaires in later phases of the programme.

We selected 10 companies for case studies, who all had histories rich in twist and turns and had a lot to tell us, as information available on the internet in other sources suggested. We also took care to include companies in different situations and with different problems. Among other enterprises, the selection includes dynamically growing, innovation-oriented IT companies with international aspirations, and companies manufacturing medical equipment and also making use of technological achievements, which have been prosperous in the recent past, and now face the question of how they could continue growing after a short period of fallback. Yet, gazelle companies are present in other sectors as well, in addition to the "trendy" IT and biotechnology sectors. In fact, the majority of Hungarian gazelles operate in other industries. Case studies were also prepared on two food companies who achieved dynamic growth by filling a gap on the market. Finally, the group of companies selected for case studies included a manufacturing company with growing performance on the international market, and a furniture manufacturer with a significant position on the domestic market.

Beyond the abovementioned methods we made effort for data which can be easier operationalized and more objective, for which we used the personal interviews with the help of preliminarily prepared questionnaires. The questionnaires seek to find answers to both qualitative and quantitative questions. When compiling the list of questions, a major aspect was that the results should allow us to rely on and make comparisons with international research findings. This way of the data collection – beyond the case study method – was suitable for making interview with more firms.

### 3. RESULTS OF THE THESIS

The following subchapter is concerned with the hypotheses to be tested during the present research. They are primarily based on the secondary literature reviewed in the Chapter 3 and Chapter 4 of the dissertation, which will also be referred to in this section.

#### 3.1 Industry Focus

As indicated in Chapter 4 of the dissertation, according to international studies gazelle companies are present in every industry. However, their representation is higher in more "trendy" sectors, or at least it appears so, owing to the greater attention paid to companies operating in such industries. On the one hand, business magazines are more willing to publish success stories from these industries. On the other hand, investors are more prepared to put their money in businesses operating in popular sectors.

*Thesis1: The results of the research carried out in the frame of the dissertation show similar results in case of Hungarian fast-growing companies, that is they are mainly operate in high value-added industries, like IT.*

#### 3.2 Owners and Management

##### 3.2.1 The Owners of Fast-Growth Companies

According to János Vecsenyi (2003), the three pillars of business management are 1) market (demand for a given product or service), 2) money (the availability of financial resources), 3) and people (who accomplish tasks and establish processes), which are all vital for business success. The ideal situation is when the founders are able to ensure all the three pillars. The most important pillar may be the human factor, which, in combination with professional experience and an established contact network, may also facilitate the development of the other two pillars. According to experience, companies whose owners have gained extensive experience in various areas go ahead easier, relying on their professional expertise and contact network. For the success of a company, it is no less important that owners should have a strong financial background.

*Theis2: The abovementioned statement is valid for the Hungarian fast-growing companies: their ownership structure is affected by numerous aspects during their life cycles. The most important of these may be the availability of financial resources and professional expertise.*

### 3.2.2 The Establishment of the Management

According to experience, having appropriate top management is the key to the success of a company throughout its life cycle (Vecsenyi, 2003). In general, different characteristics and competencies are required at the time of the establishment and in the later phases of business operations. At the beginning, due to the size of the organisation, owners usually take care of a number of operative tasks, including practically all business functions, which demands and authoritative management style.

Along with the development of the company the number of employees and tasks to be completed increase, which requires a delegative management style, and a management structure reflecting the different functions. Sooner or later, the founding entrepreneur has to identify which competencies are required to manage their companies. The founding members often have professional expertise, but lack general management and organisational skills. The head of the company bears personal responsibility for the functioning of the organisation and the alignment of the various tasks, and therefore has to hire people with whom they will be able to navigate the enterprise to the right direction (Vecsenyi, 2003).

These new managers are either selected from among the employees, or are experienced professionals hired from outside the company. The emergence of a competent employee is generally a slow process, for which fast-growth companies rarely have time. This is also the case with executive positions that require the highest level of responsibility and expertise, which are usually filled by the founders. For them, the ideal solution would be if they were able to take care of the management tasks of the growing organisation as well. However, they are usually not prepared enough to be successful as executives. In such cases they should step back, transferring management duties to highly experienced external managers. In such cases the founders and the company face a major challenge, namely they have to learn how to delegate authorities, which often results in conflicts.

*Thesis3: It is a typical feature of the Hungarian □ mainly younger - fast-growth companies that sooner or later the owners seek to establish a professional management, mainly through the involvement of external managers. However, due to the lack of an established culture of delegating authorities and responsibilities in Hungary, the owners rarely transfer management tasks □ they only hire external managers for strategically less important areas like marketing or finance, keeping the executive functions to themselves.*

### 3.3 Financing

In the US, as well as in other English-speaking countries, classes on preparing business plans and into how external resources can be involved form a very important part of the curricula of entrepreneurial courses. Their motto is: "use other people's money".

Here is a brief summary of the base model for company management taught at US universities:

- 1) Establish a promising company with huge growth potential.

- 2) As soon as possible, start to find external resources to finance the growth of the company. First try to get money from business angels, then from venture capitalists.
- 3) As the company grows, start to think about how you could capitalise on your work, i.e. sell the enterprise. The best scenario is to sell the company through the stock exchange. This basically serves the interest of the venture capitalist, who seeks to exit as soon as they can with considerable profit.

The example of DiamondBack Truck Covers Ltd., shown in Annex 2 of the dissertation, demonstrates that by the time a company achieves this stage capital involvement may be needed several times, which may result in a significant drop in the share of the original founders in the ownership of the company. For founders in the US it is a natural consequence. They understand that no one will risk their money for nothing, and are also aware that they are much better off with a smaller share from a larger cake (see: Timmons, 2003, pp. 277.).

In Hungary, this path is less widespread as yet. The reason for this lies in cultural differences, namely in the legacy of the historic past: Hungarian people are much less prepared to share their ownership with others.

***Thesis4: The Hungarian fast-growth companies prefer conventional financing methods (bank loans, tender) to involving business angels and venture capitalists. This is reflected in that the initial capital of newly established companies rarely come from such resources, and when capital involvement becomes necessary in time, companies seek to avoid these alternatives.***

### 3.4 Strategy

#### 3.4.1 International Orientation

According to a research carried out by the University of Pécs, two thirds of the Hungarian SMEs have no international relations, that is, they neither export, nor import products and services. This is especially surprising given that Hungary is among the nations with an open economy, which would suggest that the Hungarian companies are more active in terms of international relations. The following factors listed by Antalóczy and Élterő Antalóczy és Élterő (2002) that drive companies to enter the international market all apply to Hungary:

- 1) The small size of the home country, due to which the market soon becomes fully covered, with no opportunities left for finding new consumers.
- 2) The open nature of a country's economy, which makes entering the international market easier owing to a wide international contact network (see the network approach).
- 3) The peripheral location of a country.

In addition to the above-listed factors, for Hungarian companies the relatively easy entering to the EU market (compared to the past and other countries) may be another major drive.

I assumed at the beginning of my research that fast-growth companies are more able to capitalise on the benefit of being present on international markets than "average" small businesses. I believe my hypothesis is also supported by the conclusions of the conference entitled "Knowledge and entrepreneurship", organised by the National Office for Research and Technology, where the representatives of successful Hungarian companies (including fast-growth enterprises) gave accounts of their experience related to growth. Surprisingly, each company bore an English name, reflecting their international orientation (Csapó et al., 2005). The research results proved to be different, based on I set up the following thesis:

***Thesis5: The majority of starting Hungarian fast-growing companies do not think about entering the international market, as they find the Hungarian market big enough.***

#### 3.4.2 Managing Challenges

The companies growing faster than the average are affected by more external factors than other enterprises, which have either positive or negative influences on their development. Even the growth of an

organisation may slow down its development, if it is unable to manage this growth properly (see Salamonné's findings). Therefore

*Thesis6: There are numerous turning points during the life cycles of Hungarian fast-growth companies, that is, they face numerous challenges in the course of their operations. One of their major problems today is to find and recruit properly trained personnel.*

### 3.5 Ways in Which the Government Can Support Gazelle Companies

The websites of governmental agencies dealing with providing support to companies are full of success stories. There is no problem with it, as such success stories may motivate interested entrepreneurs to participate in tenders. There are numerous institutions in Hungary established for providing support to enterprises through offering a wide range of services and programmes.

However, according to international experience, governments often fail to properly assess the needs of fast-growth companies, and therefore to design well-targeted programmes. Based on international examples, gazelle companies mainly need services to support their growth and international expansion. Therefore governments can help a lot in this area.

*Thesis7: The Hungarian gazelle companies do not spend much on business services, that is, they use only a limited group of such services. They primarily focus on those they consider vital for them, and which they could not finance relying on their own resources. The most preferred services are those supporting international appearance and the protection of industrial rights.*

## 4. Summary of the Conclusions

The purpose of the research discussed in the present thesis was to explore the current situation regarding the launch of Hungarian fast-growth, or „gazelle” companies, and the services and financing opportunities available for them. The research programme also aimed to identify the areas that need to be developed, and make suggestions on how these companies could be supported to operate more efficiently both on the domestic and the international markets.

The characteristics of the Hungarian fast-growing companies were introduced in the previous chapter. The rejection of the H5 hypothesis was surprising because the name of most of the companies reflect a global attitude (they include foreign words), and because a key factor in the success of the US gazelles in the example is that they operate on a huge market with effective demand. The Hungarian market is significantly smaller than the US and the same is true to effective demand. Entering the markets of the neighbouring EU member states may also be a problem for Hungarian gazelles because they are also small countries with small markets. The European Union is still very fragmented, and international trade is hindered by language barriers as well. Yet, younger gazelles have showed greater interest in entering international markets – it would be practical to study this issue again in a couple of years.

It would also be interesting to examine the use of external managers, which topic has been discussed by Anna Salamonné Huszty, who has analysed the lifecycles of companies. This is probably one of the areas where major changes should be expected within a couple of years, along with the retirement of the entrepreneurs who started their businesses right after the change of regime.

Based on the responses to our questionnaire, the case studies and the analysis of articles on fast-growth companies, we believe that the development of rapidly growing companies could be most effectively facilitated through the following services:

- 1 Some of the Hungarian gazelle companies have reached a size where they may become a target for larger companies wishing to buy promising businesses. This happened to several companies in recent years (e.g. Bookline, Extreme Digital, and Graphisoft, which was a “role model” for gazelles). It would be useful to provide this group of gazelles (mainly the smaller ones) with training programmes on the preparation for selling the company, the assessment of the value of the



company, and the aspects to be taken into consideration in the course of the evaluation.

- 2 In contrast, another group of the fast-growth companies has appeared among those seeking other companies to purchase. They could use help in seeking out appropriate companies, and in the assessment of their goodwill. For them the integration of the purchased organisations and the alignment of the different organisational cultures, which may be the key to their future success, represent an even more serious challenge.
- 3 Many gazelles are coping with problems in finding properly qualified employees, which may be an obstacle to their growth. The problem is not to pay highly qualified labour force, but rather the absence of such professionals from the labour market. In the long run, the solution might be to raise the number of university places in popular sectors (such as IT) along with a reduction of places at less popular faculties.
- 4 The needs of gazelle companies significantly differ from others in terms of support services: They need special services. Presence on the international market, growth, the protection of industrial property and financial resources are of key importance to gazelles.
- 5 According to the respondents, the most serious deficiencies can be experienced in the area of growth consultancy /mentoring. This may be the field where, following examples from the western countries, significant progress could be made in return for a relatively small investment. Thus the launch of such a programme in Hungary should definitely be promoted.
- 6 The Hungarian gazelle companies have a lot to learn from each other as well. Therefore, it is recommended to establish a forum for networking, where companies could share their problems and solutions with each other. Its costs would be insignificant compared to the potential benefits.
- 7 Companies are happy to use grants, and their applications are often successful, as they indicated. However, for many companies tenders represent an opportunity yet to be utilised, as they do not have capacity to seek out the appropriate tenders. Making contact between gazelle companies and selected, reliable and experienced organisations dealing with the preparation of tender documentations would help them a lot.
- 8 Obtaining resources represents a problem for many companies. In this regard, roadshows should be organised where a wide range of potential resources would be presented to gazelle companies (tenders, loans and other opportunities for obtaining capital).

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## **SUPPORT FOR BUSINESS SUCCESSION IN THE EUROPEAN UNION**

### **ABSTRACT**

The paper summarizes - from the point of view of management sciences - institutional factors that matter for conducting the policy of support for business succession by member states in the European Union. Describing challenges for family business in Europe is the entering point for the discussion. The main part focuses on the chronological analysis of the EU documents in favour of ownership transfer and succession of enterprises.

**JEL classifications:** H7, K2

**Key words:** succession, family business, ownership transfer, European Union

### **INTRODUCTION**

In 2002 it was estimated that during the following 10 years, as many as 1/3 of enterprises from 15 countries of the then European Union made transfer of ownership, however, this indicator ranged from 25 to 40% in individual member states. In absolute numbers this indicator amounted to about 610 thousand small and medium-sized enterprises, out of which nearly a half employs workers (about 2.1 million workplaces) (the European Commission, 2002, p.7). At the beginning of 2006, it was estimated for the EU countries that "even 690 thousand enterprises a year should find new owners – these enterprises, although small and medium-sized in majority, give 2.8 million workplaces in total" (the European Commission, 2006b, p.5). The quoted data show unequivocally that the question of continuity of enterprises, especially family ones, is one of the key problems which will make competitiveness of economy and the dynamics of workplace forming impaired if not solved. The enterprise ownership transfer is a chance for „survival” for many, mainly family firms.

At the beginning of 2007, the European Commission appointed the Expert Group on Family Business, EGFB. The result of the experts' work was the report entitled "Overview of Family Business Relevant Issues" published by the end of 2008. It is worth stressing that the appointment of this expert group significantly changes the hitherto prevailing Community policy which will treat this problem much more broadly, not focusing only on the question of the transfer of enterprise ownership but on the question of family entrepreneurship, whose one of the key areas is enterprise succession (tab. 1).

### **DIRECTIONS IN EVOLUTION OF COMMUNITY POLICY IN FAVOUR OF BUSINESS SUCCESSION**

Already at the beginning of 1990s, the European Commission noticed the complexity of enterprise succession problem and its significance for the survival of European enterprises, especially family ones. On 29 - 30 January 1993 in Brussels, a symposium on the transfer of enterprise ownership took place, organized under auspices of the European Commission. The symposium allowed the European Commission to identify the main problems connected with enterprise succession in the form of a communication of 29<sup>th</sup> June 1994, and indicate the best practice in this scope. The communication postulated focusing on the questions, such as (European Commission, 1994b, pp. 1-23):

- ensuring continuity to partnerships and sole traders
- preparing enterprises to ownership transfer by adopting the most suitable organizational and legal form,
- supporting the transfer of enterprise ownership by administrative and legislative powers,



- ensuring tax reliefs in case of enterprise ownership transfer within the family.

Table 1. Challenges for Family Business in Europe

Challenge	Policy Recommendations	Concerned Level
Lack of awareness by politicians of the economic and social/societal contribution of family businesses, resulting in a low level of activity to create a family business friendly environment	Provide an operational definition of “family business”	Expert Group on Family Business Relevant Issues
	Conduct and disseminate research on family businesses	National governments, chambers of commerce in cooperation with researchers
	Establish family business representative organisations	Family business sector with the assistance of the European Commission and national governments
	Empower the family business representative organisations	European Commission and national governments
Lack of family firms’ awareness of the importance of timely planning for intergenerational business transfer (particularly in the NMS and against the changing Framework conditions such as socio-demographic change), resulting in ill-prepared successions endangering the firms’ survival	Establish/continue awareness raising measures of the importance of planning business transfers as well as the provision of practical planning tools	European Commission and national governments, in cooperation with chambers of commerce and family business networks as well as education providers
	Establish training for entrepreneurs and successors to prepare them to cope with the challenges of the transfer process	
Financial obligations	Reduce/abolish inheritance/gift tax	National governments
	Establish access to finance which does not involve the loss of control of business decisions	
Balancing business and family issues, resulting in the need for specific governance instruments	Raise awareness to the importance of governance structures and provide information on/assistance in their design and establishment	European Commission and national governments, in cooperation with chambers of commerce and family business networks
	Provide financial support for the establishment of governance instruments	National and regional governments
Lack of family business specific management and entrepreneurship education	Tailor management and entrepreneurship education towards the specific needs of family business owners/managers (i.e., dealing with specific issues, focusing on practical applicability)	National governments (particularly in the NMS) in cooperation with education providers
Limited access to finance for growth	Establish tax regimes treating retained profits favourably	National governments
Attracting and maintaining a (skilled) workforce	Launch an image campaign	Family business networks, in cooperation with national governments

Source: (Mandl 2008, pp. 4-5).

On 7th December 1994, the Commission passed, in the form of recommendation, detailed guidelines on the improvement of the conditions for enterprise ownership transfer in the Community member states. These recommendations also concerned numerous areas affecting the transfer of enterprise ownership, such as taxation, the change in legal status of an enterprise, access to transfer financing. The recommendations

directed to individual member states included in this legal act were as follows: (the European Commission, 1994a, pp. 1-9):

- inducing initiatives which serve raising awareness, passing information and providing trainings on how to plan enterprise ownership transfer,
- ensuring proper financial environment conducting enterprise ownership transfer,
- providing legal possibilities for enterprise restructuring in order to prepare to ownership transfer, especially with reference to legal status of an enterprise,
- establishing legal regulations ensuring the continuity of partnerships and sole traders in case of death of one of partners or the owner,
- creating favourable regulations concerning inheritance or donation tax from enterprise ownership transfer in order to ensure survival to them,
- facilitating enterprise ownership transfer to third persons by introducing beneficial tax regulations.

The progress in the implementation of the above recommendations by member states was discussed at the forum organized by the Commission on 3 - 4 February in Lille in France. The working document summing up the debate included 13 conclusions systematized in three groups (the European Commission, 1997):

**1. Legal measures facilitating transfer of enterprise ownership:**

- facilitations in the scope of transferring partnership enterprises into limited enterprises,
- introducing simplified forms of limited enterprises,
- introducing limited companies wholly owned by sole traders
- ensuring legal continuity to partnerships, especially civil law partnerships,
- simplifying administrative formalities in the scope of enterprise ownership transfer.

**2. Taxation means facilitating enterprise ownership transfer:**

- decreasing tax rates from legacies and donations in the scope of enterprise ownership transfer,
- exemption from tax or decreasing the burden of tax on capital transfer in the scope of enterprise ownership to the benefit of third persons,
- liquidation of any forms of tax in the scope of enterprise transformation,
- increasing the number of agreements signed between member states on the avoidance of double taxation in the scope of taxes on inheritance and donations,
- ensuring information on tax consequences of enterprise ownership transfer.
- tax reforms should take into account facilitations for enterprise ownership transfer.

**3. Supporting action in the scope of the facilitation of enterprise ownership transfer:**

- ensuring proper financing of enterprise ownership transfer and beneficial loan strategy in this scope by financial institutions,
- ensuring broadly understood counselling in the scope of enterprise ownership transfer, already at the preliminary phase of planning an enterprise succession.

In 1998 the Commission published a report on activities undertaken till 31<sup>st</sup> December 1996 by member states in the scope of the facilitation of enterprise transfer (European Commission, 1998, pp. 2-18) which, apart from general conclusions convergent with Lille conclusions, included also comparative tables and the presentation of detailed progresses of 15 countries of the then European Union.

In November 2000, the Commission appointed an expert group on transferring small and medium-sized enterprises, the task of which was to draw up a report assessing the effects of the implementation of recommendations made by the member states after 1998<sup>2</sup>. In May 2002, a final report of the expert group was published, which contained the following recommendations (the European Commission, 2002b, p. 8 and 44-45):

- Creating the European Centre for Transfer of Enterprises coordinating and facilitating activity in this scope,

<sup>2</sup> The Project was called the *Best Project on Transfer of Businesses*.

- creating the European database of sellers and buyers of enterprises, as well as the intensification of the existing databases and inducing the creation of such bases in countries in which they do not exist yet,
- arranging regular European seminars, meetings and forums on transfer of enterprises,
- the development of alternative and additional, tailor-made services in the scope of trainings and managing the process of enterprise ownership transfer,
- initiating programmes of support for enterprise transfer by national authorities, but also research in this scope,
- the attention of decision-makers should be equally divided between the support for setting up new enterprises and the support for the ownership transfer of already existing enterprises.

The report provided for the same means of achieving the effectiveness and efficiency of enterprise transfer, as the means presented in 1997 and 1998, yet their analysis was more detailed. A lot of attention was paid to the awareness of entrepreneurs on the transfer of enterprise ownership and creating the transfer market. To 2002 such markets existed in 4 member states (Austria, Denmark, France, Holland), and partially in other 4 countries (Germany, Luxembourg, Italy, Finland). The report called to the Commission to define, in agreement with the member states, time frame for the implementation of experts' recommendations.

On 23-24 September 2002 in Vienna, under the auspices of the Commission, the European Seminar on Enterprise Transfer was organized. Conclusions coming from the sum-up report were mostly informative. They basically postulated raising the awareness of the problem both among authorities and entrepreneurs, suggesting a number of instrument in this scope (the European Commission, 2002a, pp. 5-6).

On the basis of the Council's decision on 20<sup>th</sup> December 2000, the Fourth Multiannual Programme for Enterprise and Entrepreneurship and in particular for Small and Medium-Sized Enterprises 2001-2005 was passed (the European Council, 2000, pp. 84-91). Initially, the programme was intended for 5 years, but then it was prolonged by a year, till the end of 2006, so that it could agree with the Community's programming period. The programme contained 5 main objectives, and one of them, (the promotion of entrepreneurship) provided for the assistance in establishing new enterprises and the help in ownership transfer of already existing enterprises.

In *The Green Book of Entrepreneurship in Europe* published by the Commission in January 2003 (the European Commission, 2003a), a lot of space was devoted to enterprise transfer, although this subject was not a separately analyzed area. However, it permanently appeared in all areas indicated in the Book, including hitherto prevailing postulates in this scope.

In 2003, a handbook of good practice on transferring enterprise ownership was also published by the European Commission (the European Commission, 2003b).

In October 2002, the Commission appointed another expert group on enterprise transfer (so-called MAP 2002 Project), the works of which allowed to publish in August 2003 another report assessing progress in the scope of policy for the benefit of enterprise transfer. The report contained six key areas on which the Community policy on enterprise transfer should focus. These were the following areas (the European Commission, 2003c, p. 8):

1. Activities facilitating enterprise transfer by third persons.
2. Special activities facilitating transfer of ownership to employees.
3. Special rules in the scope of tax on inheritance and donations from enterprise transfer.
4. Incentives encouraging „timely“ preparation of the process of enterprise transfer<sup>3</sup>.
5. Tax reliefs from funds obtained from enterprise ownership transfer, which have been reinvested in another SME.
6. Financial instruments facilitating enterprise transfer.

The report postulated carrying out benchmarking for all identified key areas.

At the beginning of 2004, in the form of announcement, the Commission proclaimed *Entrepreneurship Action Plan* - EAP (a plan of actions for entrepreneurship) in which among nine indicated key actions, one concerned facilitations in enterprise transfer. The communication claims that "The Commission will continue

<sup>3</sup> "Timely" in "timely preparation" term is connected with the necessity of an enterprise owner retirement, however, due to employment policy which promotes professional activeness of people in the retirement age the Report uses a softer expression, which was clearly emphasized.

giving assistance to national and regional decision-makers in order to facilitate enterprise transfer, mainly with the intention of ensuring continuity to many EU family firms which have a chance to survive on the market. The Commission will continue to encourage the member states to implement recommendations on enterprise transfer and will increase efforts in raising the awareness of prospective entrepreneurs in the scope of enterprise transfer" (the European Commission, 2004a, p. 10). The indicated detailed actions within the framework of this key activity were as follows (the European Commission, 2004a, p. 10):

- publishing a new communication from the Commission on enterprise transfer, in which recommended actions will be specified, and assessing the implementation of recommendations of 1994 (the communication was initially planned for 2004, although in fact it was published only in 2006),
- providing appropriate framework for enterprise transfer market in the member states,
- analyzing causes for success and failure of the process of enterprise ownership transfer in Europe,
- making funds for financing enterprise transfer available within the framework of the Community financial instruments.

In the initial report on EAP implementation issued in 2005, the Commission's efforts to implement three out of four actions indicated above were summed up, since the third action by rotation was cancelled due to a negative decision of Enterprise Programme Management Committee, EPMC) (the European Commission, 2004b, p. 7).

By the end of 2004, the Commission appointed another expert group on enterprise transfer within the framework of "*Support for Establishing Transparent Market for Enterprise Ownership Transfer*" project (so-called MAP 2004 Project). The final report, entitled *Enterprise Exchange* was published in May 2006 (the European Commission, 2006a). The report presented nine models of enterprise exchanges functioning in 8 member states (Belgium<sup>4</sup>, Germany, France, Italy, Finland, Luxembourg, Holland, Austria). The report also discussed the situation occurring in the remaining 10 member states (Bulgaria, Check Republic, Greece, Spain, Hungary, Poland, Romania, Slovenia, Sweden, Great Britain, and Turkey as a candidate country). The essence of the report is the elaboration of the enterprise exchange with the indication to its desired features.

In March 2006, two months before the publication of the evaluation report, the Commission issued a communication entitled "*Transferring Enterprise Ownership – Continuity Through a New Beginning*". On the basis of the conducted analysis of the implementation of 1994 recommendation, the Commission drew six recommendations for the future which reinforce the recommendations of 1994 in the areas in which progress is not sufficient, and they are an expression of changes in the economic environment marked during the last decade. The recommendations are as follows (the European Commission, 2006a, pp. 10-12):

- Focusing political attention both to the transfer of enterprise ownership and on the newly-set up enterprises.
- Providing proper financial conditions facilitating transfer of enterprise ownership.
- Raising the awareness, taking into account „soft“ factors and promoting counseling in the scope of the transfer of enterprise ownership.
- Constituting a transparent market for the transfer of enterprise ownership.
- Providing taxation systems conducting the transfer of enterprise ownership.
- Creating appropriate structures in order to implement Community recommendations in the scope of the transfer of enterprise ownership on a great scale.

## NATIONAL INSTRUMENTS OF SUPPORT FOR THE SUCCESSION OF ENTERPRISES

While analyzing the directions of evolution of the European Union Policy in the scope of the transfer of enterprise ownership, we may notice that from the beginning of 1990s to the end of 2008, not radical but only evolutionary changes took place in it. During these two decades, the assumptions and recommendations of 1994 were specified. The actions discussed in the elaboration undoubtedly contributed to conceptualization of the Community policy in this scope, which may be now systematically summed up (compare: Tab. 2).

<sup>4</sup> In Belgium, due to a federate political system two such stock exchanges function – a Flamand and a Walloon one.

**Table 2. The Assumption of Community Policy in the Scope of the Transfer of Enterprise Ownership to be Implemented on the Level of the Member States**

<b>Areas of policy</b>	<b>Actions</b>
1. Legal means	1.1. Facilitations in transferring partnerships into companies and <i>vice versa</i> . 1.2. Introduction of simplified forms of companies. 1.3. Introducing companies wholly owned by sole traders 1.4. Ensuring legal continuity of partnerships, especially civil law companies 1.5. Introducing right of pre-emption of a business by an owner/founder's family members in case of his death or illness. 1.6. Facilitation of administrative formalities concerning the transfer of enterprise ownership.
2. Taxation means	2.1. Decreasing rates of tax on inheritance and donations in the scope of the transfer of enterprise ownership. 2.2. Exemption or decreasing burdens in the scope of tax on capital transfer in the scope of the transfer of enterprise ownership for the benefit of third persons. 2.3. Decreasing burdens in the scope of tax on capital transfer in the scope of the transfer of enterprise ownership by employees. 2.3. Liquidation of all forms of taxation in the scope of business transformation. 2.4. Introducing tax reliefs from funds gained from the transfer of enterprise ownership, which were then reinvested in other small and medium-sized enterprises. 2.5. Introducing reliefs from funds obtained for the transfer of enterprise ownership, which have been invested in pension fund for the initial owner/founder of the business. 2.6. Providing information concerning tax consequences in the scope of the transfer of enterprise ownership. 2.7. Tax reforms should consider facilitations for the transfer of enterprise ownership.
3. Supporting actions	3.1. Raising awareness among entrepreneurs on the transfer of enterprise ownership. Organizing regular European seminars, meetings or forums on business transfer. 3.2. Providing proper financing of enterprise ownership and beneficial loan strategy in this scope. 3.3. Providing broadly understood counselling on the transfer of enterprise ownership, already at the preliminary stage of planning a succession. The development of alternative and additional tailor-made services on trainings and the management of the transfer of enterprise ownership process. 3.4. Support for creating transparent market for the transfer of enterprise ownership (so-called enterprise exchange). 3.5. Creating European database of sellers and buyers of enterprises, as well as the intensification of the existing national database and inducing the creation of such databases where they do not exist yet. 3.6. Creating the European Centre for the Transfer of Enterprises, coordinating and facilitating activeness in this scope. 3.7. Creating <i>one-stop-shops</i> for enterprise transfer or offering such services by the exiting shops of „one window” type.
4. Best practice	4.1. Promotion of best practice in the scope of planning the process of enterprise ownership transfer. 4.2. Promotion of best practice in the scope of trainings on business transfer. 4.3. Promotion of best practice in the scope of business valuation. 4.4. Promotion of using experience of initial/former owners of passed businesses.

*Source:* Authors' own study on the basis of source materials quoted in the study.

**Table 3. Progress in the Implementation of the Recommendations of 1994 in the Scope of Transfer of Businesses by Member States till the End of 2005**

Country	Awareness raising	Financial environment	Change of legal firm	Tax neutral restructuring	Simplification SMEs/PLCs	PLC with one member	Legal principle of continuity	Unanimity not required	Reduced inheritance tax	Deferring inheritance tax	Retirement tax relief	Re-investment tax relief	Sale to employees tax relief	TOTAL + and (+)
B	+	+	+	+	+	0	+	0	+	(+)	+	+	(+)	11
CZ	-	-	+	(+)	+	0	(+)	0	(+)	(+)	+	+	0	8
DK	-	+	(+)	+	+	+	+	-	+	0	+	0	+	9
D	+	+	+	+	+	+	+	0	+	+	+	+	0	11
EE	0	0	+	-	-	+	-	-	+	+	0	0	0	4
EL	-	-	-	-	-	-	-	-	(+)		-	-	-	2
E	(+)	-	+	-	+	+	(+)	-	+	0	-	+	+	9
F	+	+	+	+	-	+	-	-	+	+	+	+	+	9
IRL	(+)	(+)	0	+	+	0	(+)	-	+	+	+	Φ!	+	9
I	+	(+)	+	0	0	+	+	+	+	+	0	0	0	8
CY	(+)	0	+	-	+	(+)	(+)	-	+	+	0	0	0	7
LV	-	0	(+)	(+)	0	+	+	+	-	-	-	-	-	5
LT	(+)	-	+	+	+	+	+	0	+	+	0	0	0	8
L	+	+	+	-	(+)	+	+	0	-	(+)	0	0	0	7
HU	0	0	+	+	0	+	+	+	(+)	-	+	+	+	8
MT	0	0	(+)	+	+	0	(+)	0	+	+	0	0	0	6
NL	+	-	+	+	+	+	+	-	+	+	Φ!	0	0	8
A	+	+	(+)	+	+	+	(+)		+	(+)		0	0	12
PL	-	(+)	+	+	0	+	(+)	0	+	-	0	0	0	6
P	(+)	-	+	-	-	0	+	-	0	0	0	0	0	3
SI	0	0	(+)	+	+	+	(+)	-	-	(+)	0	0	0	6
SK	0	0	(+)	0	0	+	-	0	+	-	0	0	0	3
FIN	+	+	(+)	+	+	+	+	0	+	+	0	0	0	9
S	(+)	-	(+)	+	-	+	0	0	+	+	-	-	0	6
UK	(+)	-	+	-	-	+	-	0	+	+	Φ!			7
EU	15	10	23	16	14	19	19	4	41	18	8	6	8	181

The table show in which areas measures have been reported by the Member States but does NOT reflect an assessment of measures.

**Notes:**

- +** Recommendation implemented
- (+)** Partial or planned implementation
- 0** Recommendation not implemented
- Φ!** Former implementation revoked
- no information

*Source:* (European Commission, 2006a, p. 11).

In the communication from the Commission of 2006, the information was passed that the level of the

implementation of 1994 recommendations in EU-25 countries amounted only to 65% (although there were significant differences in the recommendation implementation between member states), and the results of this indicator were regarded as insufficient (compare: Table 3). The most advanced in the implementation of the recommendations were three countries: Belgium, Austria and Germany, whereas the least advanced were Greece, Portugal, and Slovakia. Poland, with the result 6 is placed below the Union's average which is 7.24 (the lowest result is 2, and the highest is 12).

## CONCLUSIONS

On the basis of gathered and presented material let's draw a conclusion that the Community policy in the scope of the transfer of the ownership of businesses boils down to the Commission's recommendations, and it is not developed and "equipped" enough. In spite of this, implementation and improvement of these recommendations will certainly improve the support for the continuity of European enterprises, especially small and medium-sized family businesses. We should add that actions of individual member states are insufficient. The implementation of the recommendations indicated above could contribute to the improvement of transfer of businesses process, that is it could increase the survival rate of European enterprises, especially family ones. Everything lies in the competence of national governments of individual member states because policy in the scope of the transfer of the ownership of businesses is based only on recommendations issued by Community bodies, which however are known not to be binding.

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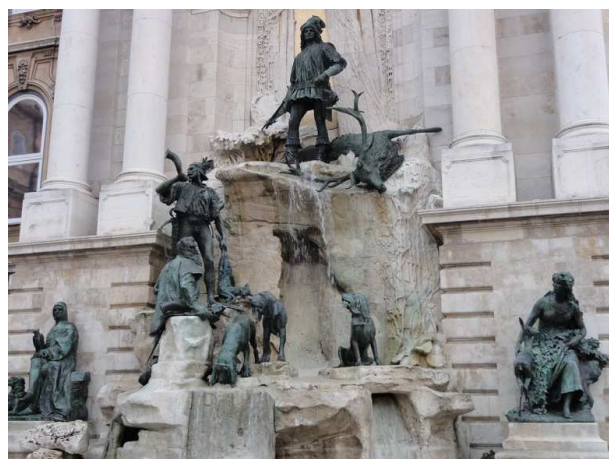
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Pictures on the Buda Castle  
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## BUSINESS INCUBATORS AS FUTURE LEARNING CENTERS <sup>5</sup>

### ABSTRACT

The writer is associated with Global SME News and word with a focus on SMEs, Business Incubators and ICT adoption in SMEs. The paper summarizes the growth the the business incubators (BI) world-wide. It present how such institutions might become as real learning centers. It project the ongoing and future orientation for establishment of BIs in the Sultanate of Oman.

JEL Code: L22, L26, M13, M15

According to the ILO estimate 300 million jobs have to be created world over in the next 5 years. Annually, 45 million young people enter job market globally. But where are the jobs?

Therefore, the challenge is creation of more employment opportunities in the local market, within our neighborhood economy. Job creation and economic diversification, with a thrust on promoting green oriented enterprises is indeed a global challenge. The projected size of population in Oman by the year 2025 is 5.4 million. A considerable portion of that 5.4 million would be youth, as more than a third of the current population (42 percent) comes within the age bracket of 0-14 years.

*Promote SMEs and Build SMEs* is a slogan that we often hear. SMEs are an effective tool for economic diversification and job creation. But how could a thriving SME sector be built, nurtured, developed and promoted? Who are the other stakeholders, apart from the government, who could possibly contribute in this regard? It would be interesting to have a look at some of the available tools in this regard, especially, business incubators and SME Resource Centers, emerging trends as well as the possibilities and potentials.

Entrepreneurs are plenty. And, youth have the potential to make a difference, if, appropriate support, assistance and encouragement are given. They have high aspirations, eager to experiment with innovative ideas and take risks to prove themselves. But, when it comes to launching a new venture, they need support. There has to be an institutional mechanism wherein they could build their own enterprises. Business incubators could be an effective option in this regard. *SME Resource Centers (SMERCs)* can meet the information needs of the SME sector. SMERCs thereby help alleviate the problem of information asymmetry in the industrial sector, i.e., SMEs vis-à-vis Large Enterprises. BIs & SMERCs are as important for SME development as a friendly and simpler regulatory mechanism. It is often lack of support mechanism in a country for start-ups that results in early exit and high death rate of start-ups.

According to *Antal Szabo*, former UN Regional Advisor & Scientific Director ERENET, 'Business Incubators are businesses aiming at nurturing and establishing other businesses'. There are around 5,000 business incubators around the world, according to an estimate, of which around 1,400 are in the US and 1,000 or more in the EU states. Both China and India have a Business Incubation Programs, delivered mainly through Industrial Parks and through educational establishments. GCC has around 20 incubators. The first incubator in the GCC came up in the Kingdom of Bahrain, when it took initiative to set up a BI in 2003 with the support of UNIDO. Since then a number of other countries in the GCC set up incubators. The Sultanate of Oman also came forward and set up *Knowledge Oasis Oman (KOM)* as a joint venture with UK technology park programs. Bank Muscat recently took steps in the direction of setting up a first ever BI as a Corporate Social Responsibility (CSR) program. *Muscat Eco- Enterprise Village (MEEV)* is yet another

<sup>5</sup> This paper is a © GSME News, 2010

start-up BI planned by a corporate house in Oman called Simran Group, with a focus on nurturing environment friendly enterprises.

Within the institutional mechanism called business incubator there are facilities and programs for nurturing, mentoring and developing an entrepreneur and his ideas into a fully grown-up enterprise. A business incubator offers a number of shared services to start-up companies such as internet-telephone-fax-telex; common reception; networking programs; technology transfer programs; help in identifying markets-technology-finances; marketing assistance; mentoring support; help in fulfilling regulatory requirements; also help in the new firm registered. Such supporting services would go a long way in empowering those start-ups with considerable growth. Business Incubators, studies have documented that, improve, by 80 to 85 percent, chances of firm survival compare to those non-incubate start-ups, which have only 20 percent of survival rate.

At any point of time new businesses and enterprises are born. *Oman Chamber of Commerce and Industry* has membership strength of 132,000 enterprises. (See OER 2007 November P. 45) But how many of them do active business? HSBC estimates that there are 15,000 to 20, 000 Small and Micro Enterprises in Oman (See OER December 2007 interview with *Qamar Saleem* of HSBC). While the GCC states attempting to diversify their economies, business incubators would be an apt tool for them in their efforts of economic diversification into non-hydrocarbon sectors.

There are different kinds of BIs. Many of the BIs are attached to the universities, technical and technological institutes and management institutes. They are under public ownership and are being run as not for profit initiatives. However, there are private incubators, which are run for profit. First incubator in the history in fact came up as a private initiative in the US. Often business incubators come up with the support of the governments, LGIs (local government institutions) etc. They could also be established as a CSR program, as in the case of Bank Muscat initiative to setup a business incubator with a focus on women entrepreneurs. Further, Business model, objectives and business plan of Business Incubators could be developed or designed depending on the needs, local situation and level of maturity and development stage of various market institutions.

According to an estimate 15 to 20% of the US incubators are in the private sector. They are purely to create profit from the investments made. Some of them are a kind of real estate business model. A large area of office space between 10,000 to 50, 000 sq. feet is what is required, to house up to 40 start-up businesses . A number of additional revenue generating activities within the BI can be planned. They include education & training programs, networking event, exhibitions etc. In the point of view present economic scenario, investing money in setting up a business incubator can be viewed as good investment option.

SMERCs could play a similar role of US's Small Business Development Centers (SBDCs) and EU's Euro Info Centers as information providers. SMERCs could be set up within a BI or separately as private knowledge business catering to the information needs of SMEs in a country.

There is a need to encourage private players to come forward for investing in business incubators. The private sector is certain to play a much more proactive role in building enterprises in the days ahead. More than anyone else, the private sector can do this role more effectively than anyone else. As noted by Hanadi Mubarak Almumarakhi, an expert on business incubation programs, Kuwait University, 'incubator managers themselves must be entrepreneurial as any successful businessman with innovative ideas to make a venture successful', which highlights private sector role in it.

In the knowledge economy, Business Incubators are turning to be real learning centers. Each student need to identify commercial relevance of the knowledge acquired so as to survive in the highly competitive world. Thus, educational establishments help students by way of setting up business incubation programs to find commercial application of acquired knowledge. However, in the IT-led global knowledge village, there are seamless potentials for study, earning a degree, knowledge building outside of the college campuses. Virtual campuses are the reality today. What is needed then would be centers for imparting practical lessons on starting, managing, making profit and pursuing the growth of enterprises & ventures that a youth entrepreneur could launch.

Business Incubators may acquire the position as future centers for youth, where they can learn aspects on taking part as economic stakeholders. In a world where praxis turns more important, business incubators would soon attain more popularity, relevance and forms.

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## **TEACHING ENTREPRENEURSHIP EDUCATION IN EUROPE**

### **ABSTRACT**

This short paper summarizes the greeting words of the first ERENET Honorary Member: Dieter Ibielski during the opening session of the 5th ERENET Annual Meeting held on 20 May 2011 at the Corvinus University of Budapest.

JEL Code: A22, L26

Entrepreneurs, whether they are women or men, whether they are young or seniors, entrepreneurs vary our life, they change the given uncertainties of the nowadays globalized world. Even when the products and services, which surround us at present, appear to be the result of some transnational agitating, anonymously operating big businesses, it have been entrepreneurial personalities always, who shape our individual being well off.

The qualification, that constitutes the successful entrepreneur, both guidingly educated and plentiful experiences owing to profitable work in practice is likewise recognizable at numberless productive small self-employed people. This majority of outstanding characters - mostly owners of family companies - is not only convinced of visions, of ideas, of management competence, but reflects as well the motivation and ability to help to translate imaginations into action within the scope of liberal economic and societal order inclusive legal margins.

The passionate entrepreneur is indeed the aggressive catalyst for workable and marketable innovative alterations in the area of business. He/She must behave as independent thinker who wants to be different amid a background of common events.

Such attitudes show up in personal initiatives, in the capability to select or to consolidate resources, in purchasing, technical, marketing and financial skills, in a desire for autonomy, in durable risk taking but achievement designed. Other obligations of a self-determined free enterprise leader covers for example competition efforts, intuitiveness, goal-oriented reality-based actions, confidence in the workforce, suppliers, customers and bankers, also in the readiness to learn from mistakes.

Everyone should appreciate and throughout support entrepreneurial people identifies with a positive constructive approach having an attitude and the persistence to cooperate especially aiming at the enhancement of values. It is a pleasure to observe committed, energetic, intelligent women and men who express an exemplary sense of engagement, and who are busy to grow their income aims. Moreover, it is encouraging to hear from flexible human beings who are not afraid of challenges, who are striving to create the best in everything they dare to attempt.

Entrepreneurs, at least in all non-authoritarian societies, turn away from intellectual ivory towers, and they also do not wear elitarian blinkers. Their opportune priority belongs to the maintenance of an individual conduct: that is the spirit, the culture of enterprise directed to man's dignity.

Apart from the increasing significance of the so-called managerial social competence, on the one hand, the consideration of ecological requirements implies additional responsibility and activity, on the other one. It is commendable, that entrepreneurs can use - if necessary - the facilities of multidisciplinary advisory services on behalf of management consultants and trainers, of researchers and educators, of business associations and even of public authorities. Therefore as well the exchange of information and experience among the ERENET representatives remains a helpful benefit.

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**LAUDATIO  
FOR AWARDING □ERENET HONORARY MEMBERSHIP□  
TO PROFESSOR MARIAN ONORIU LIVIU, PhD  
RECTOR OF THE □PETRU MAIOR□ UNIVERSITY OF  
TÂRGU MUREŞ**



Marian Liviu, graduated from the Faculty of Engineering at the Polytechnic Institute of Bucureşti in 1967, has been serving the Petru Maior University of Targu-Mures from 1991. From 2004 he is the rector of the University. During the past two decades he made all possible steps in the university ladder starting as Associate professor, later as Head of the department of Economics, Juridical and Managerial Sciences, Vice rector and finally Rector of this prestigious institution. His academic activity include: Management, Project Management, Production Management, Management Business Strategies, Quality Management and Entrepreneurship

The essential aspects of his teaching activity, scientific research as well as the his valuable contribution to the development of the educational environment can be summarized as following:

**C1. The quality of his teaching activities**

Professor Liviu Marian enjoys his colleagues and students' appreciation, due to the creative and innovative character of the teaching methods that he promotes, the efforts made in supporting and encouraging the development of the university, pleading for the qualitative and quantitative parameters of the institution, for competences and performances that aim at the academic staff as well as the students of the university, imperatives whose objective is to promote the university both at national and international level. A clear proof for all these is the fact that he was chosen rector of the „Petru Maior” University in 2004 and then again in 2008.

Professor Liviu Marian has contributed to assuring and perfecting teaching activities in a significant way. He published 5 university courses, created and implementation of some modern laboratories (simulation engineering, communication and management, informatics in management), that have been possible through projects like: TEMPUS, PHARE and ERASMUS.

Currently he is a university professor within the Management – Economics Department, teaching Project Management and Entrepreneurship, disciplines which are included in the curricula at Master level.

Professor Liviu Marian has contributed significantly to the development of the educational environment and many of the agreements that have been signed by „Petru Maior” University and universities from the European Union and USA.

Professor Liviu Marian has an enormous contribution to supporting the importance of entrepreneurial education and the process of introducing the course in the curriculum.

**C2. The quality of the research activity**

The scientific research of Professor Liviu Marian is outstanding. The remarkable results he has attained over his entire activity can be measured in the numerous scientific articles, studies published in national and international journals or in the volumes of the national and international conferences that he attended. The publications of Professor Liviu Marian (75) cover four major research topics:

- Research on the reform of higher education and modern teaching methods;

- Research on new approaches to management;
- Research on the impact of certain factors on the socio-economic life and Romania's transition to the market economy;
- Research on the development of entrepreneurial system, in the context of implementing the concept of sustainable development.

As single author he has published 3 books, in the field of management, he has 3 volumes as first author and/or coordinator, he is the author of 9 chapters in reference books of the Romanian management, and as editor-in-chief, under his guidance, 5 synthesis books have been published in the field of economic sciences.

Professor Liviu Marian has published over 45 scientific papers in specialist journals both at national and international level. Some of his scientific results have had a positive impact on some recent research. We mention that some scientific papers are included in international databases and are cited in indexed journals. Professor Liviu Marian has created and supported a centre for entrepreneurial research within the Management-Economics Department.

It is worth mentioning that Professor Liviu Marian has made over 20 scientific presentations at different national and international conferences and he was member of 14 scientific committees of some prestigious international conferences in Romania, and as president, he organized over 40 national and international conferences, workshops and round tables.

Other proofs of his achievements are:

- PhD coordinator in Engineering and Management
- his affiliation to 4 prestigious professional and scientific associations in Romania;
- he was awarded the Honorary Professor distinction by AFER, in 2008;
- he was awarded the Honorary Member of SSAMAR title, in 2007
- nominated as specialist in the Yearbook of Institutions and Specialists in Management from Romania
- awarded, by the Mures Prefecture, the Suseni Fibula as well as the Excellence Diploma
- decorated with the Order "Meritorious Achievement in Education", officer rank, position 264 of Decree no. 1079/13 December 2004.

### **C3. Contribution to strengthening the Central-European set of values**

Prof. Liviu Marian has a farseeing vision concerning European cooperation and integration. In 2004, with his support the representatives of the Petru Maior University participates in a high-level advisory workshop on entrepreneurship held at the Palais des Nations in Geneva. From the establishment of the ERENET network he supported the Dean of the Faculty of Economic, Law and Administrative Sciences to be a Founder of this network. He concluded also a cooperation agreement with CUB and in consequence of this some of the CUB professors are teaching also at the Petru Maior University.

In conclusion of the above-mentioned, we recommend awarding the ERENET Honorary Membership Title to Professor Marian Onoriu Liviu, Rector of the "Petru Maior" University of Târgu Mureş.

Associate professor, PhD ZSUZSANNA SZABO  
Scientific Director of ERENET, PhD ANTAL SZABO

## CONFERENCE PAPERS



### Governance and Student Participation

#### BUDAPEST DECLARATION

21st European Student Convention - February 2011

**BUDAPEST – The President of the Council of the European Union, Hungary hosted the 21st European Students' Convention (ESC), which took place in Budapest from 15-18 February 2011. 35 European countries participated in this event and addressed the worrying signs that students' participation in governance is increasingly under threat. The participants adopted an agreement, called Budapest declaration, expressing the wish of the European students to maintain the role of higher education as a public good and public responsibility in order to guarantee equal access and success. The declaration is outlined below:**

Students are the main actors in higher education, and recent protests across Europe are a clear indication that students wish to maintain the role of higher education (HE) as a public good and public responsibility in order to guarantee equal access and success. Despite historical evidence and current developments demonstrating students are willing to mobilise across Europe to protect higher education, students are listened to less and less. ESU strongly believes that student participation is the key for fair higher education, which is the only way to secure social development and sustainable economic growth. Student involvement in governance is essential in preparing students to be active citizens in democratic societies, and the view of students as consumers, as opposed to members and active participants, will have severe impacts on HE systems as well as greater society.

European Ministers of Education stated, “students are full partners in higher education governance” in the Berlin Communiqué (2003). Now it is time for the students of Europe to claim this statement. Students are not consumers of higher education, but significant components within it. Consumers are not involved in management of processes, but students are co-responsible of higher education management, as higher education is developed for students. Students are the main beneficiaries of increasing the quality of HE. Students should have more impact in decision-making and governance of higher education, which must be a community of students and professors who are equally responsible for its quality.

Unfortunately students are increasingly being viewed as passive customers, while the ongoing inclusion of new external stakeholders (the ‘new managerialism’) and the pursuit of international competitiveness have resulted in changes in governance structures that lead to the dilution of student representation in higher education institutions. The European Students' Union is strongly opposed to the suppression of the student voice in governance, as this would have a negative impact on the institutional development and higher education in general.

There are four stages during which students should take part in governance but the *first step* is accessibility to information, involving open and free access to all documents related to institutional policies and decision-making structures. Additionally, full access is the key for a transparent educational system. The *next stage*, consultation, is where participation begins, with the canvassing of student opinions, views and feedback, but without any guarantee they will be taken into consideration. Dialogue is *the next stage*, however full influence to affect final outcomes is still not guaranteed at this stage, although dialogue between students and decision-making bodies is vital. The *final stage*, partnership and decision-making, is the highest form of participation, with students involved at every stage of governance, from agenda setting, to voting and implementation. Partnership is the stage where common ownership and shared responsibilities exist. At this level, respecting the independence of student representation is crucial. It is vital that this stage exists not only in theory, but also in practice. The European Students' Union is



convinced that students' participation as active partners will only be ensured once all four stages have been reached.

Student participation exists at three levels: local, national and European, all of which are important and interdependent. Regardless of the level, student representation should uphold the principles of openness, representativeness, democracy, independence, accountability and accessibility to all students, as described in the Ljubljana Declaration (2008). Student participation should not be limited solely to certain areas of HE governance such as academic issues, it should include aspects such as institutional financing and recruitment of academic staff that undertake teaching responsibilities as well as having a say on who should be the leaders of their institutions. In order to ensure student centred learning, student participation at local level is the first step that must be taken.

All matters regarding HE issues have a direct impact on students; therefore students must be involved on all consultative and decision-making bodies. At a national level, other relevant stakeholders should be recognized if they are respecting the principles of independence, democracy and transparency. The student voice is fundamental in the European Higher Education Area (EHEA), supporting the positive development of higher education on the international level.

The European Students' Union believes student participation cannot be a tokenistic form of legitimizing policies and decisions. Furthermore, participation should not be limited by any criteria such as academic performance, age, gender, race, religion or sexual orientation. Additionally, student representation must not have any negative consequences for representatives, such as on educational performance.

The European Students' Union strongly believes that being a student is more than just learning and collecting knowledge; it is about personal and collective development, creating a better society and a better future.

*Sources:*

<http://www.esu-online.org/news/article/6065/58/>

Közgazdász, 52. vol, No.6., March 2011

### **European Students' Union**

The European Students' Union (ESU) is an umbrella organisation of 45 National Unions of Students (NUS) from 38 countries (March 2011). The NUSes are open to all students in their respective country regardless of political persuasion, religion, ethnic or cultural origin, sexual orientation or social standing. Our members are also student-run, autonomous, representative and operate according to democratic principles.

The aim of ESU is to represent and promote the educational, social, economic and cultural interests of students at the European level towards all relevant bodies and in particular the European Union, Bologna Follow Up Group, Council of Europe and UNESCO. Through its members, ESU represents over 11 million students in Europe.



**REPORT ON  
THE 5<sup>th</sup> ERENET JUBILEE ANNUAL MEETING  
20 May 2011, Budapest, Hungary  
Corvinus University of Budapest - CUB**

**Address: H-1093 Budapest, Fővám tér 8. Hungary  
Room 2001**

**YOUTH, FREEDOM, ENTREPRENEURSHIP  
TEACHING ENTREPRENEURSHIP AND EDUCATION IN EUROPE**

The 5th ERENET ANNUAL MEETING was held on 20 May 2010 at the Rector's Ceremonial Hall of the Corvinus University of Budapest. 55 participants - members of the ERENET, invited PhD Students from CEE, the President of the European Small Business Alliance - ESBA - and the Chief Counsellor of the Hungarian Ministry of Economic Development attended the Meeting.

The **OPENING Ceremony** was opened by *Dr. Antal Szabó*, Scientific Director of ERENET. He expressed the apologies from *Dr. Tamás Mészáros*, Rector of the Corvinus University of Budapest, not being able to address the audience due to his unexpected invitation from the Hungarian Governmental authorities to discuss the current high-education reform plan.

The audience was welcomed by *Dr. László Kállay*, the newly appointed Director of the Small Business Development Centre, - SBDC - of the CUB, *Tina Sommer*, President of the European Small Business Alliance, and *Dieter Ibielski*, Presidential Counselor of the Union of Small and Medium-sized Companies - UMU -, Sr. Vice-President of ESBA and Honorable Member of the ERENET.

Following the Opening Ceremony, the Meeting continued with the **Inauguration of Professor Liviu Marian, PhD, Rector of the Petru Maior University, Târgu Mureș (Romania), as new ERENET Honorable Members**. The **laudation** of Professor Liviu Marian was delivered by *Dr. Zsuzsanna Szabó*, Dean of the Economic and Administration Faculty of the Petru Maior University. The **Honorary Certificate** was forwarded by *Dr. László Kállay*, Director of CUB SBDC. In the absence of *Liviu Marian*, *Dr. Zsuzsanna Szabó* expressed Marian's thanks for this honor.

*Péter Pogácsás*, Senior Chief Counselor, SME Development Directorate at the Ministry of National Economy made a presentation on the aim of the current economic policy including the SME sector. This policy is based on two main pillars: the new Széchenyi Plan and the Széll Kálmán Plan.

*Tina Sommer*, President of the European Small Business Alliance, highlighted the **ESBA lobbying activity to reshape Europe SME support activities in the line of the EU New 2020 Strategy**.

*Dr. Magdolna Csath*, Professor at the Economics and Management Department of the Kodolányi



János University of Applied Sciences, made a presentation on **Innovation, SMEs, Entrepreneurship**, as key factor for economic growth and competitiveness.

The **Report on the activities of the ERENET Network in 2010** was presented by *Dr. Antal Szabó*, Scientific Director of ERENET. **Co-referent** was made by *Dr. Eric Dejan*, Director of the Institute of Economic Sciences, Belgrade, on behalf of **the ERENET SEE Secretariat**. As part of the overview of the activities, the ERENET Secretary presented a special publication "4E - Enterprise in Eastern European Economy" which collects main papers on entrepreneurial education, family businesses, young entrepreneurship and the impact of the global economic crises on the SME sector in selected CEE countries. The presented papers and research works are from the No. 11 - 26 issues of the ERENET PROFILE from August 2008 and March 2011. The organizers thank the Knowledge Economy project TÁMOP for providing financial support for realization of this volume.

*Dr. Renata Vokorokosová*, Assistant Professor, Technical University of Kosice - TUK -, summarized the achievement of the **V4 project** run under the supervision of TUK, while *Dr. Zsuzsanna Szabó*, Dean of the Economic and Administration Faculty of the Petru Maior University, presented the output of the **EDUARO project**. Both projects were supported by ERENET and the participating institutions strengthened their cooperation due to these initiatives.

Following the Coffee Break the Annual Meeting turned into a **Scientific Workshop** with three sessions. The first one focused on good practices on university entrepreneurial education in Central-Europe, the second one provided a forum for PhD Students from CEE presenting their research ideas and infant doctoral theses, while the third one discussed and exchanges ideas concerning university technology transfer project between CEE universities.

## **SESSION I: University Entrepreneurial Education in Europe** **Chaired by László Kállay**

During this Session the following presentations were made:

- **Entrepreneurial Education in Croatia with focus on the program of the Strossmayer University**  
*Dr. Sanja Pfeifer*, Associate Professor, Faculty of Economics at the J.J. Strossmayer University in Osijek
- **Entrepreneurial Education in Germany**  
*Dr. Hans-Jürgen Weißbach*, Director of Institute of Entrepreneurship at the Fachhochschule Frankfurt am Main, University of Applied Sciences and *Dr. Martina Voigt*, University of Applied Sciences Frankfurt am Main
- **Entrepreneurial Education in Hungary**  
*Dr. Szilveszter Farkas*, Faculty of Economics at the Széchenyi István University in Győr  
Unfortunately, due to unexpected event Dr. Farkas could not attend the Session. In his absence *Attila Petheo*, Assistant professor from CUB SBDC delivered his thought on entrepreneurial education comparing the domestic achievement with his recent observation in USA.
- **University Entrepreneurial Education in Poland: the Case of the Cracow University of Economics**  
*Dr. Aleksander Surdej*, Professor, Faculty of Economics and International Relations, Cracow University of Economics
- **Entrepreneurial Education in Romania**  
*Dr. Gabriela Cecilia Stanciulescu*, Associate Professor at the Faculty of Commerce of the Academy of Economic Studies,

former Fulbright Scholar at the University of Illinois at Chicago, Chair of Marketing and Entrepreneurial Studies

- **Entrepreneurial Education in Serbia**

*Dr. Svetislav Paunovic*, Professor, Faculty for Banking, Insurance and Finance, Belgrade Banking Academy

**SESSION II: Presentation of PhD Students on Development of doctoral theses and about their participation in researches**

**Chaired by Sanja Pfeifer**

Within the framework of this Session the following PhD Students presented their portraits and research orientation:

- **Marina Jeger**  
PhD Student, Doctoral Program in Entrepreneurship and Innovation, Teaching and research assistant at Faculty of Economics of the J.J. Strossmayer University in Osijek (Croatia)
- **Isidora Beraha**  
Junior Researcher, Institute of Economic Sciences, Belgrade, PhD Student at the Faculty of Organization Sciences of the University of Belgrade (Serbia)
- **Sonja Duricin**  
Institute of Economic Sciences, Belgrade, PhD Student at the Faculty of Organization Sciences of the University of Belgrade (Serbia)
- **Natália Vašková**  
PhD Student, Department of Finance, Economic Faculty of Technical University in Košice (Slovakia)
- **László Borbás**  
Associated Professor, Károly Keleti Faculty of Economics, Óbuda University
- **Katalin Kovács**  
Budapest University of Technology and Economics, Department of Management and Corporate Economics (Hungary)
- **Katalin Mihalkovné Szakács**  
PhD Student at the Small Business Development Center of the Corvinus University of Budapest (Hungary)
- **Krisztina Tomcsányi**, MA degree from Corvinus University of Budapest, PhD Student at the Strategy and Project Management of the Corvinus University of Budapest (Hungary)
- **Ágnes Kiss**  
PhD Student at the Corvinus University of Budapest, Director of the Hungarian Life Wire Ltd. (Hungary)
- **Elisabeth Ilona Molnar**  
Remtours Manager, PhD Student at the Bucharest Academy of Economic Studies (Romania)

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**SESSION III: Consultation on university technology transfer projects with participation of Croatian, German, Polish, Romanian, Serbian and Slovak universities**

**Chaired by László Kállay**

Following the scientific sessions the Meeting continued discussing the future activities of the ERENET Network. This agenda was chaired by *Antal Szabó* and *Eric Dejan*. The participants

agreed **the ERENET Work Program for 2011-2012.**

The ERENET 5th Annual Meeting was closed by *Antal Szabó* and *Eric Dejan*.

### PHOTO GALLERY ON THE ANNUAL MEETING

	
<p>Audience at the CUB Rector Ceremony Hall</p>	<p>From left Tina Sommer, Péter Pogácsás, László Kállay and Antal Szabó</p>
	
<p>László Kállay forwards the Honorary Certificate of Prof. Dr. Liviu Marian to Zsuzsanna Szabó</p>	<p>From left Zoltán Román, Péter Szirmai and Ágnes Kiss</p>
	
<p>Renata Vokorokosková makes presentation on the V4 project</p>	<p>Zsuzsanna Szabó summarizes the EDARO project. Gabriela Stancilescu and Elisabeth Molnar right, Gábor Schulz and Erika Garaj left</p>

	
<p>Prof. Magdolna Csath with Erika Garaj and Prof. Hans-Jürgen Weissbach</p>	<p>Alekdander Surdej and Prof. Janusz Garaba</p>
	
<p>Sanja Pfeifer present the Croatian best practice</p>	<p>Audience</p>
	
<p>Presentation by PhD Students</p>	<p>Eric Dejan, Head of the ERENET Headquarters for SEE</p>
	
<p>Attila Petheő, Agnes Kiss, Prof. Magdolna Csath, Krysztof Wach and others</p>	<p>Agnes Kiss, Dieter Ibielski and Hans-Jürgen Weissbach</p>



## ERENET PROGRAM OF WORK BETWEEN JULY 2011- DECEMBER 2012

**The 5th ERENET Annual Meeting was held on 20 May 2011 at the Corvinus University of Budapest. As far as the program of work that participants discussed and agreed to carry out the following projects and events:**

### ACTIVITIES FOR 2011

#### 1. Workshop on "Entrepreneurship and SME Policy Development in the BSEC Region in the time of Emerging from the Economic Crises"

The BSEC-KAS-ERENET **Workshop** will be held on 21-22. July 2011 in Istanbul. 12 country studies are in process of preparation by national experts - all ERENET members -, which will be discussed, summarized, issued in a book format, and submitted to the BSEC Governments.

#### 2. Spirituality and Business Conference

The *Business Ethics Center of the Corvinus University of Budapest* (<http://ethics.uni-corvinus.hu>), the *European SPES Forum* (<http://www.eurospes.be>), and the *ERENET - Entrepreneurship Research and Education Network of Central European Universities* (<http://www.erenet.org>) organize an international conference on Spirituality and Business in July 1-3, 2011 in Budapest, Hungary. The collaborative organizing partner is the *Business Ethics Society*, Budapest.

The **aims** of the conference are:

- Launching the Handbook of Spirituality and Business published by Palgrave,
- Disclosing the spiritual dimension in business ethics, and
- Introducing/strengthening the European SPES Forum in Central and East Europe.

The Session on Spirit of Entrepreneurship: Jewish, Christian and Muslim Views will be made by ERENET members from Hungary, Israel and UK.

Preliminary date of the conference was envisaged to 1-3 July 2011. However, due to the delay of the main encyclopedia subject of discussion by the participants, the possible date of convening the workshop has been postponed to the Autumn 2011.

#### 3. Expanding the ERENET' Portrait Gallery of PhD Students (See <http://www.erenet.org/projects/projects.htm>).

In order to strengthening the friendship and cooperation among the young generation in the CEE regional ERENET has been launched a Portrait Gallery on PhD Students. At time being we already have 11 portraits from 4 countries. Our aim is to disseminate the idea of strengthening the CEE set of values and invite other students to join to this club.

Participants of the 5th ERENET Annual Meeting agreed to boost this idea and will assist in finding more suitable candidates.

ERENET Secretariat will explore the possibility of organizing further formal and informal



meeting of the PhD Students.

The ERENET Secretariat will assist in publishing achievement by the PhD Student in the ERENET PROFILE.

#### 4. Creation of an ERENET Wikipedia

**In order to make the ERENET Network more visible world-wide the Secretariat will work on development of a presentation on the WIKIPEDIA. The participants highly appreciate the initiative by Prof. Hans-Jürgen Weissbach developing a presentation at the German Wikipedia site (See <http://de.wikipedia.org/wiki/Erenet>).**

Volunteers are kindly requested to send their ideas concerning this presentation.

#### 5. Include ERENET PROFILE Papers to relevant international directories of quality controlled scientific journals and publication sources.

In order to enlarge the field of distribution of ERENET-based paper and make our authors widely and world-wide known, at the suggestion of some ERENET members the Secretary shall establish contact with well-known authentic directories, like the Directory of open Access Journal (DOAJ) hosted and maintained by Lund University Libraries - Head Office, the Index Copernicus International and [RePEc](#) (Research Papers in Economics) respectively the [MPRA](#) (the Munich Personal RePEc Archive, hosted by the Munich University Library, Ulrichsweb and others.

### ACTIVITIES FOR 2012

#### 6. Project on Fostering the SME-Sector in the SAVA River Basin

The Institute of Economic Sciences and the International Center for Promotion of Enterprises (ICPE) from Slovenia launched an initiative for a common project on SMEs under the following title: **Fostering contribution of the SME sector to sustainable development of the Sava river basin.** The Project proposal was supported by the International Sava River Basin Commission, and later on a number of respective partners from the region (Economic institute, Zagreb, Economic institute, Sarajevo, Economic institute, Banja Luka, Institute for economic research, Ljubljana) joined the team working on the Project proposal. The key overall objective of the project is to strengthen the regional cooperation among SMEs, consolidate connections of business and professional community connected with water resources management in the Sava river basin, and provide support to the SME sector as the end user of the project results, thus fostering a sustainable development and foster cohesion of people in the territories of the Sava river basin region. The main purpose of the project is to improve economic development of the Sava river basin countries through creation of a regional SME network, thus improving competitiveness, developing entrepreneurship and increasing new job creation. The general purpose of the project is to tackle key issues relevant for the further strengthening of SME sector and their greater contribution to regional economic development, which are recognized as priority areas by the national policies and strategic documents of the Sava river basin countries, as well. The IES together with the partner institutions have completed reviewing and adopting the document which will be presented to potential donors in June 2011.

Dr. Eric Dejan, as Director of the Institute for Economic Sciences, also as the ERENET main coordinator for SEE, invites ERENET members and their institutions in development and elaboration plan of action based on the adopted document, which will be sent to authentic ERENET members.

#### 7. 2nd Hungarian Workshop on The Achievement in National SME Policy - 2012 Győr

**Preliminary agreement has been established with the Kautz Gyula Faculty of Economics at the Széchenyi István University in Győr to host this workshop as followup of the successful one held in 2010.**

**The Hungarian National Organizing Committee will be formulated in Autumn 2011. The date of the event and main topics to be discussed will be elaborated in the Autumn 2011 too.**

#### **8. 2nd International Scientific Conference on Entrepreneurship and Growth of Family Businesses - 2012 Cracow**

Prof. Aleksander Surdaj from the Cracow University of Economics announced its intention to organize an international workshop on the problems faced by family businesses and how to provide support for their survival and growth. The concept of the event will be elaborate in the second half of 2010. Participants of the ERENET expressed their interest to organiye this event as a co-organizer partner.

#### **9. Workshop on Youth Entreprneurship - 2012 Frankfurt am Main**

The Fachhochschule Frankurt am Main, University of Applied Sciences put in its pipeline a possible event focused on development of youth entrepreneurship. The topic raised interest aming the ERENET participants. Prof. Hans-Jürgen Weissbach will send information on the concept of this event and possible modalities of work with ERENET. Preliminary date of event is scheduled for 19 October 2012.

#### **10. 6th ERENET Annual Meeting**

The time and place of the event is open. Preliminary possible candidates are the Petru Maior University of Targu Mures subject of Governmental high-education reform program, and the Institute for Economic Sciences.

Interested candidates could send their suggestions to the ERENET Secretary.

The ERENET Secretary is also look forward to receiving suggestions concerning topics to be discussed during the Annual Meeting.

The host organizer, place, timing and subject to be discussed will be announced early 2012.

### **COOPERATION WITH INTERNATIONAL ORGANIZATIONS**

ERENET Secretariat will continue its cooperation with the European Small Business Alliance (ESBA), the BSEC PERMIS and the Konrad Adenauer Stiftung.

**Budapest, 20 May 2011**

**Dr. Antal Szabó  
Scientific Director of ERENET**



### **“MS OR MR SME”: SMALL BUSINESS GETS AN ADVOCATE IN EACH EU MEMBER STATE**

***Newly appointed Ms or Mr SME will advocate for the interests of Small and Medium sized Enterprises (SMEs). Chiefly they will check the correct application of the EU law on SMEs and ensure that policies at national, regional and local level are enterprise friendly". Today, European Commission Vice President Antonio Tajani inaugurated a new network of Member States' SME Envoys at the SBA conference "Mobilising SMEs for the Future of Europe" in Budapest. As SMEs are affected by policies originating in different government departments ranging from tax to financial and from regulatory to education, the SME envoys should help small businesses to concentrate on their core business to strive and create jobs.***

European Commission Vice-President **Antonio Tajani**, responsible for industry and entrepreneurship said: *"The new SME Envoys will ensure that administrations "think small first" and take the interests of SMEs into account for every new law and regulation. I count on our new Mrs and Mr SME so that we can create an ecosystem that is right for small businesses together, allowing them to unleash their great drive and potential to create jobs and growth. When we mean business in Europe, we think small first but we aim BIG."*

The Small Business Act (SBA) is the European Commission's SME policy aiming to make Europe more business friendly and encouraging people to start their own business. In the future, the new Mr or Mrs SME will meet with SME representative organisations at EU-wide level within the SBA Advisory Group. This is part of the new governance called for in the recent review of the Small Business Act. This new mechanism will ensure closer monitoring and coordinated action in support of SMEs.

The SBA has already helped to cut regulations, provided funding to more than 110.000 SMEs so far with 200.000 planned to benefit from the specific SME bank loan guarantees and venture capital schemes by 2012, and proposed small business friendly solutions to issues such as late payments or access to public procurement. Member States have also taken similar measures. They have reduced the cost and time of setting up a company from 12 days and €485 in 2007 to 7 days and €399 in 2010, enhanced SMEs' access to credit and launched internationalisation schemes. However, more needs to be done. The newly appointed SME Envoys are expected to focus and accelerate actions at national level.

The "Mobilising SMEs for the Future of Europe" conference is co-organised with the Hungarian EU Presidency, was attended by representatives of small business, business organisations and public administrations charged with the task of coordinating SME policy.

#### **Background**

The recent SBA Review pointed to the need for better governance so as to ensure that the "Think Small First" concept is applied at all levels of policy making. The European Commission has appointed Mr. Daniel Calleja Crespo, Deputy Director-General at the European Commission's Directorate General for Enterprise and Industry, as the new EU's SME Envoy. The SBA Review also called on countries to appoint an SME Envoy whose central role will be to ensure that the



"Think Small First" principle is applied at all levels of government, throughout the EU.

Europe's 23 million small and medium-sized enterprises are at the heart of its economy and society, accounting for 98% of businesses and two thirds of the total private employment.

### **Small and medium-sized enterprises (SMEs)**

#### **List of national SME Envoys**

<b>Country</b>	<b>Name</b>	<b>Title</b>	<b>Organization</b>
Austria	Mr Herbert Preglau	Director General	Federal Ministry of Economy, Family and Youth
Belgium	Mrs Marie-Christine Colin-Lefebvre	Director General for SME's Policy	SPF Economies, PME, Classes Moyennes et Energie
Bulgaria	Mr Evgeni Angelov	Deputy Minister	Ministry for Economy, Energy and Tourism
Cyprus	Mr Yannis Kontos	Director of Industrial Development Service	Ministry for Commerce, Industry and Tourism
Czech Republic	Mr Martin Tlapa Suppleant: Mr Petr Ocko	Deputy Minister for European Union and International Competitiveness	Ministry of Industry and Trade
Denmark	Mr. Jens Lundsgaard	Deputy Permanent Secretary	Ministry of Economic and Business Affairs
Estonia	Mr Ahti Kuningas	Deputy Secretary General	Ministry of Economic Affairs and Communication
Finland	Mr Matti Pietarinen	Counsellor of Industrial Policy	Ministry of Employment and Economy
France	Mr Luc Rousseau	Director General of Competitiveness, Industry and Services	Ministry of Economy, Finances and Industry
Germany	Dr Eckhard Franz	Director General for SME Policy	Federal Ministry of Economics and Technology
Greece	Mr Dionysios Tsagris	Head of Directorate	General Secretariat of Industry, Ministry of Economy, Competitiveness and Shipping
Hungary	Dr László Szöllősi	Deputy Secretary General	Ministry for National Economy
Ireland	Mr John Perry T.D.	Minister for Small Business	Department of Enterprise, Trade and Innovation
Italy	Mr Giuseppe Tripoli	Head of Department for Enterprise and Internationalisation	Ministry of Economic Development
Latvia	Ms Ilze Beinare	Director of Entrepreneurship Competitiveness Department	Ministry of Economics
Lithuania	Ms Živilė Glaveckaitė	Director of Small Medium Business Department	Ministry of Economy
Luxemburg	Ms Bernadette Friederici-Carabin	Conseiller de Direction 1ère classe	Ministère des Classes moyennes (PME) et du Tourisme
Malta	Mr Jason Azzopardi	Parliamentary Secretary	Ministry of Finance
The Netherlands	Mr Rinke Zonneveld	Director Entrepreneurship	Ministry of Economic Affairs, Agriculture and Innovation
Poland	Ms Grazyna Henclewska	Deputy Minister	Ministry of Economy

Portugal	Mr Mario Lobo	Director General for Economic Activities	Ministry for Economy, Development & Innovation
Romania	Ms Andreea Paul Vass	Counselor of the Prime Minister	Ministry of Economy, Trade and Business Environment
Slovakia	Mr Robert Simurka	General Director	National Agency for Development of SMEs
Slovenia	to be nominated	-	-
Spain	Ms Estela Gallego Valdueza	Directora Generalde Política de la Pequeña y Mediana Empresa	Ministerio de Industria, Turismo y Comercio
Sweden	Ms Catharina Håkansson Boman	Secretary of State	Ministry of Enterprise, Energy and Communication
United Kingdom	Mr Adam Jackson	Director of Enterprises	Department for Business, Innovation and Skills

Source: [http://ec.europa.eu/enterprise/policies/sme/small-business-act/sme-envoy/national-sme-envoy/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/small-business-act/sme-envoy/national-sme-envoy/index_en.htm) as of 24.06.2011



European Commission Vice-President **Antonio Tajani**



Family photo of the National SME Envoys during the inauguration in Gödöllő



Toni Brunello commenting the presentation on business transfer



László Szöllősi, Deputy State Secretary greets the participants of the EU Conference

## INSTITUTIONAL PROFILE



Ministry of Education, Research, Youth and Sports  
**VALAHIA UNIVERSITY FROM TARGOVISTE**  
 ROMANIA

**Targoviste** has a special place in the history of the Romanians, on account of the three centuries when it was the princely residence, the capital of Wallachia, and the main economical, political, military, cultural and religious center of the area.

Medieval Targoviste evolved from a rural establishment, attested in documents of the 7th and 9th centuries. The process of urban development was accelerated by the presence of a permanent market place, then by the establishment of a princely court in the late 14th century during the reign of Mircea cel Batran. Along with Curtea de Arges, Targoviste became the capital of Wallachia from 1394 to 1396, and then from 1417 to 1418. From 1418 to 1465 Targoviste was the only capital of the country. After the year 1465, both Targoviste and Bucharest shared this role.

Nowadays a university can no longer be



competitive unless it consolidates its tradition of intellectual innovation and, based on projects initiated by the university itself, interacts with the technological, economic and cultural environment. Around us are gradually taking shape the market of academic degrees and the competition for grants of scientific research and specialized consultancy.

Higher education appeared in Targoviste in 1991, with the creation of the Technical and Economic University College; the following year, through the Decree of the Romanian Government no 288/01.06.1992, Valahia University was born.

If in the beginning the Valahia University consisted in two faculties and a university college with a number of 14 specializations and about 700 students, from one year to the next, the higher education in Targoviste diversified, nowadays having 8 faculties organized in conformity with Bologna system (license, master, doctoral studies), with 10,000 students (daily studies or distance learning). In the environment of Romanian higher education, Valahia University from Targoviste is characterized by a vivid dynamics, materialized in the improvement of the educational process from one year to the next, in the increase of the number of students and the improvement of the conditions offered for life and study, and also in the enrichment of the social basis.

Being an essential part of the Romanian higher education, Valahia University from Targoviste brings in the process of European modernization and integration, high-quality education, competitive scientific

research, students' and teachers' mobility in the European area.

Being a young university, Valahia University from Targoviste found it easier to adapt it to the norms imposed by the LMD system, generalized throughout Europe. The passage to the system of transferable credits, a few years ago, the harmonization of the curricula, not only in the national but also in the international arena, are priorities that represent the guarantee of the recognition and integration of our University in the area of the European higher education, an education which has itself been undergoing continual change during the past several years. The reality of the introduction of the LMD system consists in numerous courses for our students, at different levels, in universities abroad, and, at the same time, in the training of foreign students at our university.

Valahia University from Targoviste represents an essential part of the international academic community, with the same moral, educational, scientific and cultural values. The prestige which Valahia University from Targoviste enjoys is made manifest in its programs of collaboration with universities from France, Finland, Greece, Italy, Spain, Belgium, Denmark, Lithuania, Estonia, Poland, Germany, Slovakia, Portugal.



Valahia University from Targoviste has consistent and modern material endowment: more than 250 laboratories equipped with the newest appliances and IT equipment, language laboratories, 25 amphitheatres, more than 200 classrooms, areas for study, libraries including more than 100,000 books, a scientific and technological park, its own publishing house, the most modern IT center endowed with the latest electronic devices, INTERNET/INTRANET communication network, the university assembly hall and the International Conference Center, where the presentations of master's or doctoral theses are held, and also where other academic manifestations and festivities take place.

Valahia University of Targoviste is an academic community made up of teachers, researchers, students, technical and administrative staff. Valahia University of Targoviste consists of faculties, departments, institutes, libraries, research departments, museums, hostels and students restaurants. There are other essential parts of the University: experimental, leisure and social departments, printing house, etc.

The students of Valahia University from Targoviste enjoy numerous facilities and social services. They have a Students' Club made up of a hall with 450 places, a discotheque and a ballet room housing cultural, educational and entertainment activities, and 7 modern hostels for students. There is also a university restaurant functioning, with a capacity of 300 places. The consulting room of Valahia University of Targoviste provides general and stomatologic medical assistance.

Valahia University from Targoviste offers its students the possibility of continuing their education, after obtaining their license, by:

- master's degree courses;
- doctoral studies;
- post-university specialization studies, continual training and professional conversion.

Self-evaluation has remained the instrument of self-renewal, but the assessments made by external observers are instruments to be taken into account in order for a university to be competitive. In this respect, Valahia University from Targoviste was evaluated, in the past years, among the first 12 universities in the country in point of scientific research.

Prepared by: **Professor Univ. Dr. Dima Ioan Constantin**



## **The First Serbian Entrepreneur Association**

### **About us**

The First Serbian Entrepreneur Association Belgrade (FSE) was established in December 2010, as a non-governmental, non-profit and non-political organisation aimed at organising and providing technical support to owners of small enterprises and stores.

The Association brings together entrepreneurs from the territory of the City of Belgrade and throughout the Republic of Serbia, citizens' associations and various stakeholder organizations aiming to promote and support the development of entrepreneurship. Membership is voluntary and free of charge, with the possibility of both individual and group admission.

To achieve its goals, the Association:

- Being a systemic group, influences the creation of a business-friendly environment;
- Acts in the best interest of its members, representing them before the economic system institutions, state institutions, as well as third parties;
- Realises common interests of its members and organizes their coordinated performances at local, regional and third markets.
- Facilitates and enhances communication among the members, providing them constantly with quality information about issues related to their business;
- Organises seminars, conferences and all forms of education to raise market competitiveness of its members.
- Establishes rules for good business conduct of its members and protects their interests, and, if necessary, takes the role in mediation and arbitration for resolving possible conflicts of interests between the members;
- Strives for fostering the relations with the media and the introduction of the public with issues relevant to the economy.

The Association brings together experts from various fields, whose publicly recognized past work has contributed to the affirmation of the small business sector.

One of the priority goals in the work of the Association for 2011 is to create the network of entrepreneur clubs in all municipalities of the City of Belgrade.

In cooperation with local self-governments, the Association has already started with the implementation of training programs. The program provides the necessary information to both individuals intending to start own business and those who are already owners of small companies but face difficulties in their business. The program content is tailored to the specific needs of the participants.

The registered office of the Association is in Belgrade, 33, Vojvode Milenka Street.

### **Why FSE?**

The FSE works on the development of non-financial support for SMEs and entrepreneurs through various types of trainings, seminars, consulting and mentoring.

The support includes the following:

**FINANCIAL ADVICE** - information on access to state funding, business banks, international donors, and procedures for applying for such funding; assistance with business plan preparation; organising seminars and trainings on raising market competitiveness; consulting for starters in business; networking;

**LEGAL ADVICE** - guidance on choosing a legal form of business, business registration; foreign trade regime issues; taxation issues; advising on changes to relevant laws and regulations, and

**INNOVATION AND INVENTION** advice - technical assistance for starting a business incubator/innovation center; quality networking of SMEs and entrepreneurs with education and R&D institutions; advice on intellectual property protection – assistance in applying with the relevant institution.

**Contact:**

*Djura Krompic*

**Chairman**

Tel: +381 65 3233 864

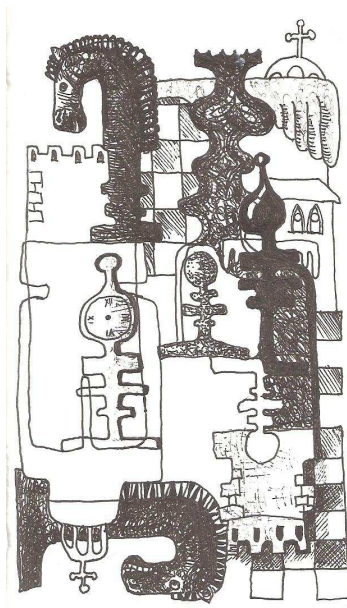
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11000 Belgrade

[www.pspb.rs](http://www.pspb.rs)

Working hours: 10.00 a.m. - 5.00 p.m.



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## CALLS □ EVENTS □ NEWS

### CALL FOR PAPERS SPECIAL ISSUE OF THE *JOURNAL OF WOMEN'S ENTREPRENEURSHIP AND EDUCATION*: □ EDUCATING WOMEN ENTREPRENEURS: PAST, PRESENT, AND FUTURE PERSPECTIVES □



**Submission Deadline: 31 August 2011**

#### Guest Editors:

Doan Winkel, *Illinois State University, United States*

Jeff Vanevenhoven, *University of Wisconsin – Whitewater, United States*

Mark Geiger, *Illinois State University, United States*

Women entrepreneurs play a crucial role in the development of the world economy (Brush et al., 2006; de Bruin et al., 2006, 2007; European Commission, 2005). For instance, in the United States alone as of 2002, over 6 million privately-held women-owned enterprises generated nearly \$940 billion in sales and employed over 7 million people (U.S. Census Bureau, 2006). However, women-owned businesses, in general, tend to underperform men-owned businesses on a number of important metrics (Robb & Coleman, 2009). These same trends are occurring around the globe, illustrating the need to both understand and work to lessen this differential.

Research indicates that due to issues such as lack of access to information and networks, gender discrimination and stereotypes, and difficulties in balancing work and family responsibilities, women entrepreneurs face greater challenges in starting and growing new ventures (e.g., Anna et al., 2000; Brush et al., 2006; Fielden & Davidson, 2005; Marlow, 1997; Rosa & Hamilton, 1994; Rouse, 2005).

Women entrepreneurs have begun to seize and harness opportunity, but as a group women can have much more effect on the global economy. In order for them to realize a greater contribution, it is imperative to stimulate, support and sustain women's entrepreneurial dreams and efforts. Education provides one critical "tool" to accomplish this.

The *Journal of Women's Entrepreneurship and Education* (JWE) is peer reviewed and dedicated to the scholarly study of the education and practice of women entrepreneurs. In this special issue we seek to promote and discuss critical topics relating to the education of women entrepreneurs around the world. The journal provides a focused academic platform for the encouragement and dissemination of interdisciplinary research on issues regarding all aspects of women's entrepreneurship and the education of women entrepreneurs. Readership includes policy makers, researchers, students, teachers, and practitioners in women's entrepreneurship and education.

In the special issue, we welcome empirical, conceptual, and policy-based papers in the following areas, or any other that relates to educating women entrepreneurs and/or the impact of education on women entrepreneurs:

- Cross-cultural comparisons of education systems and programs supporting women entrepreneurs
- How education can unleash and focus the creative energy of women
- Challenges institutions face in educating women entrepreneurs
- Case studies of innovative educational programs promoting women entrepreneurs
- Gender stereotypes in entrepreneurship education and how women overcome them
- Educational factors which influence the propensity or motivation of women to become entrepreneurs
- The role of entrepreneurship education in combating poverty and unemployment among women

This special issue will contain between 6 and 8 articles. JWE is published twice a year and strives to publish original articles of the highest quality.

JWE is in GESIS, EBSCO and Ullbe University databases. GESIS database is the most important database of scientific journals for social sciences in Eastern Europe by Leibniz Institute for the Social Sciences. EBSCO is the biggest American database of academic magazines for institutions and universities all

over the world. Ullibe University database is the database which encompasses universities and scientific institutions from 187 countries.

#### Notes to Prospective Authors:

- 1) Manuscripts should be submitted electronically to all guest editors in a Word-compatible format in accordance with the Journal of Women's Entrepreneurship and Education guidelines ([http://www.iien.bg.ac.rs/IEN1/images/stories/Izdavastvo/Casopis%20JWE/jwe\\_author\\_guidelines.pdf](http://www.iien.bg.ac.rs/IEN1/images/stories/Izdavastvo/Casopis%20JWE/jwe_author_guidelines.pdf).) Please indicate that the manuscript is for consideration in the "Educating Women Entrepreneurs" special issue when submitting your manuscript online.
- 2) Submitted papers should not have been previously published nor be currently under consideration for publication elsewhere.
- 3) All papers are refereed through a double-blind peer-review process.
- 4) Please send your submissions electronically to all guest editors.
  - Deadline for submissions: 31 August 2011
  - Notification of acceptance/rejection decision: 30 November 2011
  - Expected publication date: April/ May 2012

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#### References:

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**FACULTY OF MANAGEMENT  
NOVI SAD**

**9th CONFERENCE  
TOWARDS THE KNOWLEDGE ERA  
23 – 24 September 2011**

**- CALL FOR PAPERS -**

**CONFERENCE TOPICS**

**WHY DO WE NEED KNOWLEDGE MANAGEMENT?**

- Organisational knowledge creation and management
- Company strategic plan and knowledge management
- Technological management and knowledge management
  - Learning organisation culture
- Theory of knowledge management system development
- Practical application of company knowledge management
  - Intellectual capital
  - Managing of media knowledge
- Project management concept application in learning organisations
  - Knowledge management in maritime affairs
  - Emotional intelligence in management

**CONFERENCE ORGANISER  
FACULTY OF MANAGEMENT**

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2100 NOVI SAD  
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<http://www.famns.edu.rs>  
E-mail: [savetovanje@famns.edu.rs](mailto:savetovanje@famns.edu.rs)

**CONFERENCE GOAL AND SUBJECT:**

The Faculty of Management from Novi Sad organises **9<sup>th</sup> International scientific conference “Towards the Knowledge Era”**. The main characteristics of the previous eight conferences are: the number of participants, especially from the economic branches, is constantly increasing and the papers are more concrete and they are, most often than not, the result of the concept of knowledge management practical application in organizations and not just mere theoretical analysis. Therefore, we can be very satisfied because we have managed to contribute to the application of knowledge management concepts in organizations. Also, we have managed to arouse keen interest of scientific general public for the knowledge management and era. Now, we need to find out together the solution how to speed up this process and to strengthen this movement in order to prepare our economy for successful integration in the globalization process and market transactions in new conditions.

Knowledge management enables us to learn how:

- To deal with business risks,

- To create "right" products,
- To motivate people and, the most important,
- To satisfy the customers.

Knowledge management enables us to think about effectiveness (doing "right" things), and efficiency (doing things in the most economical way). It urges us to think about business processes in which we are involved and to change them in order to achieve better business performances (cost, quality, delivery date, the degree of consumers' satisfaction).

What are the obstacles of the successful implementation of knowledge management initiative in our economic conditions? Can we use the experience of successful organizations and by using knowledge management in our organisations improve our business performances, i.e. achieve success? Are we ready to apply these multi-disciplinary approaches in our business practice?

### **CONFERENCE THEMES:**

We have recently made the first steps on our way towards knowledge era. Therefore, we believe that conference theme should be the same as previous years: The knowledge is information which interchanges something or someone – or as such becomes the foundation for an activity or it makes a person (or an organization) able to be different or more efficient.

Nowadays knowledge becomes obsolete in only few years. For that reason, knowledge usage is possible only if organizations master the ability to create and apply new knowledge which enables them to have sustainable competitive advantage through innovation, creativity and high organizational working ability.

Organizations have to create an appropriate organizational culture in order to recognise and implement successfully initiatives for knowledge management. How can we create "learning organizations" from the classical industrial type of organisations? How can we induce and boost innovation and creativity? How can employees be motivated in order to produce new working knowledge? How can organizational knowledge be increased? Can knowledge management boost flexibility in business and enable us to satisfy, in the right way, consumers' needs? How can we perceive, through the initiatives for knowledge management, 'redundant labour force' as a 'work shortage' and, thus, create new jobs, new business processes, new working places and new customer value?

### **TENTATIVE AGENDA**

9<sup>th</sup> international conference "Towards the knowledge era" will be held on 23- 24 September 2011 in Sremski Karlovci.

### **Conference fee and payment:**

Conference fee is 60 Euros converted into dinars + VAT on the day of payment

The proof of the Conference fee payment should be sent to Olja Arsenijević, PhD, Faculty of Management, 6 Vase Stajića, 21000 Novi Sad.

The Conference Fee covers conference programme, conference proceedings + CD, conference magazines, an excursion, a welcoming party and a farewell dinner.

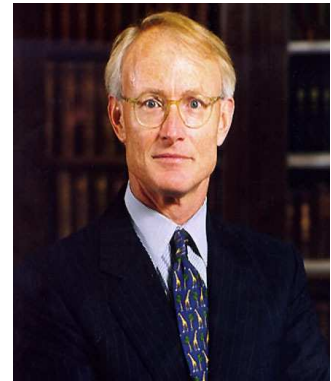
Participants will receive the electronic version of the Conference Proceedings on the day of registration. Printed version of the Conference Proceedings will be received after the Conference. Only papers that are presented at the Conference will be published in the proceedings.

The Registration Fee should be paid into the bank account of the Faculty of Management: 330-1002000-22 Meridian bank.

## PUBLICATIONS - NEWS

### STRATEGY: WHEN BEST ISN'T DIFFERENT ENOUGH

by  
Michal Porter



**The fundamental core principles for long term success of an organization and how we can understand them**

Sweep aside mis - conceptions and confusion and focus on these basic economic principles:

**Clear Thinking:** How managers think about competition. Think about competition differently – how deliver some unique benefit to some set of customers in a way you can do better than anyone else.

**3 Flawed Concepts of Strategy:** Strategy as Action, Aspiration, and Vision. Strategy is concrete, what unique position you will occupy in your business that gives you advantage that hopefully you can sustain.

**Strategy starts with setting the right goals.** One goal makes economic sense, to return a profit over the long term. Goodwill reflects an investment, if you can't earn a good return on that, you are fooling yourself about performance. Another mistake is when you take reconstruction costs and say I'm not responsible for them.

**Economic Performance and Shareholder Value** is the result of creating real economic value, pleasing today's shareholders is not the goal. Influence shareholder value through economic performance.

**Economic Foundations of Competition:** Industry Structure & Relative position within the industry, strategic thinking must encompass both. Two big challenges: Industry has to be successful to earn a rate of return. Find a way to become advantaged.

**Determinants of Industry Profitability:** Industry attractiveness based on structural conditions. Unless you have higher price or lower cost you can't have higher ROIC. Part of lower cost is better utilization of capital, try to get superiority in the industry.

**Foundations of Economic Performance – The Value Chain.** Competing in a business involves performing a set of discrete activities, in which competitive advantage resides. Think how we configure ourselves and how we compare with our competitors.

**Operational effectiveness** – assimilating, attaining and extending best practices: do the same thing better.

**Strategic Positioning** is creating a unique and sustainable competitive position: do things differently to achieve a different purpose. Worst error in strategy is to get into a competition with your competitors on the same dimensions.

#### 5 Tests of a Good Strategy:

1. A unique value proposition compared to other organizations;
2. A different tailored value chain;
3. Clear tradeoffs, and choosing what not to do;
4. Activities that fit together and reinforce each other;

5. Strategic continuity with continual improvement in realization.

**Defining Value Proposition:** What customers? Which needs? What relative price? A novel value proposition can grow/expand the industry.

**Typical thinking on the Sources of Competitive Advantage:** successful companies have lots of Key Success Factors, all connected. Continuity: Allows learning and change to be faster and more effective.

**Future in Conclusion:**

1. Refocus on economic fundamentals.
2. Stay focused on the strategy rather than address all the issues pouring in.
3. Don't over react to distressed conditions, focus on best guess of longer term conditions.
4. Cut costs and restructure to a strategy, rather than cutting across the board.
5. Take window of opportunity now when the EPS and stock market gain is suspended to get into a fundamentally good position.
6. Opportunities now for restructuring: be viable, keep an open mind in order to make discontinuous moves.

file: [http://womenleadershipnetwork.com/index.php?option=com\\_content&view=article&id=133:strategy-michaelporter&catid=35:articles&Itemid=60](http://womenleadershipnetwork.com/index.php?option=com_content&view=article&id=133:strategy-michaelporter&catid=35:articles&Itemid=60)

**Remark:**

This interview is taken from the Archive of the Women's Leadership Network (WLN). This network covers all industries and professional communities in Puerto Rico while serving as a true rendezvous point for professional women to converge, share experiences and help develop the women leaders of tomorrow. In essence, the WLN offers women leaders the opportunity to connect and interact with other women leaders, and is an avid advocate in favor of mentor relationships.



Fatima Aghamirzayeva with her granddaughter Melahet celebrating the feast "novruz" in Azerbaijan

## HORIZON 2010



MEMO/11/435

Brussels, June 21, 2011

### New name for the future EU funding programme for research and innovation

Statement by Research, Innovation and Science Commissioner *Máire Geoghegan-Quinn* on the outcome of the competition to name the future EU funding programme for research and innovation

I am very pleased to announce that "Horizon 2020" is the winner of our "You Name it" online vote to name the future EU-funding programme for research and innovation.

Three names were shortlisted. Horizon 2020 received 3 055 votes against 2 785 for Imagine 2020 and 2 478 for Discover 2020. 8 318 votes were received.

The full name that I shall be putting forward towards the end of this year as part of the legislative proposal for the new programme will therefore be: "Horizon 2020 - the Framework Programme for Research and Innovation".

I congratulate the competition winners Marcela Endlova, a teacher from the Czech Republic, and Beata Zyngier, also a teacher, from Poland – who both suggested the name - and look forward to meeting both of them at the European Innovation Convention in December.

I was already very clear publicly in my first few weeks in this job that I was interested in having a new name for the Framework Programme.

I wanted the decision to be made in a democratic rather than a technocratic way.

I am delighted at the response and the interest this exercise has generated. We received over 1 600 suggestions for names. I warmly thank the jury and all those who took part.

The new name marks another step in our endeavour to establish research and innovation where it belongs, at the centre of EU policy making.

To achieve that in a lasting way, we need to connect with a wider public and give our work a higher profile.

So the new name is an important symbol of a new departure and a new adventure.

Horizon 2020 is not just a new name for the same Framework Programme.

It is the name for the new, integrated funding system that will cover all research and innovation funding currently provided through the Framework Programme for Research and Technical Development, the Competitiveness and Innovation Framework Programme (CIP) and the European Institute of Innovation and Technology (EIT). These different types of funding will be brought together in a coherent and flexible manner.

This will be a smarter way to support researchers and innovators in Europe – so as to further boost excellence and to help ensure that good ideas reach the market and generate sustainable economic growth and new jobs. Research and innovation funding will focus more clearly on addressing global challenges. Needless red tape will be cut out and participation made simpler.

However, there is also, in the longer title, a certain continuity. We will not lose sight of the fact that the Framework Programmes have been a big success and that there has been much to be proud of. We are not going to throw the baby out with the bathwater.

Europe is currently facing very serious economic challenges. But there are reasons for optimism. High on that list is the enormous and still largely untapped research and innovation capacity that we have in Europe.

So it is fitting that the new programme should have a name with an optimistic ring that evokes vision, new possibilities and an ambitious view of what EU-funded research and innovation can achieve.

Because it is only at an EU level that we can mobilise sufficient resources to tackle societal challenges.

Only through EU funding can we help our researchers and innovators to join forces and work together across national borders.

And only the EU can organise continent-wide competition to stimulate our researchers towards greater excellence.

### Background

The "You Name It" competition was launched on 28 March (see IP/11/1371) and was linked to the stakeholder consultation on the Commission's Green Paper on the new research and innovation funding framework for the period post-2013 (see IP/11/138, MEMO/11/76).

The year "2020" was added to the names to show clearly that the future funding system will be designed to support the research and innovation objectives of the Europe 2020 Strategy. The words: "Framework Programme for Research and Innovation" are included to show an element of continuity with the past.

The winners receive a trip to the European Innovation Convention, which will take place in Brussels at the end of this year and will have the opportunity to meet Commissioner Máire Geoghegan-Quinn and other leading political, scientific and business figures.

### Source:

[europa.eu/rapid/pressReleasesAction.do?reference=MEMO/11/435&format=HTML&aged=0&language=EN&guiLanguage=en](http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/11/435&format=HTML&aged=0&language=EN&guiLanguage=en)

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## ERENET ON THE WIKIPEDIA

The Wikipedia is the world largest free encyclopedia. An **encyclopedia** (also spelled **encyclopaedia** or **encyclopaedia**) is a type of ewfwrwecw work, a compendium holding a summary of information from either all branches of knowledge or a particular branch of knowledge. The English Wikipedia became the world's largest encyclopedia in 2004 at the 300,000 article stage and by late 2005, Wikipedia had produced over two million articles in more than 80 languages with content licensed under the copyleft GNU Free Documentation Licence. As of August 2009, Wikipedia has over 3 million articles in English and well over 10 million combined in over 250 languages.

The ERENET can be found on the Wikipedia in English, German, Hungarian, Polish, Russian and Serbian at the following addresses:

<http://en.wikipedia.org/wiki/ERENET>

<http://de.wikipedia.org/wiki/Erenet>

<http://hu.wikipedia.org/wiki/ERENET>

<http://pl.wikipedia.org/wiki/ERENET>

<http://ru.wikipedia.org/wiki/ERENET> and

<http://sr.wikipedia.org/wiki/ERENET>



## ENTREPRENEURSHIP EDUCATION:

### problems, thinking's

by

**Antal Szabó, Raqib Quliyev, Tural Quliyev**

This book contains to touch four important particularly for postsocialist countries main blocks of the entrepreneurship education: the assessment of the situation and obstacles in the field of organization and development of the entrepreneurship education in the CIS area; the substance and components of entrepreneurship education in the present conditions; the impact of the small and medium entrepreneurship (SME) policy on the entrepreneurship education quality; the relationship between the aims of education in general and the entrepreneurship education changing (evolution) tendencies.

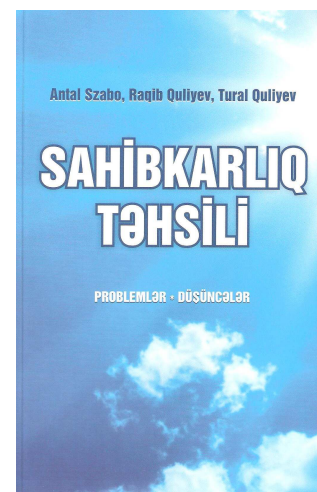
The creativity process on SME, characteristic in large scale for first phase of postsocialist transformation, has been accompanied differences counter-tendencies in the further (second phase). There is observed stagnate in the mechanism of SME in the CIS area. Such obstacles found in the entrepreneurship education. In an environment of shortage of “qualitative skills”, takes devaluation of understanding and assessment of the importance entrepreneurship education. In the way towards formation of the demand for qualitative entrepreneurship education new barriers arise. In other words, there are symptoms of the crisis of SME human component in some CIS. It is based on the different obstacles and tendencies, which are generally beyond of SME sector. Among them, it is possible to not the character of forming market (capitalistic) economy models; the signs of deformation of the states role in the economy; the non-efficiency of the SME-related institutional activities; the extension of the area of dependent small enterprises; the cost-based nature of the such phenomena as “SME covering” (крышование для малого бизнеса); the depreciation of the principles of fair market competition; the large segment of low-paying labor; the prolonged character of the SME technological-modernization process and etc.

This indention for Dear Antal on Learning for life...

The intensification, and sometimes the restoration of the “SME European Way” is deemed as the hopeful opportunity to improve the entrepreneurship education mechanism in the CIS. The SME- related European “definition”, “criteria” and “policy” themselves contain a creative potential to activate the entrepreneurship education in this area. Therefore, the emphasis is to be made on the “multisubjecting” and “multileveling” of SME development and support policy not as the exclusion of European and developed countries, but as a characteristic attribute of SME system. There are large difficulties not only in the formation of such policy and policy institutions, but also in its adequate assessment. In this context, such institution as trade and industry chambers, SME associations, education centers and universities, local authorities could be active participants of the policy-making process and not alternatives of the strong state authority for SME (Effective SME Development Agency). The real and active cooperation considering institutions is an important factor and sign of the effective SME system. There is different connection between “formal”, “real” and “hand-driven” phenomena in the SME policy in CIS.

The CIS countries demonstrate some difficulties with regard to adequate understanding and assessment of the education aims. It is also reflected with regard to the issue on the “education”, “entrepreneurship education” and “effective entrepreneurship” (effective SME) relationship. This matter is considered in most cases on superficial and unilateral levels. Overcoming of such situation is based on understanding that a qualitative entrepreneurship education is not only a essential factor of the developed SME system, but also necessary component of the qualitative education system in whole (in generally). In some cases, the content of the education aims should be released from “false”, “unreal” and “deformed” aims.

Prepared by **Raqib Guliye**

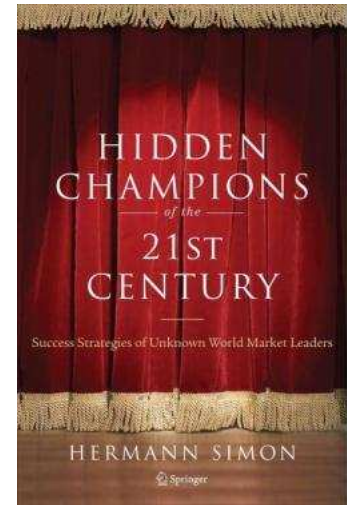


## HIDDEN CHAMPIONS OF THE 21ST CENTURY

Hermann Simon, Springer, New York, 2009

Criticisms of the economy have long dominated newspaper headlines, management research and public debate. Large corporations have often been the focus of this criticism. But hardly anyone knows much about mid-sized world market leaders, the “hidden champions” that spearhead the economy. This anonymity stands in blatant contrast to their astonishing successes.

Hidden Champions are typically no. 1, 2 or 3 in the global market, or no.1 on their continent. Revenues are below \$4 billion and, despite the outstanding market performance, public awareness is low. Hermann Simon’s new book describes the success stories of these little-known companies and what can be learned from them.



What do Tetra aquarium supplies, Elector-Nite sensors, and Nissha touch panels have in common? They are typical “hidden champions,” medium-sized, unknown companies that have quietly, under the radar, become world market leaders in their respective industries.

Hermann Simon has been studying these hidden champions for over 20 years, and in this sequel to his worldwide bestseller, *Hidden Champions*, he explores the dramatic impact of globalization on these companies and their outstanding international success. Going deep inside more than a thousand hidden champions around the world, Simon reveals the common patterns, behaviors, and approaches that make these companies successful, and, in many cases, able to sustain world market leadership for generations, despite intense competition, financial pressures, and constantly evolving market dynamics.

In his latest book, *Hidden Champions of the 21st Century: The Success Strategies of Unknown World Market Leaders*, Hermann Simon examines the strategies of little-known world and European market leaders. What makes these companies so successful? Ten years after first publishing *Hidden Champions: Lessons from 500 of the World’s Best Unknown Companies*, which has since appeared in 15 countries, Simon now takes a closer look at their management methods and strategies in the age of globalization.

In the tradition of *In Search of Excellence*, *Built to Last*, and *Good to Great*, Simon identifies the factors in business operations, customer service and marketing, innovation, human resources management, organizational design, leadership, and strategy that separate these outstanding performers from the rest of the pack—and from the large corporations of the day. In the process, he provides a glimpse behind the curtains of many secretive companies who buck today’s management fads, and succeed instead through such common-sense strategies as focusing on core capabilities, delivering real value to the customer, establishing long-term relationships, innovating continuously, rewarding employees for performance, decentralized operations, and developing an unparalleled global presence. Hidden champions teach us that good management means doing many small things better than the competition—quietly, with determination, commitment, and never-ending stamina.

On top of the high-performance culture of all hidden champions, the ultimate secret of their success lies in their leaders. Continuity and long-term orientation are key features of their leadership style. In turbulent economic times, the hidden champions represent an antidote to the short-sighted and excessive practices that have brought many corporate giants crashing down, especially during the economic crisis of 2008–2010. In his book, Simon describes in detail why hidden champions are true role models for leadership and management beyond the crisis.

Excerpt from:

<http://www2.simon-kucher.com/>





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