

# Analysis of the Competitiveness of Hungarian Companies from the Perspective of Internationalisation

Doctoral dissertation

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## 1. INTRODUCTION

Research on competitiveness and internationalisation (Porter, 1990, 2008; McDougall and Oviatt, 1994, 1996; Antalóczy & Sass, 2011; Szerb et al., 2014; Dabic et al., 2020; Falahat, Ramayah, Soto-Acosta & Lee, 2020; Stocker & Várkonyi, 2022) of companies is a critical academic field. Even a keyword search on Scopus gives hundreds of thousands of results. This thesis is based on the dimension of the competitiveness of the companies. Research on competitiveness is actual because the competitive situation is strengthening in both domestic and international markets, the economic environment is changing more and more intensively, and the pandemic has eliminated several former trends (Alexa et al., 2019). There are infinite numbers of studies which investigate how to improve SME competitiveness (Dabic et al., 2020; Caballero-Morales, 2021), the impact of SME internationalisation on innovation (Genc, Dayan & Genc, 2019), SMEs international performance (Falahat, Ramayah, Soto-Acosta & Lee, 2020), or the digital transformation of SMEs (Garzoni, De Turi, Secundo & Del Vecchio, 2020). Competitive advantage and competitiveness of enterprises are fundamental goals not only for executives but also for owners and shareholders. Achieving and maintaining an appropriate level of competitiveness of enterprises from the SME sector is a long-term process. However, there is no concrete model that explains how to implement the competitiveness theory. Still, there is no widely accepted model explaining the transfer of the competitiveness theory into practice (Desai & Brahmbhatt, 2020). Moreover, SMEs, generally have not paid enough attention to developing effective strategies, their operations are often localised, and they face many problems in exporting due to the lack of resources and weak innovation capabilities (Singh, Garg & Deshmukh, 2008).

Environmental conditions and activities undertaken by companies affect the level of competitiveness and often determine the success of companies on the market. Because of the globalisation of markets and operations and the rapid diffusion of technological advances, the competition among SMEs has radically increased over the years, and their survival is increasingly dependent on several factors, including the resilience of SMEs to refocus some of their strategies and technologies. In recent years, digital transformation (Matarazzo, Penco, Profumo & Quaglia, 2021), digitalisation (Bouncken, Kraus & Roig-Tierno, 2021), SMEs digitalisation (Eller, Alford, Kallmünzer & Peters, 2020), competitiveness and strategies after the COVID (Kraus et al., 2020; Juergensen, Guimód & Narula, 2020) and SME's resilience (Audretsch & Belitski, 2021; Klein & Todesco,

2021), the need to identify and find causal links between the international sustainable competitiveness factors of SMEs (Ghag, Acharya & Khanapuri, 2023) have become significant issues in the new economic theory.

The European Innovation Index provides a good comparison of competitiveness data across countries. It can be seen that Hungary is at the bottom of the list, although it has moved up a level by 2023 and joined the group of moderate innovators (European Innovation Index, 2023). However, it lags behind the EU average and is in the third group of countries performing between 70-100% of the EU average. The European Innovation Scoreboard helps to make the competitiveness of countries and regions comparable and to highlight areas that need intervention. In Hungary, the share of innovative firms is 28%, which puts us at the bottom of the list (CIS, 2021). European statistical data also show that the topic is sensitive and needs to be treated as a priority. In fact, Hungary has been at the bottom of the competitiveness rankings for years. Denmark, Sweden, the Netherlands, and the Benelux countries are among the most competitive countries. Innovation is decisive for market competitiveness and efficiency and some research show that European SME innovations can rarely be seen as pioneering or groundbreaking (Letycja, 2020).

It is essential to clarify what we mean by small and medium-sized enterprises. The European Commission defines an enterprise as a small or medium-sized enterprise if it employs fewer than 250 people and has an annual turnover not exceeding €50 million and/or an annual balance sheet total not exceeding €43 million. (European Commission, 2020) Micro, small, and medium-sized enterprises (SMEs) constitute 99% of companies in the EU, and this number has not changed for years. They provide two-thirds of private sector jobs and contribute to more than half of the total added value created by businesses in the EU. Various action programs have been adopted to increase the competitiveness of SMEs through research and innovation and to provide better access to finance. (European Union, 2023) Nine out of ten businesses are SMEs, and two out of three jobs are created by SMEs, which is why it is crucial that when we talk about the competitiveness of companies, we understand how they work and target them.

Dynamic and successful growth companies think internationally, typically focusing on internationalisation in all their business functions, striving to go beyond their potential, and focusing on gaining a sustained competitive advantage and achieving a successful long-term growth trajectory. The domestic market usually offers limited opportunities for

business growth. Due to the integration of international markets and globalisation processes, the potential for global expansion exists, and support for small businesses is a constant theme in domestic and European policy objectives. Research has already shown that companies with an international presence are often more competitive (Ghag, Acharya & Khanapuri, 2023), more open to innovation (Genc, Dayan & Genc, 2019) and more willing to share knowledge (Freeman, Hutchings, Lazaris & Zyngier, 2010) and the leadership style affects an organisation's innovation capabilities (Costa, Pádua & Moreira, 2023). Today, resilience is increasingly mentioned as a capacity for renewal that helps us to be resilient in the face of sudden and complex situations (Eriksson, Heikkilä & Nummela, 2022). The resilience of future companies is a critical factor for competitiveness. The key question is how companies can adapt most effectively to rapidly and radically changing environmental conditions.

According to PwC's 2022 CEO Survey, 43 percent of CEOs believe that if their company continues on its current trajectory, it will be economically viable only for another ten years. They also believe that technological innovation will have the most significant impact in the coming years. The role of technology in today's economy is undisputed, driving companies to engage in significant innovation and R&D (Deutsch, Hoffer, Berényi & Nagy-Borsy, 2019), while companies need not only to operate efficiently in their current market but also to innovate and plan for the market of the future. In the contemporary world, technological innovations have enabled firms to achieve and maintain competitive advantage in their business environments (Kausar, Mehboob & Azhar, 2023). Considering these issues, an interesting research question is what future expectations organisations must meet and what influences will most affect their future operations. As a research team member of the scientific project entitled „*The Organisation and Management of the Future*”, we sought answers to these questions (Marciniak et al., 2022). The managers interviewed believe the future organisation will be a „*modern, state-of-the-art, technology-leading, innovative, stable, well-organised, innovative, flexible*” entity.

The field of business competitiveness also has a large, extensive literature of international research and publications. There is an increasing focus on the analysis of the SME sector in the analysis of business competitiveness. Today's SMEs are pressured to pursue complex growth strategies to increase their competitiveness, keep pace with a rapidly changing international environment and ensure sustainability. Global crises demand

radical and rapid changes from companies, increasing the need for flexibility and responsiveness. There are many studies on the relationship between exports and business performance (Bernard & Jensen, 1999), SME strategy and sustained competitiveness (Singh, Garg & Deshmukh, 2008), corporate innovation and barriers to competitiveness (Madrid-Guijarro, Garcia & Van Auken, 2009), SME resilience and competitiveness (Gunasekaran, Rai & Griffin, 2011), digitalization challenges and its use in business models (Bouncken, Kraus & Roig-Tierno, 2021), examining the causal relationship between competitiveness factors of SMEs (Ghag, Acharya & Khanapuri, 2023), investigating export orientation after the crisis (Dubrovski, 2023), challenges and resilience barriers to SME internationalisation (Babgohari, Esmaelnezhad & Taghizadeh-Yazdi, 2023), examining the relationship between R&D indicators and competitiveness (Halásková & Bednář, 2023).

Hungarian competitiveness studies (Szerb, 2010, 2017; Szerb et al., 2014; Szerb & Hornyák, 2016; Rideg, 2017; Stocker & Várkonyi, 2022; Chikán & Czakó, 2006, 2009; Chikán, Czakó, Demeter & Losonci, 2019) also periodically examine the competitiveness of the domestic corporate sector, with internationalisation, innovation and management capabilities being key factors. There is limited knowledge about the internal factors, strategies, processes, or even problems of SMEs (Szerb, 2010), and often, internal capabilities contribute more to competitiveness (Rideg, 2017), management plays a vital role in the success of innovative firms (Ónodi & Répáczki, 2022), the manager has a specific role in the success of a firm (Szanyi-Gyenes & Almási, 2021), while digitalisation leads to more competitive firms (Szanyi-Gyenes & Almási, 2023). Today's enterprises are pressured to pursue complex growth strategies to increase their competitiveness and keep up with the rapidly changing international environment and sustainability. When analysing the success of Hungarian firms, the following factors are identified as barriers: low efficiency, lack of profitability (Major, 2002), financing problems and scarcity of resources (Kállay & Lengyel, 2007), innovation gaps (Inzelt & Szerb, 2003), weak internationalisation interests focus on the competitiveness, growth opportunities and management challenges of small and medium-sized enterprises. SMEs play a significant and diverse role in the economy. Their contribution covers various aspects of economic development, employment and innovation. Given their importance, they are rightly at the centre of policy, research and analysis. Given the prominent role of small businesses in the economy, examining them from as many angles as possible is essential to understand



how they operate and the problems they face. The results can guide economic and political leaders to create more effective, small business-specific programs and support. It can also guide small business managers to identify success factors and raise awareness of barriers to successful growth.

Small and medium-sized enterprises play a unique role in national economies. The factors defining the new configuration of the world economy are favourable to expanding the small and medium sectors (Savlovski & Robu, 2011). SMEs are often at the forefront of innovation and entrepreneurship. They are more agile and adaptable to market changes, making them hotbeds for new ideas and technologies. Internationalisation is an essential dimension of competitiveness (Szerb, 2010; Varga, 2017; Dabić et al., 2020), direct export improves enterprise productivity (Bernard & Jensen, 1999), and innovation and internationalisation may be the way out for the SME sector after the COVID crisis (Juergensen, Guimón & Narula, 2020).

My research focuses on domestic small and medium-sized enterprises. In some research, recurring success factors can be identified (Berényi & Deutsch, 2021). In my early research, I investigated the importance of the SME sector (Szanyi-Gyenes, Mudri & Bakosné Böröcz, 2015; Szanyi-Gyenes, 2019), factors of a successful international growth of a small company (Szanyi-Gyenes, 2017), later on the management and the management's attitude in the company's success (Szanyi-Gyenes & Almási, 2021), future competitiveness aspects of domestic companies from the internationalisation perspective (Marciniak et al., 2022), the digitalization factors of domestic companies from the internationalisation and competitiveness perspective (Szanyi-Gyenes & Almási, 2023) and the effects of internal barriers of domestic companies on competitiveness.

My research interests at last years focused on the barriers to internationalisation and successful growth. The results of the study show a marked difference between companies already present on the international market and those that operate exclusively on the domestic market. Companies with international market presence have shown better performance in all the factors examined, are more flexible to changing environmental conditions, more open to innovation, have a more individualized strategy, and are thus more resilient to often hectically changing environmental conditions. The main goal of this doctoral dissertation is to summarize and present my research results and my published and ongoing studies on a scientific basis. The dissertation also serves as a milestone to lay the foundation for my future research plans. I am committed to future

research directions: the study of the competitiveness of the business sector, the future viability of firms, the determinants of resilience, internationalisation, the study of management challenges, and the study of innovative SMEs. The statistics also highlight the importance of SMEs, and my personal research interest is also related to this, based on my experience at a venture capital fund. I have had the opportunity to talk about the competitiveness challenges of domestic companies in several interviews, and it has been the focus of my published articles (Szanyi-Gyenes & Almási, 2021, 2023).

The „Future of Organisation and Leadership” research project focuses on the future competitiveness of Hungarian companies (Marciniak et al., 2022). The main research question is what factors determine the success of the company of the future. The survey interviewed 305 managers of domestic companies. The value of the sample and the analyses is that it is representative. The vast majority of Hungarian managers asked also think that the organisation of the future is innovative and digital. At the same time, it is not necessarily flat, networking and knowledge-sharing organisations, although international recommendations contain these features.

The research model describe how the competitiveness, the internationalisation dimension, and the role of the company’s manager are linked.

The role of leadership is crucial to success, the reason is that strategic orientation, recognition of growth options, resource management, creating a mission-friendly organisational structure are all leadership capacities in the SME sector. Results has shown that managers and employees of enterprises have a diverse perception and evaluation of the performance of their enterprise, and that the concept of success is more complex and contains elements based on perceptions. The manager’s attitude towards success significantly determines the strategic orientation of the enterprise, the attention and resources devoted to specific areas of operation.

Companies present on the international market showed better scores in all the dimensions examined. They are characterised by continuous strategic renewal, a strategy broken down to the individual level, the use of technological innovation and openness to innovation. The leadership style is also supportive of strategic objectives and the transformational leadership style is more typical. These companies are constantly seeking to maintain a competitive edge through new strategic initiatives, have a more

individualised strategic plan, have a well-defined and known decision-making process, incorporate available information into the decision-making process, have responded more effectively to unexpected environmental challenges in times of pandemics, are more attentive to the use of digital technologies and perform better in terms of workflow efficiency.

The results show that technological changes, including the challenges of digitalization, are more challenging for larger companies and have the least impact on companies after the early period. Companies should be more open to innovation and digitalization, to develop employees' skills and suggest management support and risk taking. Companies that are also present in the international market perceive the impact of technology, including digitalization, as stronger and pay more attention to the use of digital technologies, compared to domestic companies that perceive the impact of technological change as less of a challenge. These companies perform better in improving work process efficiency, identifying new practices and allocating resources accordingly. Digitalization can become a key to the future success of a company if managers change their management style and decision-making mechanisms.

Finally, focusing on barriers to competitiveness shows, that inhibiting factor is clearly linked to internationalisation too. Firms also present on the international market are likely to have the necessary specialised expertise, such as sales knowledge, and thus perceive expertise as less relevant as a barrier. To be more competitive, it is recommended to look for strategic opportunities where companies can be involved in international processes, thus making the organisation more open to innovation, new opportunities can bring more effective operation, employees will be more motivated, thus reducing the impact of inhibiting factors.

## **2. RESEARCH PLAN**

A long personal struggle and development preceded the preparation of this doctoral thesis. In the following, I would like to justify my choice of topic and its relevance both from a personal and an academic point of view. Then, section 2.2. summarises the primary aim of the research, illustrates the research logic and model, defines the research questions, and outlines the links between the articles that make up the dissertation.

### **2.1 Relevance of the topic**

My motivation for researching the internationalisation of domestic companies is based on my experience as an investment expert at a venture capital fund manager, where I invested in innovative small and medium-sized companies. The founders and investors had a common goal of dynamic international corporate growth. Having seen specific company cases, I became interested in the factors that influence the international success of an innovative domestic company and what might be the barriers to successful internationalisation.

In terms of research background, I have studied the international growth of a venture capital backed domestic SME (Szanyi-Gyenes, 2017) and published on the importance of the SME sector (Szanyi-Gyenes & Mudri & Bakosné Böröcz, 2015; Szanyi-Gyenes, 2019). SMEs play a significant role in the European economy, with over 20 million SMEs playing a key role in European economic growth, innovation, and job creation (European Commission, 2015a). Regarding domestic statistics, more than 99 percent of operating enterprises are SMEs, a level that has been stagnating for years (KSH, 2017, 2018). Innovative early-stage enterprises outside the bank lending practice are typically launched into international markets through venture capital investments (Kovács, 2013).

However, the novelty of the research is dominated by my participation in the research project „Organisation and Leadership of the Future” (Marciniak et al., 2022; Corvinus University of Budapest, 2023), which has been the focus of my research work for the last year and a half. As a member of the research team, my research interests have shifted toward the study of the competitiveness of domestic firms. In the research report „Organisation and Management of the Future” (Marciniak et al., 2022), I investigated the characteristics of companies in the international market and the relationship between the barriers to successful growth. The first results of the research had comprehensive media coverage, reaching more than fifty media appearances, and I had the opportunity to be

interviewed on radio and television (Heti TV, 2023; Hítrádió, 2023; Egyenes Beszéd, 2023). The topicality of the topic is well-established.

And the science-based justification for domestic competitiveness research (Szerb, 2010; Szerb, 2017; Szerb et al., 2014; Szerb & Hornyák, 2016; Rideg, 2017; Chikán & Czakó, 2006, 2009; Chikán, Czakó, Demeter & Losonci, 2019) and international competitiveness research on firms (Stocker & Várkonyi, 2022; Lazíková et al., 2018; Horváth & Laufente, 2020; Dvoutely & Blazková, 2021). To this day, the primary driving force behind the functioning of capitalism is success: the strategy of competitive advantage and its implementation (Mészáros, 2020). This dissertation and related publications aim to contribute to this scientific knowledge. I want to continue my further research with this focus.

## **2.2. Structure and content of the dissertation**

This thesis aims to investigate the factors affecting the current and future competitiveness of Hungarian small- and medium-sized enterprises to provide a deeper understanding of the current situation and to support the development of targeted corporate actions. Based on an extensive literature review, I have identified that internationalisation and leadership underpin the competitiveness of companies. However, it is also shown that these pillars interact and mutually influence each other, determining companies' future success. As a result, the pillars must operate in a resilient manner. Considering the interrelatedness of these issues, a research model based on the three pillars has been developed, illustrating the conceptual structure of the doctoral dissertation and the linkages among my scientific publications.

As Figure 1. shows, the research questions have been defined along the main pillars covering the competitiveness of domestic companies.

The central pillar of the research model is competitiveness. Along this dimension, the following research questions are examined in the Hungarian context: What factors characterise the competitiveness of Hungarian companies? What are the new challenges? What factors increase the competitiveness of companies? What factors determine the future competitiveness of companies?

## 1. Figure: Research model



Source: Own editing

The second pillar of the research model is the role of leadership. As the corporate leader plays a crucial role in shaping the company's strategy and setting its goals, it is worth studying: What role does the manager play in the company's strategy, competitiveness, and internationalisation? How can leadership support companies to be more competitive in the future? How can leadership support companies to succeed?

Several national and international studies have shown that one of the most decisive dimension or the main bottleneck of corporate competitiveness is internationalisation. Therefore, along the third pillar of the research model, my research activity and thesis investigates the following research questions: What are the characteristics of companies operating an international market? How does internationalisation affect competitiveness of companies?

According to my understanding, the quality of the relationship between the three pillars is determined by barriers. More competitive companies have lower barriers while higher

barriers reduce competitiveness. Considering this approach, the Thesis aims to answer the following research questions: Which barriers can be identified in domestic firms? Which barriers can be identified for companies operating an international markets? How does the leadership sense inhibitors?

The article on which the dissertation is based: „*The role of the leader in the success of small and medium-sized enterprises*”. This article was the basis for the research focus of the research project „Future of Organisation and Leadership”.

The other articles in the dissertation are related to the research project „Future of Organisation and Leadership” (the second, third and fourth articles). These three articles alone provide the expected coherence of content, however, the research focus was motivated by the results of the first article, so the linkage of the articles is complete.

The second article is „*The competitiveness of the organisation of the future from the perspective of the internationalisation of companies*”. The presentation of the content of this article was awarded a Distinguished Lecture Award in the section on technological innovation at the II Innovation Conference in November 2022.

The third article, „*Top Executives on Competitiveness: Survey of Digitalization and Internationalisation in Hungarian Companies.*”, focused on the database of the organisation of the future, presenting the results from the perspective of digitalisation and internationalisation.

The fourth article is „*Examining business competitiveness in the context of barriers*”. In analysing the results of the inhibitors presented in this article, we have sought to identify the different patterns of firms operating in the international market and those operating in the domestic market.

The first table is the summary table of the articles that make up the dissertation. The table contains the journal and classification, current status, authorship and keywords. It gives an easy overview of the main characteristics of the 4 articles.

Table 1: Summary table of the articles that make up the dissertation (own editing)

Article from	Journal and classification	Current status	Author	Keywords
1.	Management science MTA-B	published (2021)	co-authored by <i>first author</i>	CCI competitiveness success factors manager
2.	Management science MTA-A	submitted	single-colour	competitiveness internationalisation resilience
3.	Acta Polytechnika Scimago Q2	published (2023)	co-authored by <i>first author</i>	competitiveness Hungarian companies digitalisation internationalisation
4.	Management science MTA-A	accept submission	co-authored by <i>second author</i>	domestic companies competitiveness barriers management

*The three MTA category Management Science articles that make up this thesis were originally published in Hungarian, and I declare that the articles have been translated in full and faithfully.*

Looking at the keywords, we can also see the connection between the content focus of the articles that make up the dissertation. This will also orient the summary of the theoretical literature in the next chapter. The analysis of competitiveness (*What characterises the competitiveness of domestic firms?*) has been placed in the focus of all articles as the main pillar. Consequently, I will also begin the literature review with an introduction to the theory of firm competitiveness. The articles focus on corporate competitiveness, and I do not examine other levels of competitiveness, which is not the purpose of this paper. Nor is it intended to be a stand-alone theory of competitiveness.

As the vast majority of Hungarian companies are from the SME sector, and the representative sample of the database under study is dominated by medium-sized companies, the SME dimension of competitiveness or the SME aspect of the results is regularly referred to in the articles, so I will also refer to this in the literature summary. The role of the managers in the success of the firm and his role in strategy formulation are repeatedly mentioned in the research results, and I would therefore like to establish the link to firm competitiveness. Finally, the literature on the internationalisation pillar as an aspect of competitiveness will be summarised.



### **3. THEORETICAL BACKGROUND**

The goal of this chapter is to present the theoretical framework of the thesis. As mentioned in the previous chapter, the theoretical framework of the thesis is defined by the theories of competitiveness, SME competitiveness, internationalisation, and leadership.

Research on competitiveness is topical because the competitive situation is strengthening in both domestic and international markets, the economic environment is changing more and more intensively, and the pandemic has eliminated several former trends (Alexa et al., 2019). Today's key challenge for firm growth relies in the integration of digital technologies and their use in new business models (Bouncken, Kraus & Roig-Tierno, 2021). Small and medium-sized enterprises are under great pressure to pursue complex growth strategies to increase their competitiveness, keep pace with a rapidly changing international environment and ensure sustainability (Ghag, Acharya & Khanapuri, 2023). In the context of intense, radical and dynamic changes during global crises, strategic management must find development solutions that enable the company to perform at its best, maintain or even improve its global competitiveness (Dubrovski, 2023).

In recent years, international research on competitiveness has often focused on SMEs and approached them from different aspects: the relationship between competitiveness and innovation (Janse, Van Den Bosch & Volberda, 2006), investing in human knowledge (Alkhurshan & Rjoub, 2020), Knowledge- and innovation-based business models (Bouncken, Kraus & Roig-Tierno, 2021), identify and find causal links between the international sustainable competitiveness factors of SMEs (Ghag, Acharya & Khanapuri, 2023), analysis of internationalisation after the crisis (Dubrovski, 2023), sustainable and flexible growth and internationalisation (Babgohari, Esmaelnezhad, Taghizadeh-Yazdi, 2023).

The competitiveness of domestic firms (Somogyi, 2009; Szerb, 2010; Szerb et al., 2014; Szerb & Hornyák, 2016; Szerb, 2017; Chikán & Czakó, 2006, 2009; Demeter, Jenei & Losonci, 2011), as well as its success factors (Berényi & Deutsch, 2021), its successful growth (Dobák, Hortoványi & Szabó (2012), the relationship between competitiveness and innovation (Gelei & Kenesei, 2016) soft factors of competitiveness (Bencsik & Juhász, 2023). The Competitiveness Research Centre of the Corvinus University of Budapest (Chikán, Czakó, Demeter & Losonci, 2019) also periodically examines the competitiveness factors of domestic firms. The role of the leader is a critical factor in the

competitiveness of a company (Csath, 2010; Szerb, 2010), as he or she orients the company's international market entry and competitiveness by shaping the company's strategy, „*the perception of opportunities is at the level of attitudes*” (Szerb, 2010, p. 46). The assumption that internationalisation is a key pillar of competitiveness, or companies with an international presence tend to be more competitive, is repeated in research (Szerb, 2014; Varga, 2017; Stocker & Várkonyi, 2022).

The Institute of Management Sciences of the Corvinus University of Budapest conducted a representative survey with managers of domestic companies (Corvinus University of Budapest, 2023). In the framework of the research „The organisation and management of the future” (Marciniak et al., 2022), we investigated how managers of domestic companies relate to future expectations, what development trends they perceive, what they are doing to „keep up with the times” and maintain their competitiveness. In a rapidly changing and often uncertain environment, what are the factors and organisational practices determine successful future operations, increasing the competitiveness of the company? According to respondents, the organisation of the future, will be a technologically advanced, modern, constantly evolving, environmentally adaptive, innovative and digitally mature company. According to international recommendations, a successful organisation of the future is a company that is proactive in responding to environmental change, responsive to society, reactive, flat, networked, constantly reorganising and innovative in its organisational structure (Marciniak et al., 2023).

### **3.1 Competitiveness - business competitiveness and competitiveness of SMEs**

The importance of competitiveness as a relevant research topic is shown by the fact that the search in the „Scopus” search engine for the keywords „competition”, „competitiveness”, and „competitive advantage” resulted in 624,118 documents. After narrowing the results to the final documents, management field, and English language, the database was reduced to 12,233 documents. The concept of competitiveness is complex, it is almost impossible to cover the literature in its entirety, and it is not the purpose of this paper to do so; only the critical elements have been highlighted.

Competitiveness can be interpreted and studied at different levels based on international, national, industry, or firm-level competitiveness studies (Czakó, 2000) or grouped at

macro, meso, and micro levels (Lengyel, 2000). The definition of the theoretical framework is essential. This thesis deals with the analysis of firm competitiveness and does not deal with the other dimensions of competitiveness at other levels.

In corporate competitiveness, there are many parallel approaches (industry, regional, product and product group, business line). The actual content of the concepts is not uniform (Somogyi, 2009), the definitional approaches are fragmented and sometimes cause methodological problems due to the lack of different theoretical foundations (Huggins, Izushi & Thompson, 2013). The aim of this paper is not to compare or evaluate theories or create a new theory of competitiveness but only to present the theories related to the articles.

The theories of economics cite the theories of Adam Smith, Ricardo, Krugman, and Schumpeter (Somogyi, 2009; Tolnay, 2021). Among the theories that underpin corporate competitiveness, I highlight the work of Schumpeter (1934). The originator of the theory of entrepreneurship and innovation, he linked the ability to create new solutions to the ability of the firm to provide a competitive advantage. The foundations of corporate competitiveness, however, are linked to the theory of Porter (1990), who clearly understood competitiveness at the firm's level. The main question of his theory was how a firm could gain a competitive advantage over its competitors, where the source of competitive advantage could be innovation, the firm's uniqueness. Porter's theory is still an inescapable element of the strategic management literature (Mészáros, 2010). Theories focusing on internal resources, on the other hand, argue that industry position is a given and that a company's competitive advantage comes from its internal resources and capabilities (Hamel & Prahalad, 1990; Barney, 1991; Teece, 1997).

The level of competitiveness of a firm can be defined in relation to domestic or international firms and refers to the long-term performance of a firm (Czakó, 2000; Somogyi, 2009). Firm competitiveness is the ability of a firm to meet consumer needs relative to its competitors (Chikán & Czakó, 2006). A competitive firm can offer consumers products and services that consumers are more willing to pay for than those of its competitors (Czakó & Chikán, 2007). The competitiveness of firms is the ability to consistently and profitably produce products and services that satisfy customers' needs in an open market in terms of price and quality (Lengyel, 2003). There is a growing body of academic articles on firm competitiveness in the domestic literature (Lengyel, 2003; Török, 2003; Csath, 2006; Chikán & Czakó, 2007; Czakó, Juhász & Reszegi, 2016;

Hágen & Holló, 2017; Némethné Gál 2009, 2010; Rideg, 2017; Szerb, 2010; 2014; 2017; Sápíné Dudák, 2016; Varga, 2019; Stocker & Várkonyi, 2022).

Table 2: Different approaches and dimensions of business competitiveness (own editing)

Author	Focus	Dimensions	Competitiveness factors or significant relationships
Schumpeter (1934)	entrepreneurship - innovation	innovation and entrepreneurial skills and competencies	The ability to create new solutions. The key to maintaining a competitive advantage is a company's ability to innovate.
Porter (1990)	competitors -	organisational competitiveness and	Companies will achieve a long-term sustainable competitive advantage over their competitors. Uniqueness gives companies a competitive advantage.
Hamel & Prahalad (1990)	uniqueness	industry focus	The competitive advantage of a company comes from its internal capabilities.
Barney (1991)	internal resources	skill and resources	Resource-based approach, internal resources can provide a competitive advantage.
Teece (1997)	internal resources	dynamic capabilities	Core skills can provide a sustainable competitive advantage over the long term.
Czakó (2005)	company level	productivity	Long-term profitability requires profitable operations and the ability to change.
Chikán & Czakó (2006)	competitors - meeting consumer demand	assess changes in the external and internal environment and adapt to them	The company can meet consumer needs relative to its competitors.
Somogyi (2009)	complex business competitiveness index (CCI)	complex modell – internationalisation is one dimension	Competitiveness of the SME focus; key factors: competitive product, sustainable profit, growing market share, environmental change awareness and agility, resources, internationalisation, future market positioning
Madrid-Guijarro, Garcia & Van Auken (2009)	Spanish SMEs competitiveness	competitiveness and barriers to business innovation	the study examines the relationship between product, process and management innovation and barriers to innovation that can limit firms' competitiveness and profitability
Csath (2010)	internal factors	attractive organisation and motivated, high level of knowledge	organisation can successfully develop and maintain specific competitive advantages different from others;
Radojka & Slobodan (2010)	SME competitiveness	Serbien SMEs agribusiness agri-export	competitiveness of the SME sector; 7 pillars: physical resources, administrative routines, innovation, networking, human resources, demand and supply factors
Gunasekaran, Rai & Griffin (2011)	SME competitiveness	competitiveness and resilience	a framework with critical factors determining the resilience and competitiveness of SMEs

Author	Focus	Dimensions	Competitiveness factors or significant relationships
Szerb et al. (2014)	SME competitiveness	Hungarian SMEs	Competitiveness of the SME sector; 10 pillars: human capital, funding, collaboration, product, administrative Tenutines, competition/strategy, technology, marketing, internationalisation, online presence
Szerb & Hornyák (2016)	SME competitiveness	regional dimension	factors of competitiveness: market orientation, production, strategic decision-making and sales
Gelei & Kenesei (2016)	competitiveness based on competences	innovation performance – supply chain	Corporate competitiveness depends on two factors: core competencies and customer value
Popa, Soto-Acosta & Martinez-Conesa (2017)	innovation and competitiveness	Spanish SMEs; innovation climate and competitiveness	The moderating roles of environmental dynamisms and competitiveness in the relationships between innovation clidynamism inbound and outbound open innovation are analyzed
Varga (2019)	competitiveness enhancing factors	leadership, change management, strategy, innovation	Key factors: innovation, R&D, continuous development, competitive advantage, celements satisfaction, efficient business model, strategic approach, export market, cooperation, achieving organisational goals
Genc, Dayan & Genc (2019)	SME competitiveness	internationalisation and innovation	235 SMEs in the United Arab Emirates; to explore the impact of the degree of internationalisation - internationalisation positively affects innovation performance
Dvouletý & Blazková (2021)	Czech SME competitiveness	firm size	other firm characteristics considered as determinants of competitiveness (size, age, industry and location) found a significant relationship between firm size and competitiveness
Stocker & Várkonyi (2022)	market orientation analysis	export-oriented companies	The components of market orientation, competitive orientation had the most pronounced impact on competitiveness and market performance.
Bencsik & Juhász (2023)	soft criteria of competitiveness	examining the impact of trust characteristics in organisational culture	There is a significant relationship between the competitiveness elements examined (strategy and management), which also show a significant relatiodiscussedth corporate trust
Ghag, Acharya & Khanapuri (2023)	SME competitiveness	SMEs in India; identify causal connections between competitiveness factors	managerial orientation and economic performance are essential for SMEs to achieve international sustainable competitiveness
Dubrovski (2023)	competitiveness and internationalisation	Slovenian SMEs	competitiveness and export orientation after the crisis
Halásková & Bednář (2023)	competitiveness and innovation	R&D indicators on innovation performance and competitiveness	SMEs that introduce product innovations and innovative SMEs that collaborate with others show statistically significant results in terms of competitiveness

Firm-level competitiveness is strongly linked to the concept of competitive advantage. Competitive advantage, rather than the industry effects of the external environment, can be seen as the primary source of profit differentials between firms (Grant, 1991). A firm has a competitive advantage if its activities can increase its efficiency and effectiveness in a way that competitors cannot (Barney, 2001).

The source of success and success factors are constantly changing depending on corporate goals and environmental expectations, however, several research studies identify recurring success factors: leadership, understanding of the external environment, or available resources (Deutsch & Berényi, 2021). Many factors can determine the success or competitiveness of a company: uniqueness (Porter, 1990), ability to change (Czakó, 2005), meeting customer needs (Chikán & Czakó, 2006), internal resources and capabilities (Grant, 1991; Hamel & Prahalad, 1990; Barney, 1991) availability of motivated and highly skilled professionals (Csath, 2006, 2010), competence-based competitiveness (Gelei & Schubert, 2006), the role of innovation in the firm (Hámori & Szabó 2012; Szerb, 2010; Szerb et. al., 2014; Varga, 2017), successful market replication of innovation (Dobák, Hortoványi & Szabó, 2012), internationalisation and innovation linkages of firms (Gelei & Kenesi, 2016), internationalisation and export markets (Szerb, 2014; Varga, 2017), market orientation (Stocker & Várkonyi, 2022), as well as factors that strengthen competitiveness (Varga, 2017).

In terms of literature and research trends, competitiveness theories focusing on hard elements (strategy, structure, systems) and large firms have dominated in previous decades, while research on soft factors (values, people, skills, style), resources, competencies, and smaller firms are increasingly coming to the fore. In addition to the hard - soft factor split based on McKinsey's 7S model (Peters & Waterman, 2006), the external - internal environment split, the competitor and industry focus (Porter, 2008) or resource-based approaches (Barney, 1991), theories focusing on capabilities, change skills, strategy or leadership qualities (Grant, 1991; Hamel & Prahalad, 1990; March, 1991; Teece, Pisano & Shuen, 1997; Eisenhardt & Martin, 2000). Research on soft factors also takes a different approach: Positive impact of corporate culture on performance (Datta, Guthrie & Wright, 2005), leader personality determines risk-taking propensity influencing innovation decisions (Kyndt & Baert, 2015), the leader's constraining effect on creativity (Amabile, Schatzela, Monetta, & Kramer, 2004), and the innovation susceptibility of corporate leaders (Bánfi, Boros & Lovas (2012).

Internal skills are increasingly contributing to the competitiveness of a company (Rideg, 2017), and therefore „*the human factor plays a crucial role, which includes both the quality of the workforce (skills, experience, continuous improvement) and the quality of management (organisational and managerial skills, creativity, conflict management, communication skills)*” (Némethné, 2010, p. 182). Domestic competitiveness research focusing on soft factors has examined competitiveness from different perspectives: internationalisation, export enhancement (Gelei & Kenesei, 2016; Juhász & Reszegi, 2016), regional effects (Szerb & Hornyák, 2016; Lengyel, 2002), or innovation (Chikán & Czakó, 2009; Boda, 2012).

A significant proportion of Hungarian companies are SMEs, so their competitiveness can be assessed independently. The criteria for measuring the competitiveness of the domestic SME sector (Szerb, 2010) include 21 variables and 7 main pillars. The main pillars are: physical resources, administrative routines, innovation, networking, human resources, demand and supply factors. The fit between the elements in the model is also important. In the 10-pillar version of the model (Szerb et al., 2014), the following factors appear: human capital, financing, collaboration, product, administrative routines, competition/strategy, technology, marketing, internationalisation, online presence. Varga (2019) examined the factors that determine the competitiveness of organisations, and found that they can increase the competitiveness of a company with these factors: innovation, R&D, development, customer satisfaction, efficient business model, strategic approach, export markets, cooperation and the achievement of organisational goals.

Due to the heterogeneity, limited resources, and external environmental and institutional dependencies in the SME sector, it is particularly important to consider that internal capabilities contribute to competitiveness to a greater extent than industry or economic characteristics (Rideg, 2017). We have limited knowledge about the internal world, strategy, behaviour and problems of SMEs (Szerb, 2010, p. 2), so any research that contributes to a deeper understanding of the determinants of competitiveness will provide beneficial results (Rideg, 2017). Other research has also concluded that the innovation capacity of the domestic SME sector is extremely low (Hámori & Szabó, 2010; Hámori & Szabó, 2012; Hágen & Holló, 2017).

### 3.2 Leadership and competitiveness

The competitiveness of a company, its growth, its success in the market, its entry into international markets are all strategic issues that cannot be separated from the company's leader. Internal capabilities are increasingly contributing to the competitiveness of a company (Rideg, 2017). Domestic competitiveness research focusing on soft factors focuses on the person of the leader (Csath, 2010; Rideg, 2016). The leader and the leader's attitude play a decisive role in a company's success (Szanyi-Gyenes & Almási, 2021). When examining the attitude of company leaders, a significant relationship is found between the openness of company leaders to innovation and successful corporate innovation (Ónodi & Répáczki, 2022). Organisational culture characteristics also affect the aspects of strategy, knowledge management, and organisational effectiveness (Bencsik & Juhasz, 2023), and managerial knowledge plays a crucial role in preparing for future competition and international growth (Silva, González-Loureiro & Braga, 2021), the impact of professionalisation on Moroccan family businesses and the challenges to success (Habba, Allioui & Farhane, 2023).

Researchers attach crucial importance to the role of leadership in corporate success: Handy, 1986; Peters & Waterman, 1986; Bácsi, Szőcsné Kováts, Takács & Toarniczky, 2006; Dobák, Hortoványi & Szabó, 2012; Répáczki, 2014; Répáczki & Juhász, 2015; Hofmeister-Tóth, Kopfer-Rácz & Zoltayné Paprika, 2016; Ónodi & Répáczki, 2022; Abdullah et al., 2009; Talibe et al., 2011.

In their research, Bandiera, Hansen, Prat & Sadun (2017) investigated the leaders' impact on firm performance and found that the right leader-firm pairing can achieve the highest performance. Sharma & Tarp (2018) investigated the relationship between leader personality traits and organisational performance and found a correlation with the innovation efforts in the organisation. Moreover, reducing technological and financial risk positively correlates with managerial education in startup firms (Venczel, Berényi & Hriczó, 2023). Focusing on soft factors, Abdullah et al. (2009) examined the relationship between quality improvement and organisational performance, with top management, teamwork, training, and communication impacting organisational performance.

In many cases, research focusing on managers is linked to the theme of innovation: leadership style and human capital are the main drivers of innovation processes (Costa, Pádua & Moreira, 2023) because leaders empower and motivate organisational members



to achieve their goals, the personality traits of the leader are related to the innovation aspirations in the organisation (Sharma & Tarp, 2018), leadership styles and innovation (Costa, Pádua & Moreira, 2023), as the leader's role is to „explore, understand and create opportunities” (Farkas, Málovics & Kincsesné, 2017, p.65.). A recurring pillar of Hungarian competitiveness research is the ability to innovate, appropriately assess, develop, and exploit organisational knowledge and the leader's impact in these areas. Different leadership styles can affect innovation (Eckardt et al., 2021), and leader openness has important implications for innovation, creativity and knowledge sharing (Khassawneh et al., 2022).

Digital technology has irreversibly changed organisations. Domestic business leaders believe that the organisation of the future must have digital characteristics (Marciniak et al., 2022), and the literature includes research linking leadership and digitalisation (Dunavölgyi, 2022). Leaders are key actors in creating a digital culture: they must build relationships with multiple and dispersed stakeholders and focus on enabling collaborative processes in complex environments (Cortellazzo, Bruni & Zampier, 2019). Various studies have found a link between transformational leadership and organisational effectiveness (Dumdum, Lowe & Avolio, 2002). The success of digital transformation depends on both individual and organisational levels; at the individual level, on the ability to embrace technology and adapt to change, yet at the organisational level, on the right leader (Trenerry et al., 2021)

In terms of leadership styles, autocratic and transactional leadership styles harm innovation, in contrast, transformational and democratic leadership have a positive impact on innovation (Costa, Pádua & Moreira, 2023), transformational/transactional leadership has been studied on innovation and organisational performance in Turkish SMEs (İşcan, Ersarı & Naktiyok, 2014). Transformational leadership style is the one that supports the organisation in innovation, digitalisation, and internationalisation efforts (Marciniak et al., 2022)

The managers' influence in the SME sector is more direct (Lazíková et al., 2018) than in a large company. For example, assessing, perceiving, and developing organisational capabilities is essentially up to him/her (Pfeffer, 1995, 2005). In the case of an SME, the manager is typically responsible for strategy formulation, defining key competencies or market expansion, and allocating resources. The hard and soft factors that determine success and competitiveness are thus both related to managerial skills and intentions in

the case of SMEs, which raises the possibility that managerial competence may be a barrier to the success of SMEs (Szerb, 2010; Szabó, 2012; Hámori & Szabó, 2012)

The manager has the power to decide between different options, to determine how to respond in the event of change and crisis, and to allocate the necessary resources. These studies also focus on different areas: efficiency (Boda, 2012), creativity (Csath, 2006; Székely, 2013), the role of IT and controlling and data-driven strategy making (Bögel & Krauth, 2012; Hågen et al., 2017), and the role of the leader (Gáti & Bauer, 2017; Rideg, 2017).

### **3.3 Internationalisation and competitiveness**

In definitions of corporate competitiveness, a common aspect is that competitiveness can be understood concerning competitors, and the key factors of competitiveness are uniqueness, innovation, meeting consumer demand, and international presence. In terms of the actual competitiveness of domestic companies, the results all confirm that the competitiveness of domestic companies lags behind international trends (CIS, 2018; European Commission, 2020) and that the competitiveness-enhancing effect of internationalisation is a recurring factor. Moreover, the export ratio is regularly used as a numerical measure of competitiveness in addition to firm growth (Cetindamer & Kilitcioglu, 2013; Szerb, 2014; Stocker & Várkonyi, 2022)

The internationalisation of Hungarian companies is a widely researched area (Incze, 2005, 2010, 2012; Czakó, 2000; Antalóczy & Sass, 2011; Békés, Halpern & Muraközy, 2013); exporting firms tend to perform better in the competitive market than firms operating in the domestic market (Kazai, 2014; Szerb, Márkus & Csapi, 2015; Czakó, Juhász & Reszegi, 2016; Stocker, 2016; Stocker 2019; Stocker & Várkonyi, 2022). Although there are many advantages to internationalisation, some research focuses on the difficulties of internationalisation (Leonidou, 2004). The definition of internationalisation is sufficiently broad to include virtually any activity that relates to economic activity outside the domestic economy. Until the 1950s, theories were practically focused on national economies, approached from a macro perspective, and the focus on firm factors was only later emphasized (Incze, 2010; Antalóczy & Sass, 2011). Initially, corporate research focused on large firms, with attention to smaller firms starting in the 1990s, when some researchers also identified firm-size-specific growth trends (Dunning, 1993).

The classic theoretical explanation of the internationalisation of companies is the Uppsala model. While the theory of internationalisation implies a step-by-step process of gradual market engagement (Johanson & Vahlne, 1977, 1990; Incze, 2010; Antalóczy & Sass, 2011; Huszák, 2020), the born global company view is that companies view the whole world as a potential market from the very beginning (Oviatt & McDougall, 1994; McDougall, Oviatt, & Shrader, 2003; McDougall & Oviatt, 2003; Knight & Cavusgil, 2004), these companies think in international terms from the outset in all their corporate activities. Early-stage companies entering the international market tend to come from innovative, knowledge-intensive industries, growing proactively in the international market, even in a capital-poor situation and with relatively little experience. The result is rapid and generally successful international growth, making these companies more competitive. They focus on developing the capabilities needed for international success (Knight & Cavusgil, 2004). Born global companies specialise in having exceptional resources and advanced technology that underpin their success and rapid international growth (Hennart, Majocchi & Hagen, 2021).

In contrast to incremental international growth, it is not necessary to go through the stages of internationalisation. The principle of staggering has been criticized in the literature as some companies skip stages, some companies stay in a stage for a long time, and in reality, it does little to explain the actual internationalisation of companies (Welch & Loustarinen, 1988; Antalóczy & Sass, 2011). The stage models of the internationalisation process have been criticized by several studies, many focusing on the exporting versus non-exporting factor and identifying an increasing number of firms that are active in international markets shortly after establishment (Moen & Servais, 2002) or problems related to export competitiveness (Leonidou, 2000). Subsequent research has been fond of linking the study of internationalisation with the field of innovation and the international presence of innovation (Narula, 2002; Genc, Davan & Genc, 2019), product innovation and internationalisation (Falahat, Ramayah, Soto-Acosta & Lee, 2020).

The emergence of the global phenomenon was a result of socio-economic circumstances and changes in technology; Oviatt & McDougall (1994) mention the following aspects: 1) technological developments have accelerated the flow of information about foreign markets; 2) international managerial experience has become more available, allowing knowledge flows; 3) the spread of networks has enabled firms to make their specific resources internationally mobile using external resources. The rapid spread of born global

companies can be attributed to environmental changes such as globalization or the rapid spread of information and communication systems (Knight, 2015). Baronchelli & Cassia (2008) identified seven characteristics that define these firms and explain their internationalisation: the specificity of the industry; the characteristics of the home market; the dynamics of the firm's environment; the experience of the entrepreneur and management; the firm's capacity to innovate; the availability of knowledge; and the firm's network connections. In their study, Hagen & Zuccella (2014) identified three main factors in the internationalisation process of Born Global firms: (1) entrepreneurship, (2) the internal environment of the firm, and (3) the external environment of the firm. These have an impact on the internationalisation factor.

Born global companies can grow more efficiently in international markets due to their size and adaptability. In most cases, they target countries close to their own, so sourcing resources, administrative costs, language difficulties, and cultural differences are less of a problem (Neubert, 2016, 2017).

In addition to theories of international market entry, it is also worth citing the literature by firm size, as globalization has led to small firms becoming increasingly dominant in the global market, and thus understandably to increased research attention (Dvoulety & Blazková, 2021). Organisational characteristics have a strong discriminating effect on the barriers to competitiveness, especially those within the firm's control, with the biggest influence coming from the firm's size, experience and background network (Leonidou, 2000).

SMEs are a key part of the European economy. More than 20 million SMEs play a significant role in Europe's economic growth, innovation, and job creation. In the EU, they account for almost two-thirds of the private sector and 58% of the gross value added generated by enterprises (European Commission, 2015). In terms of domestic statistics, more than 99% of all active enterprises are SMEs, a level that has stagnated for years, and micro-enterprises dominate (KSH, 2017, 2018).

The competitiveness and innovation capacity of domestic companies is low by international standards. Research has shown that companies with internationalisation experience are more competitive (Békés, Halpern & Muraközi, 2013; Szerb, 2017; Stocker & Várkonyi, 2022). Among the research results focusing on the competitiveness of medium and large companies with an international presence (Stocker & Várkonyi, 2022), we find that competitive orientation had the most pronounced effect on

competitiveness and firm market performance among the components of market orientation. A firm's competitiveness is indicated by a successful innovation-growth strategy, where researchers have defined success as bringing radical innovation to the market (Dobák, Hortoványi & Szabó, 2012). In the process of internationalisation, the acquisition of relevant knowledge plays a critical role, and managers should acquire knowledge before it becomes critical (Fletcher, Harris, Richey, 2013).

However, we have limited knowledge about the strategies, problems, and understanding of small firms (Szerb, 2010), so research tends to approach them from a specific perspective, such as corporate performance and leadership attitudes (Hurta, 2013), corporate identity research (Almás, 2014, 2021), the relationship between successful growth and innovation (Dobák, Hortoványi & Szabó, 2012), the study of managerial attitudes in Hungarian SMEs (Hurta, 2013), learning and development in small businesses (Csillag, Csizmadia, Hidegh & Szászvári, 2019), the study of factors influencing the survival and growth of Hungarian start-ups (Csákné, Radácsi & Timár, 2019), risks related to project management challenges for start-ups (Venczel, Berényi & Hriczó, 2023) to highlight some interesting areas of research. One of the research findings was published in a study that looked at how larger family firms responded to a macroeconomic shock in terms of internationalisation (Fourné, Zschoche, Schwens, & Kotha, 2023). They found that an unexpected shock induces businesses to recombine resources, thereby becoming a firm-specific advantage. Subsequently, it may lead to an increase in the depth of internationalisation.

Small firms have well-defined distinguishing features that set them apart from large firms in the internationalisation process (Antalóczy & Sass, 2011; Huszák, 2020). Internationalisation is also included as a factor in the Small Firm Competitiveness Index (Szerb, 2010; Szerb et al., 2014; Szerb, 2017). SMEs need a combination of organisational and individual skills to grow faster in international markets (Silva, González-Loureiro & Braga, 2021). Researching the link between internationalisation and business innovation, SMEs innovate their business models to increase their organisational flexibility (Eriksson, Heikkilä & Nummela, 2022), digitalization, strategic collaboration, and agile use of resources are critical sources of resilience.

An international presence, export-oriented operations, and an expanding international market presence are strategic advantages for a company that can increase its competitiveness. A kind of dual division characterises the Hungarian SME sector: one

group of companies is the so-called gazelles with fast growth potential; and the other group is the one-person companies, which are mostly just survival-oriented and do not aim to increase their revenues (Huszák, 2020). Many Hungarian companies do not even try to expand because they believe that their products are not marketable abroad or because they consider themselves too small (Huszák, 2020). According to a survey of 500 firms, only one-fifth of Hungarian SMEs are engaged in export activities (Budapest Bank, 2017). In Hungary, companies that dare to enter the global market are the ones that can succeed (Békés, Halpern & Muraközi, 2013). Foreign market activity is typically initiated by companies in growth (Huszák, 2020).

Huszák (2020) examined in detail the entry of SMEs into international markets, with practical examples linked to international theories. In her research, she discussed the motivations and constraints for entering foreign markets and examined typical cases of internationalisation of Hungarian small enterprises: (1) in the first category, he grouped companies that „join the chain” and become mostly suppliers in the international market; (2) in the second category, he grouped those that „go by barge to the ocean”, i.e., they want to conquer foreign markets; finally, (3) a separate group of innovative small start-ups that target the global market and have different international processes.

The prominent role of small businesses in the economy justifies a more profound, multi-faceted analysis of small businesses, understanding their growth, operation, and motivation. The results of this research can serve as lessons for businesses, provide economic and political leaders with a vision of the needs of businesses, and help to build more effective support systems that can make institutional opportunities for small businesses even more effective. At the European level, several EU programmes offer sources of finance for the SME sector, since the focus of EU SME policy is on promoting access to finance, market access, competitiveness, and innovation (European Commission, 2015).

The capital needs of innovative small businesses are mainly for development, product launches, management, and international expansion. The most significant capital needs are technological development, innovation, and international market entry, especially in the start-up and early growth phases. Venture capital is a specific construction solution to this financing need. Capital investors often look for projects with high growth potential, innovative activities, and technology-intensive activities.

In the classical Uppsala model, the change is driven by the decision to engage (Johanson & Vahle, 1977), the concept of knowledge for internationalisation complemented by the recognition of opportunity (Johanson & Vahle, 2009), the importance of recognising the business opportunity (Hadjihani & Johnson, 2002) shows that the importance of leadership in internationalisation is paramount, as the information that can be acquired, the managerial knowledge and related decisions that determine international growth are clearly linked to the leader, which also goes back to the previous theoretical block that the leader of the firm plays a key role in firm competitiveness.

## **4. PRESENTATION OF THE RESEARCH DESIGN**

### ***4.1. Research aims and research questions***

The 2008 global economic crisis has had a shock effect on both business opportunities and growth prospects. Access to finance for businesses has become more complex. The crisis has prompted banks to cut back on lending. Then, in 2020, a coronavirus pandemic posed a new challenge to economies and businesses. Companies that can innovate and adapt more flexibly to changing market conditions in a context of shrinking market opportunities can be more competitive and successful. The outbreak of the war between Russia and Ukraine also required businesses to react quickly, as the global supply chain collapsed overnight. Resilient companies remain viable in the face of constantly changing environmental challenges. A relevant research question is which critical success factors help companies to survive in this hectically changing environment, which factors inhibit successful growth, and how companies can be more competitive along the way.

Research on competitiveness is actual because the competitive situation is strengthening in both domestic and international markets, the economic environment is changing more and more intensively, and the pandemic has eliminated several former trends (Alexa et al., 2019). The innovation capacity of the hungarian SME sector is extremely low (Hámori & Szabó, 2010; Hámori & Szabó, 2012; Hágen & Holló, 2017). In recent years, international research on competitiveness has often focused on SMEs and approached them from different aspects. In Hungary, the share of innovative firms is 28%, which also puts us at the bottom of the list (CIS, 2021). European statistical data also show that the topic is sensitive and needs to be treated as a priority. In fact, Hungary has been at the bottom of the competitiveness rankings for years. Innovation is decisive for market competitiveness and efficiency and some research show that European SME innovations can rarely be seen as pioneering or groundbreaking (Letycja, 2020).

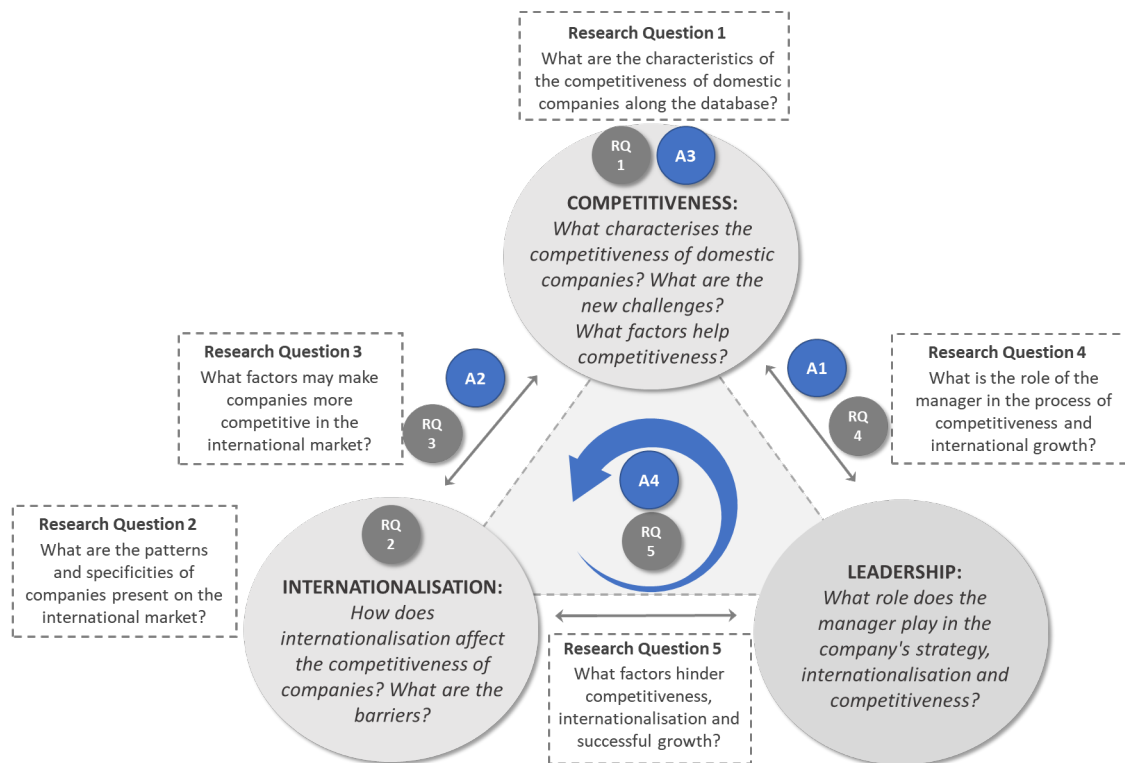
Recalling the research model, the presentation of the literature is also structured according to the pillars of the model. The aim of the this research is to increase scientific knowledge by studying the competitiveness of domestic companies. To contribute to the science of management challenges and to a better understanding of the internationalisation of domestic companies.



*During the research I was looking for answers to the following research questions:*

1. *What are the main characteristics of the competitiveness of Hungarian SME companies?*
2. *What are the characteristics of companies operating on the international market?*
3. *What are the factors that may make companies more competitive in the future?*
4. *What is the role of the manager in the process of competitiveness and international growth?*
5. *What are the barriers to competitiveness, internationalisation and successful growth?*

## 2. Figure: Research model and research questions



Source: Own editing

For ease of reference, I have set out below a table showing the links between the articles in terms of the thought arc of the article and the purpose of the article.

5. Table: Research concept and purpose of the articles (own editing)

<b>Reflection sheet:</b> examining the competitiveness of domestic firms from the perspective of internationalisation. In the process of internationalisation and the company's success, it is assumed that the company's manager plays a key role.	
Article 1	Examining the role of the leader in the success of the company. A joint cross-sectional study of organisational identity research and corporate internationalisation. The results are summarised along the following aspects: (1) strategy and vision; (2) leadership and organisation; (3) processes and development; and (4) change management.
Article 2	Identify the factors that determine the future competitiveness and success of companies. The analysis focuses on companies operating in the international market and those operating only in the domestic market.
Article 3	An analysis of the competitiveness of domestic companies, focusing on the challenges of digitalisation on the one hand and investigating the future competitiveness potential of companies from the perspective of internationalisation on the other.
Article 4	The research contributes to a better understanding of the competitiveness of the domestic companies. The analyses focus on the role of barriers (barriers to innovation and competitiveness). The results are also evaluated to identify correlations with internationalisation.
<b>Purpose of the article</b>	
Article 1	To investigate the role of leadership in the strategy and success of the company in international growth-oriented domestic SMEs.
Article 2	To examine the characteristics of companies operating in the international market and in the domestic market from the point of view of corporate competitiveness on a representative sample.
Article 3	To examine the competitiveness of domestic companies focusing on digitalisation factors from the perspective of internationalisation.
Article 4	To examine the competitiveness of domestic firms, focusing on the barriers to growth from the perspective of internationalisation.

The following table summarises the research questions and assumptions related to each article, the focus of analysis of the articles and the research methodology used. The research questions are presented in Figure 2, where their relationship to the pillars is clearly shown.

6. Table: Summary table of research questions and assumptions, analytical focus, and methodology used (own editing)

<b>Research questions and assumptions</b>	
Article 1	<i>The role of the company's manager in the process of competitiveness and internationalisation:</i> I assumed that companies in the international market have a higher level of strategic awareness and conscious planning and that the manager has a key role to play in the company's success.
Article 2	<i>What are the patterns and characteristics of companies in the international market:</i> what are the common similarities and patterns of companies operating in international markets, and how can they be characterised in the domestic market?
Article 3	<i>Top executives on Competitiveness: Survey of Digitalization and Internationalisation in Hungarian Companies:</i> exploratory research - what statistical correlations can be found between the dimensions of digitalisation and internationalisation regarding firms' competitiveness.
Article 4	<i>Examining business competitiveness in the context of barriers:</i> exploratory research - examining how the factors that hinder growth relate to internationalisation.
<b>Analytical focus</b>	
Article 1	Domestic, innovative, dynamic international growth-oriented companies
Article 2	A representative sample of domestic companies
Article 3	A representative sample of domestic companies
Article 4	A representative sample of domestic companies
<b>Methodology</b>	
Article 1	qualitative methodology, expert interviews with selected international growth-oriented CEOs
Article 2	quantitative methodology - simple statistical analysis
Article 3	quantitative methodology - simple statistical analysis and cross-tabulation, ANOVA
Article 4	quantitative methodology - simple statistical analysis and cross-tabulation, ANOVA

The focus of Article 1 is on innovative domestic SMEs with relevant experience in international growth and, thus, relevant experience using a qualitative research methodology. Articles 2, 3, and 4 analyse domestic companies using a quantitative research methodology.

7. Table: Main findings of the articles that make up the dissertation (own editing)

<b>Main findings</b>	
Article 1	The role of leadership is crucial to success, the reason is that strategic orientation, recognition of growth options, resource management, creating a mission-friendly organisational structure are all leadership capacities in the SME sector. Results has shown that managers and employees of enterprises have a diverse perception and evaluation of the performance of their enterprise, and that the concept of success is more complex and contains elements based on perceptions. The manager's attitude towards success significantly determines the strategic orientation of the enterprise, the attention and resources devoted to specific areas of operation.
Article 2	Companies present on the international market showed better scores in all the dimensions examined. They are characterised by continuous strategic renewal, a strategy broken down to the individual level, the use of technological innovation and openness to innovation. The leadership style is also supportive of strategic objectives and the transformational leadership style is more typical. These companies are constantly seeking to maintain a competitive edge through new strategic initiatives, have a more individualised strategic plan, have a well-defined and known decision-making process, incorporate available information into the decision-making process, have responded more effectively to unexpected environmental challenges in times of pandemics, are more attentive to the use of digital technologies and perform better in terms of workflow efficiency.
Article 3	The results show that technological changes, including the challenges of digitalization, are more challenging for larger companies and have the least impact on companies after the early period. Companies should be more open to innovation and digitalization, to develop employees' skills and suggest management support and risk taking. Companies that are also present in the international market perceive the impact of technology, including digitalization, as stronger and pay more attention to the use of digital technologies, compared to domestic companies that perceive the impact of technological change as less of a challenge. These companies perform better in improving work process efficiency, identifying new practices and allocating resources accordingly. Digitalization can become a key to the future success of a company if managers change their management style and decision-making mechanisms.

<b>Main findings</b>	
Article 4	The results of the article focusing on barriers to competitiveness show, that inhibiting factor is clearly linked to internationalisation too. Firms that are also present on the international market are likely to have the necessary specialized expertise, such as sales knowledge, and thus to perceive expertise as less relevant as a barrier. To be more competitive, it is recommended to look for strategic opportunities where companies can be involved in international processes, thus making the organisation more open to innovation, new opportunities can bring more effective operation, employees will be more motivated, thus reducing the impact of inhibiting factors.

## 4.2 Methodology

### *The qualitative research methodology used in the articles*

The literature distinguishes between two fundamental types of research methods. Qualitative methodology is not aimed at establishing general findings but at helping to make deeper connections and understanding. In qualitative research, the researcher gathers data through the perceptions of internal actors, and the investigations are based on severe attention and empathic understanding. The main task of research is to explain how people think, explain things, and generally organise their everyday situations under specific conditions (Miles & Huberman, 1994). Qualitative research focuses on specific cases and helps to understand the causes, drivers, and context of the phenomenon.

I used a qualitative methodology in the first article of this thesis. In qualitative research, the range of cases to be included in the sample is not predetermined (Gelei, 2002); theoretical considerations often only select the initial one or two cases, while further progress is made according to the research objectives and based on the initial analytical results. The most important aspect is to learn as much as possible about the research topic (Gelei, 2002). The research has been carried out by finding individual company cases to investigate the practical experience of international growth-oriented companies. The aim of the research is to draw lessons from individual company cases, and a qualitative approach is suited to this approach. Due to the methodological limitations of the research, the results cannot be generalized, and their validity is limited and needs to be improved. However, they provide a basis for understanding the success of domestic SMEs and for identifying further research directions.

In qualitative case study research, the sample selection is not statistical but primarily theoretical. In contrast to statistical sampling, qualitative sampling is characterised by (Miles & Huberman, 1994; Gelei, 2002, pp. 169-170):

- Small sample and embeddedness in context (as opposed to large sample and ignoring context);
- A deliberately, purposefully selected sample (as opposed to a random sample);
- Theoretically oriented sample (as opposed to representativeness);
- An evolving pattern (as opposed to a pre-defined pattern).

8. Table: Executive interviews in international growth-oriented small businesses (own editing)

<b>Company</b>	<b>Scope of activities</b>	<b>Interview date</b>
1	founder of biotechnology I.	2014.02.26
2	founder of Biotechnology II	2018.03.11
3	CEO of a fashion company I.	2018.03.07
4	CEO of fashion company II.	2018.04.19
5	CEO of a fashion company III.	2018.07.17
6	technology company CEO	2020.05.13

Qualitative sampling (Miles & Huberman, 1994; Gelei, 2002) is characterised by a deliberately and purposefully selected sample (as opposed to a random sample). The sample was selected to fit the purpose of the research. The main guiding principle for the selection was to have relevant experience in entering international markets. Based on the theoretical assumption that international growth-oriented small firms have a much stronger emphasis on strategic planning than the average domestic small firm, the manager(s) may also play a vital role in the firms' success. Inquiries were based on the experience of the experts, where the guiding principle was to include the research companies that had entered the international market from the domestic market and were known to have valuable information and experience for the research.

*The quantitative research methodology used in the articles*

Another type of research methodology is the quantitative methodology, which aims to present quantifiable results that can be analysed using statistical methods. Qualitative and

quantitative research are complementary, not in competition. They help process large amounts of information, where the results favour drawing general conclusions.

The strengths of the questionnaire research method are that it is suitable for examining large samples and exploring relationships, correlations, and causality between the information collected, and its descriptive nature and quantification of data are also important features (Molnár, 2010).

The research in the second, third, and fourth articles is based on an extensive sample database, and a quantitative methodology has been applied to allow statistical analysis of a large sample.

In the framework of the research project on the organisation and leader of the future, we contacted managers of domestic companies and we initiated a detailed questionnaire survey on external and internal factors for the present and the future. The interviewees were the top managers of the companies assuming that they had the most relevant answers to the research. We excluded the smallest companies from the survey's target group on the assumption that we would not receive relevant responses. Thus, the target sample was a set of registered partnerships with 50 or more employees, and another threshold was that they had a turnover of at least HUF 100 million.

In terms of respondents, the typical respondent was the top manager of a small and medium-sized Hungarian-owned company in Central Hungary. The distribution of sample companies by size category, which shows a representative distribution:

9. Table: Companies in the sample (own editing)

<i>by size category</i>	Nr	%
small business	163	53
medium enterprise	91	30
large company	51	17

As described in the research report (Marciniak et al., 2022), „the *sampling method was stratified random sampling with fixed quotas. Strata were defined based on the categories of the number of employees and the county where the firms were located, where quotas were provided by the Central Statistical Office data on the proportion of each employment category and region. A random method was used to select the companies to*

*be contacted by quota cell, following the distribution of the surveyed companies by turnover and activity.”*

In terms of the database, a total of 1,369 companies were contacted, of which 306 companies took up the opportunity to respond, with a response rate of 22.35%. The data table was completed with the officially available balance sheets and profit and loss accounts, based on which, applying the threshold of at least HUF 100 million turnovers, one company line was excluded from the database because it did not meet the minimum threshold. The final analysis is based on the values of 305 companies.

The reliability of the database and the results are given by the fact that the sampled companies are representative of the whole population in terms of the range of business activities.

10. Table: Summary of methodology (own editing)

	<b>Article 1</b>	<b>Article 2</b>	<b>Article 3</b>	<b>Article 4</b>
<b>Applied methodology</b>	qualitative methodology	quantitative analysis		
<b>Data collection</b>	semi-structured in-depth interviews	questionnaire survey		
<b>Sample characteristics and sampling method</b>	individual cases international growth-oriented business leaders domestic innovative SMEs 4 companies - 6 management interviews	stratified sampling 305 item number representative sample of companies - by turnover, number of employees, industry and region		
<b>Data analysis methods</b>	comparative evaluation	statistical methods, cross-tabulation analysis, and ANOVA		

The results of the questionnaire were imported into Microsoft Excel, and the resulting database was subjected to descriptive statistics and statistical analysis. In addition to simple statistical calculations, relationship analyses were conducted in SPSS statistical analysis software. Cross-tabulation analysis is suitable for studying the dependence between two or more variables. An analysis of variance, or ANOVA, is a linear modeling method for evaluating relationships between fields.



### ***4.3 Validity, generalisability***

The reliability of a measurement depends on whether a procedure, when repeatedly applied, will give the same result (Barney, 2001). Reliability is always an issue when a single observer is the source of the data. The problem of subjectivity does not only arise in the case of a single observer. In questionnaire research, it has also been observed (Barney, 2001) that respondents are influenced by their attitudes and behaviour. Barney's suggestions for increasing the reliability of measurement are clarity and clarity of wording. And validity refers to the extent to which the empirical measurement reflects the true meaning of the concept in question (Barney, 2001).

In the case of the first article, due to the methodological limitations of the research, the results cannot be generalized, and their validity is limited, however, they provide a basis for understanding the success of domestic SMEs and for further research directions. The limitations of the research include the limitation of the number of SMEs. The validity of the results is limited; statements can be made that are valid for the sample under study. Further testing of the conclusions drawn is needed on a larger sample and with a quantitative methodology.

For the second article, I examined simple statistical manifolds and distributions. The analyses were carried out on a stratified, representative sample, sampling was random, and the reliability of the data was ensured. The data are representative of the sample by activity, size of the enterprise, turnover, and regional distribution.

For the third and fourth articles, causal dependencies were also investigated using cross-tabulation analysis, in addition to the simple statistical distribution of the data. The analyses were performed on a stratified, representative sample. The data are also representative by activity, size of enterprise, turnover, and regional distribution. The majority of the enterprises in the sample are classified as medium-sized enterprises, so the results are most relevant for this sector. In the first stage of evaluation of the results, the focus was on variance, outliers, divergent patterns, and their possible background, followed by cross-tabulation analysis to identify dependencies between variables. The limitations inherent in the exploratory analysis be considered: the results presented here are subject to even a more extensive sample testing and more detailed statistical analysis.

## 5. ARTICLES

### 5.1 ARTICLE I.

**Szanyi-Gyenes, X. & Almási, A. (2021): The role of leadership in the success of small and medium-sized enterprises. Vezetéstudomány.**

The role of managers in SME's success based on the organisational identity and competitiveness theories the authors focus on the operational and managerial part of the company successfulness in Hungarian SME sector. They summarize the characteristics of competitiveness from the aspects of top managers by synthesizing secondary research results. The authors' own research was designed according to the theoretical and empirical framework, concentrated on the leaders role and the perception bias, specially taken notice of SMEs with high level of internationalisation. Their results show both of direct and indirect managerial effect. The reason is that strategic orientation, recognition of growth options, resource management, creating a mission-friendly organisational structure are all leadership capacities in the SME sector. Due to the limitations of the research its results are not of a general nature but provide for a good basis in understanding and further analysing SME's successfulness.

Keywords: SME, competitiveness, successfulness, leader

#### **Introduction**

Due to the heterogeneity, limited resources, external environmental and institutional dependencies in the SME sector, it is particularly important to consider that internal capabilities contribute to competitiveness to a greater extent than industry or economic characteristics (Rideg, 2017), while „our knowledge of the internal world, strategy, behaviour and problems of SMEs is limited” (Szerb, 2010, p. 2). The authors' own previous research on SMEs has focused on factors such as the importance of SMEs in the economy (Szanyi-Gyenes, Mudri & Bakosné Böröcz, 2015; Szanyi-Gyenes, 2019), the internationalisation of SMEs (Szanyi-Gyenes, 2017) or corporate identity (Almási, 2014, 2019; Almási & Hetesi, 2017). In terms of literature and research trends, competitiveness

theories focusing on hard elements and large firms dominated in the previous decades, but research on soft resources, competences and organisational factors is increasingly coming to the fore. At the same time, organisational identity research has paid increasing attention to strategy, corporate functioning and the relationship between identity and success and performance. Own research with different starting points has also converged on highlighting and sharing common metrics of the leader and related vision, strategy development and organisational factors. Based on the theoretical models and empirical research in the areas of competitiveness/organisational identity, as well as the evaluation of the results of the own research, it was not possible to ignore the stronger leadership influence in the SME sector, the prominent role of the owner in the success of the firm. It was also clear from the experience of the in-depth interviews with managers and organisations that the concept of business success for the entrepreneurs and employees interviewed contains a number of perceptual elements, and that they do not focus on the exact, measurable competitiveness figures, but interpret success in a broader sense, based on subjective perception, including soft factors. From a managerial perspective, the concept of success also depends to a large extent on whether the company is only active in its home market or is interested in dynamic international growth, just as the role of the manager has different importance in view of the different growth motivations.

In this paper, competitiveness research focusing on the domestic SME sector as well as secondary research results are analysed and summarised, focusing on specific success factors. These factors have been formulated on the basis of theoretical models and literature, and have been delineated on the basis of previous research experiences and results. Due to the exploratory nature of the research, no specific hypotheses were formulated. The specific aim of the research was to identify and examine the factors of success in the domestic SME sector and to map the impact of leadership on the success of the company.

The aim of the study is to develop the concept of complex corporate success based on the literature and empirical research on SME competitiveness, to investigate the concept of complex corporate success in a group of heterogeneous and then homogeneous (internationalising) SMEs, to identify the success factors clearly defined in primary and secondary research results, to analyse their interrelations and the role of the leader, and to find a pattern of success for the SME sector.

## **A complex approach to business success - theoretical and methodological background**

The theoretical basis of our research is based on the literature on competitiveness, including internationalisation and organisational identity theories. Corporate competitiveness is most often examined at the product, business unit, industry, regionality level, and thus different basic concepts and interpretations are present in the literature (Hurta, 2013). After approaches that focused on resources, productivity, efficient cost structures, and primarily on large firms, research (Varga, 2014; Peters & Waterman, 2006) has increasingly focused on soft elements such as culture, management, trust, risk-taking, social synergies, or semi-soft factors (infrastructure development, R&D, level of technological development). In addition to turnover, output, market share, resource and capacity utilisation, liquidity ratios, enterprise value (Kay, 1993), which describe corporate success in terms of explicit data, the more difficult to measure corporate capabilities (Chikán, 2006; Csath, 2006), creativity (Amabile, Schatzela, Monetaa & Kramerb, 2004), customer orientation and higher quality operations (Chikán, 2008), IT and controlling with the help of data-driven strategy and organisation (Bögel & Krauth, 2012; Hågen & Holló, 2017), organisational competences (Teece, 2011), continuous knowledge development (Hámori & Szabó, 2012) have gained ground in studies of corporate competitiveness.

Research on domestic competitiveness focusing on soft factors has highlighted factors such as internationalisation, export enhancement (Gelei & Kenesei, 2016; Czakó, Juhász & Reszegi, 2016), regional effects (Szerb & Hornyák, 2016; Lengyel, 2002), innovation (Chikán & Czakó, 2009; Boda, 2012), among others. These areas and competitiveness foci are typically the responsibility of the management of an SME, as the formulation of strategy, the definition of key competences or market expansion, the allocation of resources are all managerial and ownership responsibilities. The hard and soft factors that determine success and competitiveness thus belong to both managerial capabilities and intentions in the case of SMEs, which raises the question that the limit to the success of SMEs is their managerial competences (Szerb, 2010; Szabó, 2012; Hámori & Szabó, 2012). Concrete primary research also increasingly identifies the leader as the source of firm competitiveness and the personality traits and leadership style of the leader as the background to firm success (Lippert, Gaál & Kovács, 2015; Hofmeister-Tóth, Kopfer-

Rácz & Sas, 2015; Hofmeister-Tóth, Kopfer-Rácz & Zoltayné Paprika, 2016; Gáti & Bauer, 2017), or the value creation and commitment of the owner as the origin of corporate competitiveness (Kazainé, 2009). The impact of corporate culture on success has also been investigated in domestic empirical research in the SME sector (Varga & Csiszárík-Kocsír, 2017), and the link with organisation and change management has been demonstrated (Wimmer & Zoltayné Paprika, 2006).

Organisational identity theories (Balmer & Gray 2000; Haslam 2004) initially focused on internal processes and capabilities, corporate culture, leadership influence, competencies. According to their research results, the synergistic structure of an identity programme has a positive impact on the firm's profit and results in higher market share, image, customer satisfaction, more positive press coverage, higher price, higher sales volume for the firm (Höffner, 1989). Moreover, a synergistic corporate identity differentiates a company from its competitors, enhances credibility and instils trust in consumers (Edelman, 2009), as it has a positive impact on the recruitment and selection of future employees, motivation, loyalty and loyalty towards the company, trust, employee performance. Identity studies focusing on corporate success also examine the relationship between identity and performance by focusing on a single factor. There is empirical research focusing on leadership (Gioia, Patvardhan, Hamilton & Corley, 2013; Ravasi & Canato, 2013) and corporate culture (Alessandri, 2001), and there is also significant identity research on the functioning of the firm, which, in addition to the soft factors of success, focuses on the actual organisational processes and changes and their management (Schultz & Maguire, 2013), vision and strategy (Birkigt, Stadler & Funck, 2002), collaboration and management of organisational/business relationships (Hodgkinson & Healey, 2011), employee performance and leader influence (Peterson, Luthans, Avolio, Walumbwa & Zhang, 2011). However, international organisational identity research focuses mainly on large corporations, therefore, despite the extensive literature, a large number of theoretical models and empirical findings, studies and findings on organisational identity approaches applicable to the domestic SME sector are scarce.

While competitiveness research turned to soft factors such as leadership and organisational factors in the 1990s, in parallel, identity research has focused on hard factors such as success and performance. A common feature of these competitiveness and identity studies is that they often use the term corporate „success”, but while the conceptual framework of competitiveness is clearly given, an exact definition of success

is often omitted and appears in the studies as an axiom or synonym for competitiveness. In their empirical research, Chikán and Czakó (2008), in the qualitative in-depth interview phase with managers, left the definition of success to the respondents, giving the opportunity to entrepreneurs and managers to define for themselves the factors on the basis of which they judge the success of their own firm. Most respondents highlighted market share, growth and growth dynamics relative to the industry (i.e. reference point dependent). This was followed by financial performance and operational success indicators such as management activity, involvement, foresight, sales support processes (considered part of the functional strategy). However, when asked about the factors hindering the competitiveness of the company, the methodological preparedness of management, low risk-taking, the predominance of intuitive and experience-driven management decisions, and the lack of strategic focus were highlighted. The manager's own perception of success, the success and failure factors that he or she considers to be of paramount importance, have a significant influence on the areas to which companies pay more attention in assessing their weaknesses and strengths. The results also show that benchmarks and perception matter a lot in the assessment of success, while strategic planning and managerial competence gaps are emphasised in the identification of causes of failure.

The Small Business Competitiveness Index (Szerb, 2010) has developed a ten-pillar system based on the resource and capability theories (Grant, Hardy, Oswick & Putnam, 2004) that focus on firm factors. Their model uses 200 indicators and 44 competitiveness variables to develop a set of ten pillars to assess the competitiveness of the SME sector. These are: domestic market and competition, cooperation, internationalisation, human capital, product/service, production, sales mode (marketing), online presence, decision making and strategy. Among the many other findings of the research, we would like to highlight that the clusters based on the competitiveness scores differ most in their strategy as defined by the manager. The SME clusters that emerged as competitive had a different strategic focus and excelled mainly in the factors of internationalisation, decision making, product and online presence. Equally important is the finding that companies leading in internationalisation are more competitive among domestic SMEs. International market entry, export-oriented operations through B2B relationships, knowledge sharing and expanding markets are advantages for a business that project its success and growth. The existence or direction of the strategy (offensive, stability-oriented, defensive) was also a

determinant of the competitiveness of the enterprises studied. The KVI research used both benchmark-based and perceived success definitions, so that enterprises were not only evaluated on the basis of their exact financial data, but also by measuring future expectations, position relative to competitors and product/service quality. The knowledge of the manager limited the growth potential and success of the business: managers of firms with no strategy or with a defensive strategy typically rated their own management and economic competences higher than those of firms with a growth strategy.

A different methodological approach is not to analyse a heterogeneous group of firms and thus try to draw generalisable conclusions on the basis of the narrowed competitiveness factors, but to analyse a homogeneous group in the first place. The analysis of successful and competitive enterprises reveals organisational, sectoral and regional characteristics which, when identified as success factors, can serve as a model for other enterprises. Competitiveness research on the SME sector often makes use of this delimitation (e.g. innovative enterprises (Dobák, Hortoványi & Szabó, 2012); entrepreneurial experience and success (Szerb & Vörös, 2019); firm size (Lafuente, Leiva, Moreno-Gomez & Szerb, 2020); and internationalising SMEs used in our own research (Neubert, 2016; Burgel, 2000; Ismail, Khurram, Abadi & Jafri, 2017)). These studies focus on the leader's personality, strategic focus, competences, perception and evaluation of skills, and managerial control in decision-making processes (Kovács, Lénárd & Losonci, 2019). Their results show that there are gaps in the SME sector in terms of the recognition of constraints, while often leaders overestimate their own knowledge, making the leader a barrier to the development of the firm.

In their own empirical research, the Authors have examined corporate success in the light of international growth on the one hand, and the leader on the other, where, in addition to innovation and capital, the professional management of organisational structure and operational processes has been identified as a critical success factor, thus giving a prominent role to the leader. It became clear from the interviews that the internationalising companies studied had been thinking in international terms from the outset and thus typically fitted into the 'born global' concept of the company (McDougall, Oviatt & Shrader, 2003; Incze, 2012), but the present study does not aim to analyse domestic 'born global' companies, but merely to exploit the advantage that dynamically internationalising companies have a more conscious planning and strategy, giving a prominent role to the company's managers. The management of internationalising SMEs

has a key role in shaping corporate strategy, with a focus on developing the capabilities needed to achieve international success (Knight & Cavusgil, 2004). Successful small firms that want to grow faster than the average need to enter international markets, and globalisation processes (Knight, 2015) are helping to promote the rapid spread of internationalisation. This growing trend is reinforced by the fact that innovative SMEs today are increasingly aiming to expand internationally. On the other hand, organisational identity theories have examined the success of SMEs and the impact of the leader, the competences of the leader, and the interaction between the leader and the organisation. As a synthesis of the competitiveness and organisational identity theories, the authors' own research examines the success of a business in terms of the following factors: strategy and vision, leadership and collaboration, processes and development, change management, and core values and culture.

### **The role of the leader in the success of small and medium-sized enterprises**

The position, authority and strategy-making role of the head of the firm has a direct and indirect impact on the success of the organisation, and in the SME sector, the manager's competence is the most important factor in exploiting the internal capabilities of the firm, setting the framework, managing operations and ensuring the flow of information (Bánfi, Boros & Lovas, 2012; Farkas & Málovics, 2017). The „success, competitiveness and realistic growth prospects of an organisation also depend to a large extent on the owner” (Rideg, 2017, p.11), and therefore the leader of the firm can be both a source and a barrier to the competitiveness of the firm. Besides the knowledge and preparation of the leader, categorised behaviours such as planning and organising, clarifying roles and goals, informing, motivating, developing and mentoring are often the subject of corporate success research (Amabile, Schatzela, Monetaa & Kramerb, 2004; Hámori & Szabó, 2012). Because of its role as a cultural agent, it is an essential source of core organisational values and goals (Schein, 2010; Ravasi & Schultz, 2006), „the strength of internal knowledge creation, knowledge transfer and knowledge integration in SMEs is clearly determined by cultural elements” (Polyák, 2011, p.21).

Corporate success typically goes hand in hand with organisational growth and process complexity, which calls into question the applicability of managerial control that still works for small staff. Since the business decisions necessary for growth are often driven by the manager's willingness to take risks, and „the perception of opportunities is at the



attitudinal level” (Szerb, 2010, p.46), in addition to the leader’s knowledge, his or her personality (Répáczki & Juhász, 2015; Hofmeister-Tóth, Kopfer-Rácz & Zoltayné Paprika, 2016), motivation (Hortoványi, 2011), and attitude towards change (Wimmer & Zoltayné Paprika, 2006) also play a role in corporate success and thus in competitiveness research. Opportunity, entrepreneur and necessary resources (Vecsenyi, 2003) play a key role in the success of a new venture, while financing capital and professional management play a key role in international market entry and dynamic international growth. Through vision, vision, strategy, and the operationalisation, communication, acceptance and control of these within the organisation, the manager also plays a crucial role in creating the structures and processes that support or hinder success (Kilduff & Krackhardt, 2008; Peterson, Luthans, Avolio, Walumbwa & Zhang, 2011).

Growth is one of the factors that is commonly understood as synonymous with entrepreneurship (Dobák et al., 2012) and a strong link can be found between entrepreneurship and growth in smaller firms (Davidson, Delmar & Wiklund, 2002). Many managers never intend to grow their business beyond a size they can no longer control (Vesper, 1980; Dobák et al., 2012), but the entrepreneurial manager chooses to seize the opportunity to grow (Davidsson, Delmar & Wiklund, 2002, 2006), although there are disadvantages and limitations to excessive growth (Adizes, 1992), and many managers do not want to grow their business beyond a certain level (Vesper, 1980). When it comes to the success of the firm, the manager is seen as playing a greater role than other factors (Byers, Kist & Sutton, 1997). Research on innovative SMEs in the home country has reached a similar conclusion: „it is the manager’s task to recognise when it is necessary to slow down the growth pressures on the organisation. Consistently, they must recognize when the costs of fragmented resources and divided attention will outweigh the potential returns” (Dobák et al., 2012, p.47).

Despite the recognition of the dominant role of the leader, „we cannot identify, on the basis of systematically collected statistical data, the important behavioural factors that could explain why some firms and entrepreneurs are successful and others are not” (Szerb, 2008, p.3). Meanwhile, measuring the impact of the leader faces methodological obstacles, and the separate analysis of individual competitiveness factors cannot be carried out without bias, as their effects on each other cannot be excluded (Zoltayné Paprika & Szántó, 2005; Czeglédi, 2012).

The role of the leader in corporate success is therefore both theoretically and empirically proven, but it is equally important to define corporate success. Based on the literature cited, secondary and primary research, the authors do not describe the concept of corporate success in terms of exact revenue figures and financial performance indicators, but rather in terms of perceived success based on subjective, individual perceptions. This is based on the cited research (Chikán & Czakó, 2008; Szerb, 2010), but also on their own research, which confirms that individual perceptions of success are not dependent on financial results, but are determined by other, well-defined factors. The results of a series of research studies focusing on domestic SMEs suggest that synergistic identity and consistency with core values, self-identity with corporate culture, the elaboration and organisational awareness of strategy and vision, the quality of leadership and organisation, the management of processes and change, the value of development over time and in relation to competitors, influence the success of the company for the leader and the organisation.

## **Research**

In our own primary research, we first assessed, on a heterogeneous sample of SMEs, which areas of the firm's operations respondents consider to be successful in terms of effectiveness, efficiency and goal achievement. We examined separately the perceptions of the manager and the interviewed organisational members and employees, in order to compare the assumed differences and discrepancies between them with the success perceptions of the enterprise in question. Our preliminary hypothesis was that, based on subjective judgements, enterprises where there is a synergy between the manager and the organisation perceive themselves as more successful, and enterprises where this gap is more significant perceive themselves as less successful. We then analysed these identified areas of operation in a homogeneous group of SMEs, using a sample of internationalising firms, hypothesising that internationalising firms have a much better grasp of strategic awareness, conscious planning and hence the role of the leader in their success.

## **Methodology, sample**

The methodology of the own primary research presented in the first section was designed following the principle of the „mixed method” (Neulinger, 2016) and adapted to the current research objective. The interviews focused on domestic small firms with

international market ambitions and were conducted through semi-structured in-depth interviews and based on a case study (Szanyi-Gyenes, 2017), where the managerial experiences of a successful international growth were explored, and an organisational audit based on in-depth interviews (Almási, 2019), where the competitiveness of SMEs across a broad spectrum was investigated. From this, this paper presents the results narrowed down to the role of the leader and factors defined as perceived success.

The SME as a characteristic of the population was not defined on the basis of standard quantitative data (number of employees, turnover), but on the basis of an extended definition of SMEs following Mugler (1998, in Rideg, 2017). Among the factors, the relevant criteria for this research are the motivation to start and run a business as a long-term goal, the active participation of the owner in the design and management of the business strategy, and a more informal and close relationship between the manager and the members of the organisation (regardless of the number of employees).

*Table 1: Structure of the research*

<b>Organisational audit (2016)</b>	<b>The aim of the research is to</b> investigate the relationship between perceived success and corporate identity, and the manager-organisation relationship in the SME sector
<b>Methodology, sample:</b> Expert interview with the company manager and employees Hungarian small and medium-sized enterprises. 13 companies / 17 managers / 37 employee interviews	<b>Conclusion:</b> Corporate success goes hand in hand with a synergistic organisational identity. The differences between the leader(s) and the organisation have an impact on success. The impact of vision and strategy on success.
<b>Leadership in internationalisation (2014, 2018, 2020)</b>	<b>The aim of the research is to</b> investigate the role of managers in corporate strategy and firm success among international growth-oriented domestic SMEs.
<b>Methodology, sample:</b> In-depth interviews with selected international growth-oriented CEOs Small and medium-sized enterprises in Hungary. 4 companies / 6 management interviews	<b>Conclusion:</b> Conscious strategic planning is key to the success of companies entering international markets. The manager of these small domestic companies has a key role to play in the development of strategy, and thus in the success and international growth of the company.

*Source:* own editing

The exploratory nature of the research methodology resulted in a limitation of numbers: the case study analysed one company in depth from start-up to international acquisition, 4 international growth-oriented companies were analysed with a total of 6 management interviews, while the organisational audit included semi-structured in-depth interviews with a total of 17 managers (in some companies more than one owner controls the company) and 37 employees in 13 SMEs.

*Table 2: Companies participating in the organisational audit phase of the research*

Serial number	Scope of activities	Management interviews	Employee interviews
1	Image and PR consultancy	2	7
2	Beauty services	1	3
3	Food production	1	4
4	Printing services	1	4
5	Manufacture of tools and machinery	1	3
6	Consumer electronics	1	1
7	Manufacture of wearing apparel	2	3
8	Manufacture of cosmetics	1	3
9	IT services	2	4
10	Food production	1	-
11	Industrial alpinism	2	2
12	Manufacture and marketing of pharmaceutical preparations	1	-
13	Gardening - interior design	1	3

*Source: own editing*

The sampling was aimed at small and medium-sized enterprises where the enterprise is Hungarian-owned and the owner is actively involved in the management on a daily basis. The methodology was determined by the fact that empirical research on competitiveness often only interviews the owner and/or the manager in charge of controlling, finance, production and, less frequently, HR. However, in the case of questions on subjective success, the fact that the opinion and perception of one respondent characterises an entire enterprise can have a distorting effect. Therefore, one of the basic assumptions of the organisational audit research phase was that the analysis of the perceived success of a company should involve more than just the manager, but also several employees, 3-4 in a company. In order not to reflect group opinion, the selection criterion for employees was that they should not work in the same organisational unit.

*Table 3: Executive interviews in international growth-oriented small businesses*

Nr	Scope of activities
1	founder of biotechnology I.
2	founder of Biotechnology II
3	fashion company I. CEO
4	CEO of fashion company II
5	fashion company CEO III
6	technology company CEO

*Source:* own editing

The sample was selected using the most focused approach possible, in line with the aim of the research. In line with the research objective, the main guiding principle is to have relevant experience in international market entry. The theoretical assumption of the authors is that small companies oriented towards international growth have a much more pronounced strategic planning compared to the average domestic small company, and thus the manager(s) may have a key role in the success of the company. Based on the experience of the experts, companies that had entered the international market from the domestic market and were known to have valuable information and experience for the research were contacted.

This phase of the research was based on focused interviews, where companies were selected in advance by direct approach. The companies that formed the basis of the focused study were all seeking to enter international markets and had a strategic objective of dynamic international growth. To finance this, they needed to raise significant external funds, which they were mostly able to do through venture capital. In the practice of venture capitalists, the condition for disbursement is usually the existence of a professional company director and management. It is therefore an interesting area of research to find out what role the manager plays in these small domestic companies and to what extent he or she contributes to the success of the company. With the emergence of the investor, the expectation of awareness and strategy in the operation of the company is directly strengthened. For a deeper understanding of these processes, a qualitative research methodology is clearly appropriate, where the how and why questions (Yin, 2014) can be answered. Due to the nature of the methodology, statistical representativeness is not expected, as the methodology is used to understand the problem (Malhotra, 2008). The purpose of the survey is not to draw general conclusions in a statistical sense, but to gain a deeper understanding of the processes.

## **Results of the research phase of the organisational audit**

The organisational audit section of the research focused on the factors of organisational success, perception and the role of the leader and the organisation. The 13 companies included in the study were not homogeneous in terms of sector, scope of activity, location, market and number of employees. As the research was exploratory in nature, it was not intended to be generalisable, and the sampling was not designed to avoid heterogeneity. Here, only the factors affecting the success of the enterprise and the results on the role of the manager are presented. The aim of the research phase, relevant to the study, was to explore what managers and employees of enterprises consider to be success and how the factors of operation (information flow, decision-making processes, change and process management, leadership and organisational skills) under study are reflected in their perception of success. In designing the semi-structured in-depth interview, we made assumptions based on the literature and the results of previous empirical SME competitiveness research. Just as the internationalisation set as a goal at the outset of the case study set the enterprise on course and determined its success despite initial failures and shortcomings, we assumed that a clearly articulated vision, regardless of its formalisation, provides a strategic direction and is related to enterprise success.

### **Core values, culture**

The important milestones and core values in the life of the company are more time- and future-focused for the managers in the study, as they think about their company from a different perspective due to their involvement and different ownership motivations. Financial - liquidity issues and ups and downs, crises, ownership change issues were regularly included among the milestones listed, and were typically one of the motivating factors to consciously engage in strategy making. „Once I had liquidity problems, from then on I was always very focused on coming up with new things, getting more feet on the ground.”

A comparison of core values with success objectives can show whether the values that are typical for the company support or hinder the company's objectives and how much they contribute to the company's ability to generate income. The values most frequently mentioned by managers are: tradition, value retention, quality, corporate brand, professional team, accumulated knowledge. Many mentioned values related to

employees, such as a loyal, cohesive team („almost everyone has been working here for more than ten years”), a stable company culture where everyone knows what is important („it is an established organisation, we understand each other half by half and everyone knows what they are doing”).

A positive and negative spiral in the culture could be detected, which was anchored in the organisation and influenced employees in their competitive behaviour such as thinking new ideas, loyalty, cooperation. Leadership behaviour supporting the medical treatment of a seriously ill employee continued to have a positive impact on organisational culture years later, and all employees interviewed mentioned the story as a core element of their culture. In other companies, the crisis management of managers had left its mark on the culture, and they uniformly mentioned the work environment as unstable and managers as uninterested („it goes on daily, we are just a line in the excel sheet for them (= managers)”).

#### Strategy, vision

The strategy and vision theme looked at ownership objectives, overall vision and strategy, annual business plans at operational level and their visibility within the organisation. The employees interviewed reported little knowledge of the vision of the company and that awareness depended on position, management style and, in the case of family businesses, kinship (internal informal network independent of position). In the case of multiple owners, a division of management on the basis of competences often emerged: one manager was stronger in vision and vision setting, another in operational management. „I have a creative job, I don't like to be distracted from a good train of thought, so at such times I am very very happy to have K. (co-owner) talking to them (clients) and being called.”

#### Leadership and organisation

The research showed that the definition of the framework of the organisation is not uniform, as both managers and employees interviewed do not define the organisation on the basis of the actual legal relationship. This practice raises the question of how much of a distorting factor it is, for example, in SME competitiveness research, when the number of employees is asked and the size of the organisation is characterised with this data.

Expanding the size of the organisation is not the only distortion: it has happened that the manager has reduced the size of the organisation in the opposite direction. One manager with 12 employees said this:

„Believe me, it's completely unnecessary to ask anyone here except us (the owner family members). You box or deliver the product, take the orders, invoice... that's nothing, it's all about product development, we do that work.”

The manager's own role perception can also determine the framework of the organisation: some owners interviewed considered their employees as full equals (this was also reflected in the decision-making processes), while in others the hierarchy of the organisational structure was based on the manager's need for control. For the majority of employees, the management style is a given in the organisation, they cannot shape it, there is no reality of feedback, and this is independent of whether they otherwise judge the manager as good or bad. One manager frankly admitted that he is an autocrat, but he says „it's OK because the important thing is that I know this about myself and I can be consistent.” In the same company, an employee interviewed said that although the manager is autocratic, the processes are democratic. Another company manager said of his management style, „of course, my style is a given, but it's good, I believe in it, it's how I feel comfortable.” (Interviewee 13/A). Perception also comes up here: employees have a problem with dissonance. Being clear, authentic, consistent, open and open and behaving is more important to employees. In the case of leadership skills, employees did not expect higher professional knowledge, but leadership skills that are necessary to ensure the success of the company and the optimal functioning of the organisation.

### Processes, development

Processes were not precisely defined during the in-depth interview, as staff from different departments were interviewed, so different processes are perceived to varying degrees. The definition was set as a framework and the aim was to get the interviewee to think of processes that they had sufficient information to understand. Most managers (14) believe that the „how” of the processes is more important, while the majority of employees believe that they are judged primarily on the basis of the results, either of the company's operations or of their performance. Managers also acknowledge that the typical core company processes have a culture-generating, shaping effect. Employees also pay



increased attention to both positive and negative feedback („it depends on who is making mistakes”), or lack of feedback. Employees interviewed cited the imprecision of process design, lack of thorough preparation and often lack of coordination as a detriment to management, while owners said that the organisation does not value processes that serve its objectives, „they are not able to see that it is in their interest”.

The study shows that in companies that consider themselves less successful, workplace teams tend to know little about each other’s work, blame each other for mistakes, have difficulty resolving conflicts, and some of the conflicts that emerge in the management of processes have become part of the corporate culture through stories and patterns that are passed on. Milestones can occur in the life of a business that help it to change course and modify its former process management practices: „after the crisis, we became more aware of our processes, we thought more about how we should do things. Before we didn’t plan very far ahead, after the downturn we had to think ahead”.

A number of interviews demonstrate the interplay of these factors, but also highlight the difficulties of examining them separately. For example, the relationship between the development of managerial competences and strategy: „At first we had no idea how we were going to sell it, we just planned and did it. Then A’s girlfriend, who is a marketer, told us that we needed a plan because it wouldn’t work.”

### Change management

The ability to manage change is essential to respond quickly and effectively to environmental challenges, flexibility is a prerequisite for reorganising processes, and knowledge transfer and acquisition are often linked to change (new technology, trend following, innovation). Managers tended to be more optimistic about change, while employees perceived it as a significant additional cost (typically overtime, stress). The managers surveyed were more sensitive to the additional financial costs and missed deadlines, while employees were more sensitive to insufficient capacity planning and overtime. However, they did not complain about lack of information, planning shortcomings, managerial competence, nor were they dissatisfied with the actual extra work. Managers and employees also had different perceptions of the results achieved in each change. This may also be due to an information asymmetry: if employees are not aware of the reasons for a change, such as a process reorganisation, a new organisation

of tasks or an investment, and the expectations associated with it, they are less able to judge the results of the change positively, or at least objectively.

„When I found out that they had to move the line again because they were buying a new one and it only had room here, I freaked out. Do we have to do this twice a year? It's a lot of work... Luckily O. (the manager) must know what he wants, otherwise I wouldn't be doing it.”

### **The role of leadership in internationalisation research phase results**

Looking at the domestic venture capital investment market in recent years, companies entering the international market can provide interesting lessons on the importance of competent management and conscious strategic consideration. The case study used examines the successful international market entry of a small domestic company (Szanyi-Gyenes, 2017). The idea for Cryo started from a PhD research and it was the entrepreneurial commitment of the founder that eventually led the company to success and to international professional acquisition in a short time. The business idea was based on a radical innovation that required a completely new way of thinking about the cell freezing market, a paradigm shift from the usual protocol, and a market acceptance. The triple combination of viable innovation, organisational structure and management, and financing capital (Szanyi-Gyenes, 2017), complemented by managerial determination and good luck, was the key to success in the company's international market entry. Further focused management interviews were conducted with several domestic companies involved in international growth, focusing on the role of the managers of each company in the company's success.

#### **Strategy and vision**

When entering the international market, a small business faces many competitors, and to succeed, it needs to build a conscious strategy for growth. One of the companies we studied, a biotechnology company, had an international outlook from the start, but in the early stages of its operations there was neither awareness nor strategic focus. „There was no concept, no strategy. We just went for anything that was interesting”. The founder's recollection shows that in the early days, with an unformalised structure and no manager, there was virtually no conscious strategic planning. The domestic market did not offer

sufficient opportunities for the innovative protocol they had created, with no specific key market identified at the outset and no targeted region. „We didn’t do it that way. We shot everywhere. We signed a contract with a distributor who was either good or not”. For them, the change was clearly brought about by the arrival of an investor with whom they jointly identified business focus, key markets, strategic directions, and this was a crucial factor in their subsequent success, as the subsequent international acquisition was a result of the repositioned business concept.

A common feature of the companies studied is that the founders’ opinion has always been a decisive factor in setting the strategic direction, as the investor assumes that the founder-owners know the market’s specificities better. The wording of the head of the fashion company we studied shows that „the strategic directions are set jointly, but the main decision is left to us”, as the founders had the fashion industry expertise and the subsequent equity investor tended to trust the founders’ expertise when it came to defining key markets and market entry strategies for international expansion. The companies studied all had a clear vision and conscious strategic objectives at the international growth stage.

### Leadership and organisation

With dynamic growth, international partner contracts and an investor background, a structured organisation and a competent leader are almost indispensable. Our biotech company under review has won several grants to finance further development, but at the same time it has set up new project companies, with multiple overlaps and chaotic mergers. The workflows, the people in charge and the work tasks were completely overlapping and duplicated. As the founder recalls this period, „It was not professionally run from a business point of view, it was all about the interest of an amateur researcher with some business expectations.” For them, the order and structure was brought about by the emergence of the investor. The investor brought the expected business approach, created financial discipline, brought structure and order to the company, and professional management was brought in. This orderliness was essential in international competition. The example of our fashion company is perhaps the best illustration of the importance of a competent manager in the efficiency and success of a company’s operations. During the few years of operation, several managers succeeded each other, who failed to understand the dynamics of a fashion industry and to manage a dynamic international growth, and

finally, after several years of operation, they were on the verge of bankruptcy, from where a change of investor and a new motivated manager managed to turn around the downward trend and put the company on a growth path. „The previous management was comfortable management”, said our interviewee. According to her, one of the keys to success is a motivated and dedicated team, where „you can be more successful by working 12 hours more a week than your competitors”, because in the end, you have to do everything, you just have to do it better. In line with this, as a former fashion company executive put it, „after a certain level, you’d rather work in your own company”. This shows how much managerial motivation also plays a role in the work invested. Engagement is also particularly important in international growth because several of the companies we studied have key markets in East Asia or the US, where time differences mean that they need to be available to partners outside the average domestic business hours. „Every day, all day, there can be a call, a conference,” said the head of our fashion company. This was also confirmed by our fintech technology developer, for whom the main challenge at the moment is the Indonesian partnership, as their regional expansion strategy has proved unsuccessful. The company is focusing most of its resources towards an Indonesian collaboration, which is now more than a strategic challenge for further development, it is virtually their only option left to succeed. Our CEO pointed out that the time difference and cultural differences require a lot of attention and energy. And international partnering processes can only be organised to be successful.

### Processes, development

In line with this growth, a company that is constantly innovating places great emphasis on continuous improvement. In our biotech company under review, the arrival of an investor has brought the expected order and structure. The company’s organisation was put in order, strategic directions emerged, competent management was put in place, and the company’s processes were put in order, productive growth was initiated, which attracted the interest of an international professional partner more quickly than expected and eventually led to the acquisition of the company. The importance of orderly processes is illustrated by another company we studied, a fashion industry company, where there were several changes of management within a few years of investment, and then a change of investor managed to restart the engine of operations from near bankruptcy. According to our interviewee, „the key to success is a 100-piece puzzle, where you have to keep

fitting 10, 20, 30 pieces together". They owe their recovery to the fact that they have defined the elements very precisely, and it works because they improve the elements step by step every day. „I think the future of fashion is for the fashion company that can master all the digital possibilities that are available today in the most professional way," says our CEO. Another biotech company we studied has created the market itself with a unique process and has gained a temporary competitive advantage without competitors. For them, too, continuous innovation and development is a priority, so that they can stay ahead of the competition even after competitors have emerged. The companies involved in the research are all striving to achieve uniqueness and competitive advantage in the international market through radical innovation and continuous improvement. To succeed, they are expected to continuously improve their processes, develop their business processes and keep abreast of technological developments, all of which are an important element of their success.

### Change management

Managing change is key to the success of a company, whether it is responding flexibly and quickly to environmental changes or recovering from a crisis. The fashion company we studied started from the bottom with a complete rethink of the company and the team, rebuilding partners and processes, and 1.5 years after the bottom, revenue figures have started to grow and the company seems to be back on its feet and ready to enter the international market with renewed vigour. „A framework and structure has been put in place, the whole team has been rebuilt," says our manager, who has taken the necessary steps. The existing global partnership agreement was terminated, which turned out to be a bad decision, a fact confirmed by the previous company managers during interviews, that they would certainly not do it again if they could do it again. Our CEO rebuilt the agreements by consciously seeking partners in regions and countries. They also took branding, marketing and branding to a new level. Many small changes in all areas are expected to pay off. And for our biotech company, a rapid change in business focus was necessary due to changing market trends. Effective change management was demonstrated by the fact that the founders quickly saw the need for change and, in agreement with the investor, a rapid shift in focus was made and new business plans were drawn up.

### **Summary of research findings, the role of the leader in the success of the business**

The review of the cited secondary research methodology and results has shown that managers and employees of enterprises have a diverse perception and evaluation of the performance of their enterprise, and that the concept of success is more complex and contains elements based on perceptions. The manager's attitude towards success significantly determines the strategic orientation of the enterprise, the attention and resources devoted to specific areas of operation.

The organisational audit phase of the primary research showed that the difference between the manager's and the organisational members' perception of success is related to the success of the company as measured by the complex concept of success. The factors examined, such as strategy and vision, process and change management, were considered by the employees interviewed to be managerial tasks, and managers also typically stated that controlling these was their responsibility. At the same time, there were differences in the level of involvement of organisational members in obtaining information for decisions, the degree of top-down information flow, and the way in which managers share corporate objectives with employees, based on their perception of the management role and style. Perceptions of information asymmetry also depended on perceptions of managerial behaviour, and trust compensated for gaps in information flow. Comments such as „the manager knows what he is doing anyway” were frequently made during interviews with employees, which helped the companies in the study to accept and manage change. The consistency of corporate culture and core values across the organisation also stood out for the companies that rated themselves as more successful. The perception of stability of the corporate culture, a clearly articulated vision and strategy by the leader, and the corresponding knowledge, organisation and process management were found to be characteristics of successful enterprises. Businesses that considered themselves less successful cited information asymmetry, lack of awareness of strategy and the resulting uncertainty, organisational structure problems (e.g. special interest groups), management competencies and lack of common standards as reasons for their failure.

The results of the study of international growth-oriented small firms suggest that success as a factor is linked to international growth. All of the companies surveyed fit into the concept of born globalists as companies, with an international market from the outset and a view of the whole world as a potential opportunity. A conscious planning and strategic

concept is a crucial element in international growth. The vision of all the companies studied was clearly linked to international success. The companies surveyed were typically able to finance international growth through external funding. And the arrival of external investors has typically reinforced the conscious steps, the directions taken and the focus areas defined. Professional management is a prerequisite for disbursing investment. This is often lacking when the investment focus is established and management roles are built up with the investor, financed by the capital invested. Competent and determined managers are essential for companies to successfully enter international markets. Companies are present all over the global market, some with America as their main market, some with strategic partnerships in Indonesia, some with the challenge of entering East Asia as their next challenge. Different markets present many cultural, organisational and administrative challenges, and company management has a key role to play. As all the companies studied are dynamic growth-oriented, the organisation of corporate processes and the creation of structured relationships are essential. In turn, the need for a unique and innovative approach requires continuous technological development. Some of our interviewees saw this as the key to success. And as with all companies, dynamic growth companies also have a need for change management. For some, market changes have required a rapid change of business focus, for others, effective crisis management has been needed to recover from the brink of bankruptcy. In both cases, continued growth and success may depend on it, and the responsibility of the company's leader is crucial.

The limitations of the research include the limitation of the number of results, as they cannot be generalised. The reliability of the results of the research is given by the methodology, but the validity of the results is limited and we can make claims that are valid for the sample under study. Further testing of the conclusions drawn is needed, on a larger sample and with a quantitative methodology. This phase of the research has been completed and the results have been evaluated, but the scope of this paper does not allow a detailed presentation.

Based on the results of the research, the authors conclude that the emphasis on internal resources in the SME sector makes it worthwhile to focus more on the perceived success factors, analysing soft factors and taking perceptions into account. In the case of SMEs, the role of the manager, the limits of his/her knowledge, his/her goal orientation and the strategic orientations he/she sets are emphasised in the perception of the success of the

enterprise. From a methodological point of view, it is a useful experience that, in order to avoid bias, it is worthwhile to include more than one organisational member in the study, as the perceptual difference between them may correlate with the success of the enterprise.



## 5.2 ARTICLE II.

### **Szanyi-Gyenes, X.: The competitiveness of the organisation of the future from the perspective of the internationalisation of companies. Vezetéstudomány**

The Institute of Management Sciences of Corvinus University of Budapest has launched a large sample survey of Hungarian companies based on quantitative data collection as part of its own research project. The aim of the research was to get a more complex picture of the operational practices of organisations and managers in Hungary, and to understand the perceptions and expectations of the respondents about their future organisations and managers. The sample of more than 300 companies reflects the composition of the Hungarian corporate sector and also provides an opportunity for interesting analyses. The research team has taken a complex approach to explore external environmental influences, internal organisational characteristics, the content of strategic thinking, international growth plans, inhibitors, just to highlight some of the important areas of investigation that may determine the success of the company of the future. The aim of this publication is to present the first results in general, focusing on the crucial importance of strategy and internationalisation as a critical element of a successful future organisation.

keywords: competitiveness, internationalisation, resilience

#### **Introduction**

The company of the future is difficult to define, to research its characteristics, to define its success factors. Yet this is the focus of the *Future Organisation and Leadership* research project. It is difficult to predict the future because the external environment is changing rapidly and often unpredictably. For example, the global economic crisis of 2008, the economic impact of the COVID-19 pandemic, or the outbreak of the Russian-Ukrainian war, which businesses could not have foreseen, have had a drastic impact on the environment and operating conditions of companies. At the same time, it is an interesting area of research: how can we describe the company of the future, what are the characteristics that define it, what are the main influences on its future operations, how

can it continue to operate in a resilient way in this environment, and how does this affect the role of the future leader? Do companies need to change the way they operate, and if so where, in order to survive in the future.

The success factors of companies (Berényi & Deutsch, 2021), successful growth (Dobák, Hortoványi & Szabó, 2012), competitiveness (Szerb, 2010a, 2010b; Szerb et al., 2014; Szerb & Hornyák, 2016), as well as the Competitiveness Research Centre of the Corvinus University of Budapest (Chikán & Czakó, 2006, 2009; Chikán, Czakó, Demeter & Losonci, 2018), which periodically investigates the competitiveness factors of domestic firms. But what will determine the success of future companies? Which factors will be important for competitiveness? Along these questions I seek answers in this paper, focusing on the importance of strategy for the firm. I consider internationalisation as a context for analysis that may determine the success and competitiveness of future organisations. I hypothesise that companies that are at the forefront of technology, that constantly strive to innovate and renew themselves, will be more competitive in the marketplace, and thus will view internationalisation boldly and proactively as an opportunity for successful growth of the company. But the assumption can also be interpreted in an inverse way: companies that want to be part of the international circuit should be open to innovation, digitalisation and continuous improvement of strategy, and thus be more competitive.

In the minds of the respondents, the organisation of the future is a technologically advanced, modern, constantly evolving and innovative company (Marciniak et al., 2022). The questionnaire covered a number of areas to get a more comprehensive and complex picture of the situation of domestic companies and their future opportunities. In addition to basic statistics, we looked at the external factors affecting the activity of the enterprise, how to describe the functioning of their organisation, its efficiency, decision-making, work processes, how to describe their orientation towards innovation or technological innovation, and, looking at their internal characteristics, a separate block of questions related to their internal resources, decision-making processes and future plans. While domestic research on firm competitiveness typically focuses on the analysis of institutional factors, with less attention paid to the analysis of so-called internal factors (Szerb, 2010a, 2010b), the present publication aims to contribute to a deeper understanding of the determinants of firms' competitiveness and future success.

## **The link between domestic business competitiveness and internationalisation**

Competitiveness can be interpreted and studied at several levels, based on international, national, industry or firm level (Czakó, 2000) or grouped into macro, meso and micro levels (Lengyel, 2000), where micro level is the level of firms. The present study starts from the analysis of firm competitiveness. The foundations of the theory of corporate competitiveness can be traced back to the work of Porter (1990), whose main question was how a firm can gain competitive advantages over its competitors. The systematic measurement of corporate competitiveness is carried out by the research group Competing with the World at the Corvinus University of Budapest (Chikán & Czakó, 2009), in their latest report

The authors' definition of competitiveness identifies corporate competitiveness as the ability of a company to meet consumer needs relative to its competitors (Chikán & Czakó, 2006). The definition of competitiveness is based on the following: a company is competitive if it „can consistently offer consumers products and services that they are more willing to pay for than competitors' products on terms that are profitable for the company” (Czakó & Chikán, 2007, p.3)

Somogyi's (2009) review of the literature also shows the diversity of conceptual approaches to competitiveness. Competitiveness research has been based on economic approaches and has primarily been interpreted at the macro level, mostly from the comparative advantage perspective. From the 1990s onwards, the economics approach came to the fore and merged with the work and approach of Porter (Somogyi, 2009), where competitiveness was now conceptualised as a comparative advantage of firms. Porter's theory is still an inescapable element of the strategic management literature (Mészáros, 2010), and the basic driving force behind the operation of capitalism today is success, the strategy and implementation of a competitive advantage (Mészáros, 2020). In contrast to the Porterian view of competitiveness in relation to competitors, the view of those who focus on internal factors is that a company's competitive advantage lies in its internal capabilities (Hamel & Prahalad, 1990; Barney, 1991; Teece, 1997)

The level of competitiveness of a firm can be defined in relation to domestic or international firms and refers to the long-term performance of a firm (Czakó, 2005; Somogyi, 2009). Firm competitiveness is the ability of a firm to meet consumer needs relative to its competitors (Chikán & Czakó, 2006). A competitive firm is one that is able to offer consumers products and services that consumers are more willing to pay for than

those of its competitors (Czakó & Chikán, 2007). The competitiveness of firms is the ability of firms to consistently and profitably produce products and services that satisfy the needs of customers in an open market in terms of price and quality (Lengyel, 2003). There is a growing body of academic articles on firm competitiveness in the domestic literature (Lengyel 2003; Török 2003; Csath 2006, 2010; Czakó, 2005; Chikán 2006; Chikán & Czakó 2009; Hágén & Holló 2017; Némethné Gál 2009, 2010; Rideg 2017; Szerb 2010a, 2010b, 2014, 2017; Sápíné Dudák 2016; Varga 2019; Stocker & Várkonyi, 2022).

Corporate competitiveness is explained by a number of models focusing on different factors, which also determine the evolution of the definition of corporate competitiveness. In addition to the division of hard - soft factors (McKinsey's 7S model, Peters & Waterman, 2006), external - internal environment, competitors and industry (Porter, 2008) or resource-based approaches (Barney, 1991), theories focusing on capabilities, change skills, strategy or managerial talent are gaining ground (Grant 1991; Hamel & Prahalad, 1990; March, 1991; Teece, Pisano & Shuen, 1997; Eisenhardt & Martin, 2000).

The competitiveness and innovation capacity of domestic companies is low by international standards. Competitiveness can be fundamentally measured in terms of profitability and efficiency, but growth rates and export capacity are also often cited as success criteria for competitiveness (Szerb, 2010)

Looking at domestic scientific publications, we can find several publications that examined the efficiency and competitiveness of domestic companies, and approached them from different aspects. Almási & Szanyi-Gyenes (2021) examined the competitiveness of the Hungarian SME sector from the perspective of organisational identity and leadership and concluded that the competitiveness and success of the Hungarian SME sector is highly dependent on leadership. Other research has found a significant correlation between the role of leaders and firm openness to innovation (Ónodi & Répáczki, 2022). Looking at competency-based competitiveness, firm competitiveness is a function of core competencies and customer value (Gelei & Kenesei, 2016). Successful growth of the firm is the successful market introduction of innovation (Dobák, Hortoványi & Szabó, 2012), or, according to another approach, the factors of competitiveness are market orientation, production, strategic decision making and sales (Szerb & Hornyák, 2016).

Szerb (2010) has just published a paper in *Management Science* on the measurement and results of the competitiveness of companies, noting that his criteria were developed to measure the competitiveness of SMEs. A model of 21 variables based on 7 main pillars was developed to analyse the domestic SME sector. In addition to identifying the main pillars - physical resources, administrative routines, innovation, networking, human resources, demand and supply factors - the model also focuses on how the elements fit together.

According to KPMG's 2017 survey, innovation is one of the most important strategic aspects in a dynamically changing economic environment. In international comparison (CIS, 2018), the innovation performance of Hungarian companies is particularly poor, and among the lowest in Europe. Product and process innovation of SMEs, marketing and organisational innovation of SMEs, and intra-organisational innovation of SMEs are below the European average (European Commission, 2020), even in industry innovation lags significantly behind (Csath, 2021) with only 9.2% of enterprises characterised by continuous innovation and 28.4% by ad hoc innovation. Hámori & Szabó (2010) examined in detail the factors that facilitate and hinder innovation. In addition, it has been scientifically proven that the innovation capacity of the domestic SME sector is extremely low (Hámori & Szabó, 2010, 2012; Hågen & Holló, 2017).

The internationalisation of domestic firms is a widely researched area (Incze, 2005, 2010, 2012; Czakó, 2000; Antalóczy & Sass, 2011; Békés, Halpern & Muraközy, 2013), exporting firms tend to perform better in the competitive market than firms operating in the domestic market (Kazai & Kiss, 2018; Szerb, Márkus & Csapi, 2015; Czakó, Juhász & Reszegi, 2016; Stocker, 2016; Stocker 2019; Stocker & Várkonyi, 2022). Looking at the export activity of domestic firms, we see that it is concentrated in large foreign firms. 34% of the turnover of operating firms came from export sales, 80% of which was generated by foreign-controlled firms. (KSH, 2020) As we further examine the KSH data (2020), we find that 55% of the turnover of foreign-controlled firms, yet 13% of domestically controlled firms, was the result of international activity. And as company size increased, the share of export turnover increased for both categories.

Among the components of market orientation, competitive orientation had the most pronounced effect on competitiveness and market performance for firms operating in international markets (Stocker & Várkonyi, 2022). Strategic orientation and openness to export markets determine firms' competitiveness (Varga, 2019), internationalisation of

firms is an important source of innovation performance (Gelei & Kenesi, 2016), but internationalisation is also a stable pillar of the Szerb Competitiveness Index. An interesting research result was published in a study where larger family firms were investigated along the lines of how they react to a macroeconomic shock in terms of internationalisation (Fourné, Zschoche, Schwens, & Kotha, 2023). They found that an unexpected shock induces firms to recombine resources, thereby becoming firm-specific advantages. Subsequently, it can lead to an increase in the depth of internationalisation.

Small firms have well-defined differentiating characteristics that distinguish them markedly from large corporate internationalisation processes (Antalóczy & Sass, 2011; Huszák, 2020). SMEs need a combination of organisational and individual skills to grow faster in international markets (Silva, González-Loureiro & Braga, 2021). Researching the link between internationalisation and business innovation, SMEs innovate their business models to increase their organisational flexibility (Eriksson, Heikkilä & Nummela, 2022), and digitalisation, strategic collaboration and agile use of resources are critical sources of resilience.

Many Hungarian companies do not even try to expand because they believe that their products are not marketable abroad or because they consider themselves too small (Huszák, 2020). According to a survey of 500 firms, only one fifth of Hungarian SMEs export (Budapest Bank, 2017). In Hungary, the companies that can succeed are those that dare to enter the global market (Békés, Halpern & Muraközi, 2013). The launch of foreign market activity is typically a characteristic of companies on a growth path (Huszák, 2020).

### **Research methodology**

For the first time, the Institute of Management at Corvinus University of Budapest has launched its own large-scale survey based on quantitative data. The aim of the research was to compile a database of medium-sized and large companies, which is representative of domestic economic actors in a number of respects. Thanks to the research team, a complex database covering a wide range of professional organisational and managerial topics was built. In terms of corporate competitiveness, the research does not focus on organisational performance indicators, but on the organisational and managerial solutions needed to make a company more successful.

To this end, the questionnaire covered a very broad range of questions: which environmental factors are perceived as the most influential, the openness of companies to technological innovation, the impact of pandemics, the importance of strategic initiatives, the extent of flexibility, the level of decision-making on strategic issues, openness to open innovation, barriers to growth, business continuity issues, international presence, digitalisation issues, areas of automation-robotisation, the nature of data analytics, future development plans, to highlight some of the more important areas of research. This shows that the database is extremely complex and sophisticated, which will provide scope for interesting analyses in the future.

After the questionnaire was finalised, data collection took place in spring 2022, with the final, cleaned database available in the third quarter of 2022.

### **Sample description**

The strength of the database on which the analyses are based is that it provides a representative sample of 305 Hungarian companies (in terms of size category, regional distribution and scope of activity). The sample included partnerships registered in Hungary with more than 50 employees, because it was assumed that the company had a structure and operation that could provide relevant information for the factors under investigation (Marciniak et al., 2022).

In terms of respondents, the typical respondent was the top manager of a small and medium-sized Hungarian-owned company in Central Hungary. The distribution of sample companies by size category, which shows a representative distribution:

<i>by size category</i>	Nr	%
small business	163	53
medium enterprise	91	30
large company	51	17

1. Table: Companies in the sample (own editing)

In terms of respondents, the majority of respondents to the questionnaire were first line managers, followed by other strategic decision-makers and decision-makers subordinate to the first line manager. In terms of company ownership, the vast majority (74.43%) of the companies in the sample are majority Hungarian-owned; 18.03% are half or majority foreign-owned; and 7.54% are majority Hungarian state or local government-owned.

## Presentation of the research results

The first results of the research can be found in the Research Brief on Future Organisation and Leadership (Marciniak at al., 2022), available in Corvinus Research. The results of the present publication were presented in the session of the II Innovation Conference - Bridges and Roads, Technology Management. In this paper, I would like to summarize the first results of the research, focusing on the aspect of companies operating in the international market as well as in the domestic market.

The organisation of the future is pro-active in managing environmental change, resilient in the face of unexpected impacts, with few hierarchical levels, networked thinking, constantly reorganising projects, blurring organisational boundaries, building knowledge sharing and open to innovation (Organisation of the Future Research Synthesis, 2023). The questionnaire covered a number of research areas and provides scope for interesting analysis. The present study focuses on strategic issues, barriers to growth and innovation challenges, and the analysis is done from the perspective of international and non-international companies.

## Free-word answers

In the research project we aimed to define the organisation of the future, but in the survey we deliberately did not define what we meant by the term, but asked our interviewees to give their own worded answers to how they would define the organisation of the future and the leader of the future. Fifteen of the respondents could not even interpret the question, so 290 respondents' answers were included in the free-word analysis sample. For the word analysis, 89 response options and 566 occurrences were counted (Marciniak at al., 2022). When the answer options are analysed by organisational sub-systems, we can see that in the minds of the respondents, the future organisation is a highly people-centred organisation, where the leader has a prominent role, and structural-technological-strategic answers are slightly overshadowed (Marciniak at al., 2022).

Factors	human-cultural	leadership	structural	technology	strategic
<i>number of occurrences</i>	37	21	16	9	6
<i>%</i>	42%	24%	18%	10%	7%

2. Table: Free-word responses, Marciniak et al., 2022 (own editing)



Categorising responses according to so-called hard and soft factors, the results show a balanced picture. Among the responses that emerged, 51% tended to describe the organisation of the future in terms of hard (*planning, structure, infrastructure, control*), while 49% tended to describe it in terms of soft (*people, culture, support, shared values*).

Overall, in the minds of domestic business leaders, the organisation of the future has strong people-centric characteristics, the organisation is largely defined by its organisational culture, and the organisation of the future cannot be imagined without a leader (Marciniak et al., 2022). Reviewing all the free responses, respondents defined the organisation of the future in their own words as: „*responsive and positive to change; moving ahead in development; innovative; innovating; constantly evolving; economically stable; with a stable background; multi-legged; well organised; well-defined tasks; receptive to innovation; modern; digital; efficient; skilled workforce; building on knowledge base; environmentally conscious; thinking in new horizons; surviving the status quo*”. Vision, innovation and resilience are key to the survival of companies.

Organisational feature	Occurrences	Some examples of responses
Technologically advanced	48	<i>The use of modern technology Open to new technological solutions</i>
State of the technology	46	<i>Equipped with modern tools Using modern, reliable technology</i>
Constantly evolving	39	<i>A company that can grow strategically</i>
Innovative	35	<i>New solutions Innovative company</i>
Adapting to environmental requirements	35	<i>Flexible operation</i>
Digital mature	30	<i>Digitally advanced, digitised Digitalisation and an organisation at the forefront of technological development</i>
Ability to renew	29	<i>Receptive to renewal Continuous improvements help progress</i>

3. Table: future organisation answers, Marciniak et al., 2022 (own editing)

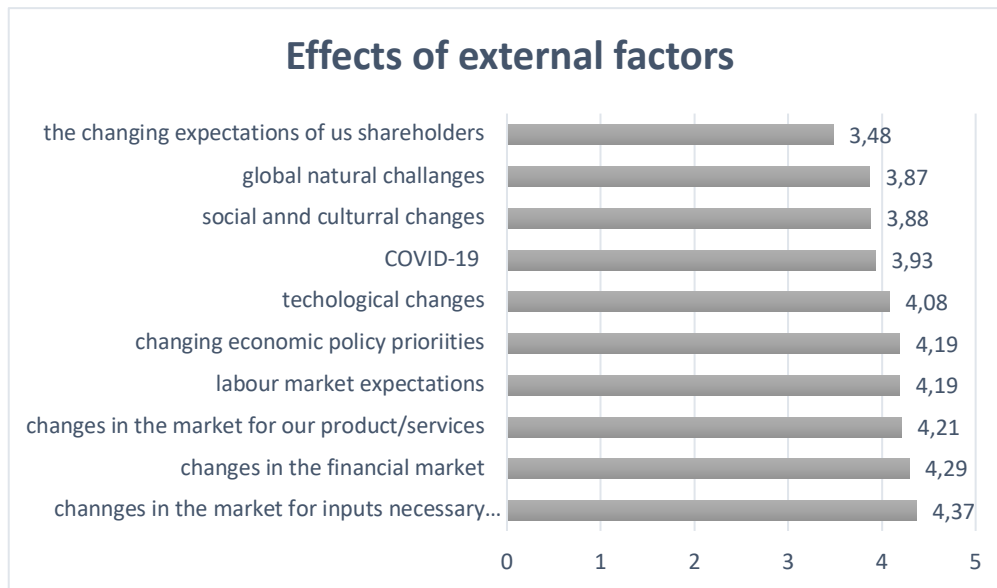
Overall, the answers give a common definition of the organisation of the future: an economically stable organisation with a stable background, well organised, with well-defined tasks, automated, efficient, with a skilled workforce, with managers and employees with a knowledge base, with a knowledge base that can survive the current situation, and with a strong environmental awareness. Table 3 shows the keywords

categorised by the number of occurrences, then the definition of the organisation of the future is: a technologically advanced, modern, constantly evolving, innovative, adaptive to environmental requirements, digitally mature, capable of renewal. According to research on corporate competitiveness (Békés, Halpern & Muraközi, 2013; Szerb, 2010a, 2010b, 2017; Stocker & Várkonyi, 2022), internationalisation is one of the stable factors for firms' success. When analysing the free-answer responses, the terms „*innovative, digital, renewal, innovative, technologically advanced*” were more dominant among the managers of companies present in the international market, suggesting that these companies are more open, risk-taking and focus on innovation, renewal and digitalisation in the global competition.

### **Operating environment and the impact of external factors**

The research examined how managers perceive the operating environment of the company and which external factors they perceive as most influential. The ability to adapt to environmental challenges in a flexible way is a prerequisite for the successful functioning of organisations, so it is relevant to ask how company managers perceive the factors that affect their operations, in order to understand how they perceive the most relevant future impacts.

The strength of the impact of different external environmental factors and trends in the wider and narrower environment on the organisations surveyed was assessed on a scale of 1 to 5.

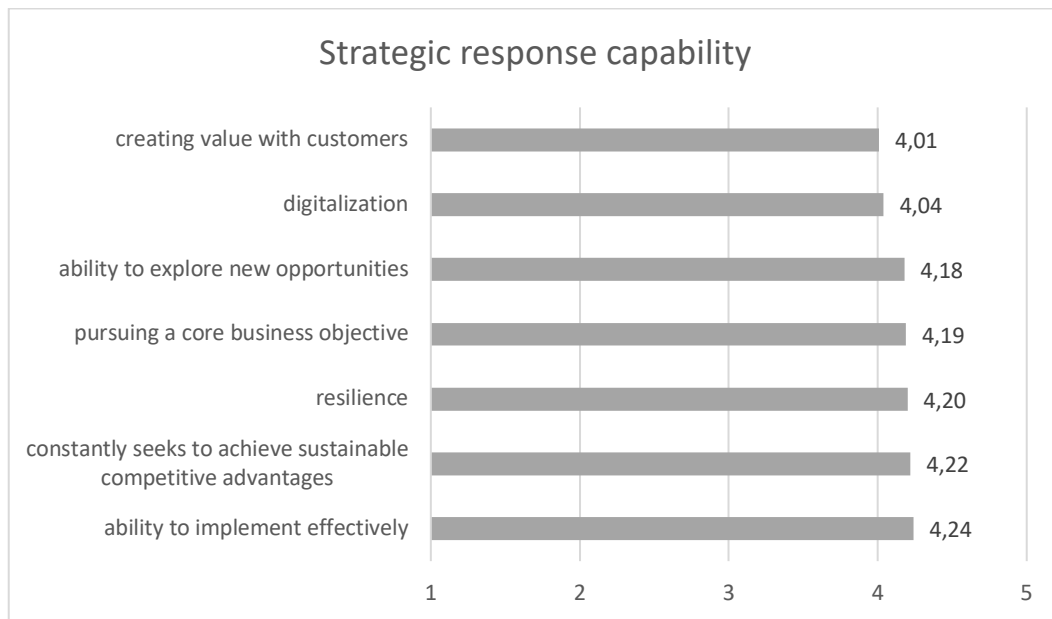


4. Table: Impact of external factors, source: Marciniak et al., 2022, (own editing)

On average, company managers rated the environmental impacts as 4.05 for the overall sample and for all segments. The figure clearly shows that respondents rated the impact of the four market segments (sales market, purchasing market, labour market and financial market) on the narrower environment as the highest overall. While technological and digitalisation trends are challenging, they are perceived as more predictable and easier to adapt to at company level. An interesting reference back to the free-word analysis is the fact that when defining the organisation of the future, the words digitalisation, at the forefront of technological innovation, innovator were used to describe the organisation of the future. Moreover, it is worth noting that the oft-mentioned global environmental challenges and their impact are perceived as almost the least important in the overall sample. However, the impact on global environmental challenges and sustainability was rated higher by foreign-owned firms.

### **The role of strategy in the organisation of the future**

Competitiveness is determined by the strategic direction of the company. The responding CEOs rated their organisation's strategic responsiveness to different approaches as particularly good (with an average score of 4.15 for all factors). Again, it is important to underline that all values are seen from the perspective and perception of the CEO. Of course, their consequent bias must also be taken into account. Strategic responsiveness was rated on a scale of 1 to 5.



5. Table No.1: Strategic responsiveness, source: Marciniak et al., 2022, (own editing)

The confidence of business leaders is shown by the fact that the overall sample agreed on average with a score of 4.15 that their company is prepared to respond along the above factors, with no category scoring below 4 on average. Ability to adapt effectively even to significant and unexpected environmental challenges also scored an average of 4.2 across the sample. There is no significant difference between the categories in terms of individual scores, but the ordering of each category may be worth observing. In any case, the fact that company managers have such a positive view of the strategic responsiveness of their companies can be seen as a positive confidence that can be built upon in the future and can contribute to more resilient operations. The strongest strategic responsiveness lies in process efficiency, process improvement, continuous new initiatives to maintain competitive advantage and the ability to adapt flexibly. Digital maturity thus lags behind in the overall sample, though going back to the free-word responses, where digitalisation was a key characteristic in characterising the organisation of the future. Creating value with customers scored the lowest, even though the influence of the direct customer environment was perceived by respondents as the strongest on average in influencing the most characteristic external factors. Looking at the sample in more detail, we can see that foreign-owned companies scored higher on all strategic capabilities. On the other hand, it was the ability to adapt flexibly that was most highly rated by the predominantly domestic private companies.

### **Growth inhibitors in the future organisation**

The research looked at the barriers to successful growth, asking managers to rate on a scale of 1 to 5 the extent to which their organisation is characterised by a lack of employee motivation, specific skills, language skills, openness to change and digital literacy.

Comparing the barriers with the awareness of the corporate strategy in companies, the perception of barriers is significantly stronger in companies where (only) the CEO is aware of the strategy and objectives. On the other hand, the dependence is significantly lower in companies where the lower organisational units are also aware of the company's goals, thus enabling them to identify with the goals and work more effectively towards them. Looking at the individual barriers, the most common barriers are: resistance to change, lack of employee motivation, inability to use information technology tools appropriately. The adaptability of employees is also necessary for the successful adaptability of the company and its ability to change quickly. Looking further at the responses, all the barriers examined have a lesser impact in companies operating in international markets. Presumably, international presence develops skills within the company that require the cooperation and adaptability of employees, and it can be assumed that the lack of, for example, specific expertise or language skills is less pronounced, as the missing skills have been built up by entering the international market.

### **Characteristics of companies present on the international market**

Looking at the database, almost half (51%) of the companies in the sample answered positively to the question whether they are currently present in the international market. For 15% of responding companies, this was only a long-term objective, but 7% of respondents could envisage entering the international market in the medium term.

<b>Is your company present on the international market?</b>	<b>n=305</b>	<b>%</b>
are still present on the international market	157	51%
their long-term objectives include entering the international market	45	15%
their medium-term goals include	22	7%
we do not plan to enter international markets	81	27%

6. Table: International presence, (own editing)

In terms of numbers, it should be emphasised that the sample distribution in terms of internationalisation is not representative of the KSH statistics of domestic enterprises, but it was not expected to be. However, in terms of the evaluation of the results, it can provide a good analytical basis for identifying common patterns and specificities between companies present in the international market and those focusing only on the domestic market.

As indicated in the sample characterisation, the sample included partnerships registered in Hungary with more than 50 employees, so in terms of statistical data, for comparison, it is worth noting that the proportion of exporting companies in the total population is lower than the proportion of respondents in the sample analysed that are active in the international market.

Social	full sample	exporting	%
50-249	5146	1633	31,73%
250-	1019	240	23,55%
total	6165	1873	30,38%

Table 7: Firm size and export ratio 2019 Source: KSH, (own editing)

In 2020, the share of SMEs in foreign trade was 37% of imports and 24% of exports. The role of large enterprises (250 persons and above) is dominant, with a share of around 50% in both directions (KSH, 2020) The statistics show that in 2020, the consequence of the crisis caused by the Crown Jewellery crisis is a decline in foreign trade in services with EU Member States compared to the previous year.

A company is more competitive if it has an international presence and does not only operate in its home market. Entering the international market is often an innovation challenge for companies, as they have to strive for uniqueness, innovation and renewal in an international competitive environment. In the competitiveness context, the results show that companies that are open to innovation are more competitive, as they are more open to the use of digital technologies, more risk-taking in their use of technological innovation, more willing to experiment, but also more effective in responding to unexpected environmental challenges during the Covid pandemic, and excelling in improving workflow efficiency and exploring new practices, thus becoming more competitive than their domestic counterparts.

Companies present on the international market	1	2	3	4	5
constantly striving to achieve sustainable competitive advantages through new strategic initiatives	0%	4%	8%	35%	53%
excels in the efficient implementation and further improvement of standard workflows	0%	2%	6%	42%	51%
excels at exploring and experimenting with completely new possibilities	1%	3%	7%	41%	48%
can adapt flexibly to meet even significant and unexpected environmental challenges.	1%	3%	13%	44%	40%
gives priority to digital technologies, i.e. allocates resources to their application and development	0%	4%	11%	45%	39%

8. Table: International presence, (own editing)

92% of companies in the international market perform excellently in implementing and improving business as usual, 89% perform excellently in implementing and improving business as usual, 88% continuously seek to achieve sustainable competitive advantages through new strategic initiatives, 84% are able to adapt effectively even to significant and unexpected environmental challenges through flexible adaptation, when summarising the high scoring responses.

Looking at the first results, we can say that, in general, the companies present on the international market were all more effective and scored better in the dimensions studied. These companies are constantly seeking to maintain a competitive edge through new strategic initiatives, have a more individualised strategic plan, have a well-defined and known decision-making process, incorporate available information into the decision-making process, have responded more effectively to unexpected environmental challenges in times of pandemics, are more attentive to the use of digital technologies and perform better in terms of workflow efficiency.

We looked at the company's risk appetite for technological innovation. There were three response options: (1) *strive to adopt the latest, cutting-edge technology*; (2) *experiment with new technologies but only introduce them when proven*; (3) *prefer technologies that are already widespread, proven and tested*.

Reply options	full sample	international presence	domestic operation
1.risk taking	40%	48%	27%
2.experimentation	41%	39%	46%
3.risk averse	19%	19%	27%

Table 9: Technological innovation and risk-taking (own editing)

In terms of the percentage distribution, companies with an international presence are more integrated into global value chains, looking for competitive advantages, and therefore presumably more courageous and risk-taking in their adoption of the latest cutting-edge technology solutions. Even companies with a domestic market focus are more experimental, but are more risk-averse and adopt only proven and tested technologies.

### Why companies are not internationalising

Given that, along the lines of the factors examined, companies that are open to international markets have proved to be more successful and thus more resilient in the face of rapidly changing environmental conditions, it is legitimate to ask why some companies are content with a domestic presence and do not want to engage in international processes.

According to the surveyed company managers, 49% of them are not present in the international market, but 27% do not plan to become involved in international processes. As for the free-answer responses, respondents typically gave as reasons the nature of the activity or the sufficient size of the domestic market: *„domestic market is the goal; domestic market is sufficient for us; covering the domestic market is the goal; our goal is to serve the Hungarian population”*. The size of the company also determined the market focus, with smaller companies justifying it in terms of localisation and larger companies in terms of covering the domestic market.

Why no plans to enter the international market	%
they have no resources	21
they do not have sufficient capital	7
lack expertise and experience	12
for other reasons (free-choice answer)	44
don't know, don't answer	15

Table 10: Why companies are not internationalising (own editing)



Turnover of companies (2021)	reasons
Between HUF 100-300 million	<i>We have no such ambition Incompatible with the activity Local character</i>
Between HUF 301-700 million	<i>We are a local business We have the market here For us the domestic market is sufficient</i>
between 701 million and 1,49 billion HUF	<i>Due to activity Our service cannot be used to</i>
Between HUF 1,5 and 2,5 M	<i>We work in Hungary The aim is to cover the domestic market We satisfy the domestic market</i>
Over HUF 2.5 billion	<i>The aim is to satisfy the Hungarian market to the maximum Our aim is to serve the Hungarian population Meeting Hungarian requirements</i>

Table 11: Why companies are not internationalising, categorised by company turnover (own editing)

### Findings by company size

For the total sample, 53% of companies are small, 30% medium-sized and 17% large, which is in line with the composition of the domestic corporate sector. Companies in the international market (n=157) are 45% small, 30% medium and 25% large, with proportions skewed towards large companies compared to the overall sample.

When analysing companies by turnover, the results show that technological change, including the challenges of digitalisation, is more challenging for larger companies and has the least impact on companies in the second turnover category. For smaller companies - they face different challenges, but with the organisational characteristics of classic larger companies (established management, organisational culture). Beyond the initial growth phase, this second revenue category group is least concerned with exploring and experimenting with new opportunities - focus on satisfying local markets - internationalisation does not arise. When analysing the individual inhibitors, the second revenue category is most likely to be a problem, they are likely to be facing a range of growth inhibitors as they grow, they are the most resistant to change, as they perceive the low innovation capacity of their staff as the most inhibiting factor. It is more typical of large companies to have a business plan that breaks down the strategy to the individual level and quantifies it, and to regularly review the plan-fact gap.

Technological innovations / number of staff categories	Between 50-99 persons	Between 100-249 persons	Over 250 people
We strive to use the latest, cutting-edge technologies available.	34%	40%	54%
We experiment with the latest technologies in our organisation, but only introduce them when they have clearly proven their usefulness.	49%	38%	25%
Our organisation prefers established, proven and tested technologies.	17%	23%	21%

Table 12: Technological innovations (own editing)

Looking at the risk appetite of companies in relation to technological innovation, we see that larger companies tend to adopt cutting-edge technology and smaller companies prefer proven technologies.

### **Future strategic directions for the organisation of the future**

The organisation of the future is described by business leaders as: *„responsive and positive to change; moving ahead in development; innovative; innovating; renewing; constantly evolving; economically stable; stable background; multi-legged; well organised; well-defined tasks; receptive to innovation; modern; digital; efficient; skilled workforce; building on knowledge base; environmentally conscious; thinking in new perspectives; surviving the current situation”*.

Future viability, the ability to innovate in a rapidly changing environment, determines the competitiveness of a company. A company can be future-proof if it can operate in a resilient way. At the end of the questionnaire, the interviewed company managers were asked about their plans for the future. More than 70% of respondents prefer to plan the introduction of new digital technologies to make our support activities/processes more efficient, to improve our current marketing activities, to develop management skills and to improve the skills of our employees. And for companies in the international market, the development of management skills and the development of employee skills is a strong future plan.

Future plans / values	1	2	3	4	5
introducing new digital technologies to make our support activities/processes more efficient	3%	12%	13%	54%	16%
introducing new technologies for the digital transformation of our core activities/primary processes	3%	15%	18%	46%	16%
more detailed organisational objectives, broken down to individual level, than at present	4%	21%	19%	46%	10%
improving our current marketing activities	2%	10%	13%	54%	19%
improving information systems and the data-driven operation of the organisation	3%	13%	19%	49%	15%
the replacement of human resources by technology as much as possible	8%	24%	22%	36%	8%
the development of management skills	2%	10%	16%	50%	22%
developing the skills of employees	1%	7%	15%	51%	25%
a stronger presence on international markets	12%	10%	13%	45%	17%

Table 13: Future plans (own editig)

## Summary

The aim of the Future Organisation research was twofold: to understand how domestic companies currently perceive and operate, and to help identify which factors will be most important for the success and competitiveness of the organisation of the future. To this end, a large sample of quantitative data was collected by interviewing domestic business leaders. The strength of the analysis is that it is a representative database, by company size, turnover and region.

The analyses compared international and domestic-only companies to identify differences and common patterns. Companies in the international market generally performed better in all dimensions examined, and thus proved to be more competitive than their domestic-only counterparts.

The competitiveness of companies is important for their survival. According to PwC's 2022 CEO Survey, CEOs surveyed assume that, if their company remains unchanged, their business will no longer exist in ten years' time. This shows the importance of change and adaptation for companies.

The aim of the publication was to contribute scientific results to a deeper understanding of the competitiveness and internationalisation of domestic companies. The results presented in this phase are the first statistical results of the research. The database may provide scope for further extended analyses where causal effects can be identified.

### 5.3 ARTICLE III.

**Szanyi-Gyenes, X. & Almási, A. (2023): Top Executives on Competitiveness: Survey of Digitalization and Internationalisation in Hungarian Companies. Acta Polytechnica Hungarica**

Abstract: The „Future of Organisation and Leadership” research project, explored what leaders of companies, operating in Hungary, think about their future opportunities and challenges, and how their current competitiveness, can best be supported. The answers to our questionnaire survey, showed that the future companies will be highly digitalized. Therefore, we investigated how companies in Hungary approach the issue of digitalization and how it contributes to their competitiveness. Our results show that a number of factors are related to the future competitiveness and digitization of companies. Managers determine the functional and company-level strategic areas that a company engages in digitalization, and this demonstrates a clear pattern with other competitiveness factors. Examples include internationalisation, strategic maturity or managerial competencies and knowledge boundaries. The results expose the barriers and the catalysts for the future success of companies in Hungary.

Keywords: competitiveness; Hungarian companies; internationalisation; digitalization

#### **1 Introduction**

In the research presented in this study, we assessed the current state of Hungarian companies and their expectations for the future. The research team of the Institute of Strategy and Management of Corvinus University of Budapest has been investigating the present and future of the operation and management of companies in the framework of the „Future of Organisation and Leadership” research (Marciniak et al., 2022). Company leaders answered questions such as: What do they think about the leader of the future, their organisation, how do they think companies can adapt to changing expectations and environmental challenges? What practices are disappearing, what new knowledge will leaders need to manage the organisation of the future and make strategic decisions? How the Hungary-based corporate sector relates to future expectations, what development

trends it perceives, what it is doing to „keep up with the times” and maintain its competitiveness. To this end, we conducted a broad and detailed survey of the managers of Hungary-based companies, focusing on several areas. A sample size of more than 300, provides a good analytical opportunity, from a research perspective. The aim of this article is to better understand the competitiveness of Hungarian companies in the context of digitalization and internationalisation. In the present analysis, our aim was to explore the areas in which digitalization is present in organisations, and what impact it has on their operations, competitiveness and future prospects. We used control variables to identify the strengths and weaknesses of companies.

Based on the initial analyses, we discovered some interesting results, in line with the trends. It was already known that environmental factors play an important role in the formulation of corporate strategy and in management decisions. Another important aspect is the stage of development of the company, because it determines the problems and challenges. The perception of managers plays an important role in decisions, the attitude of the manager has an impact on the competitiveness of the company, the perceived business opportunities, the willingness to take risks and to innovate. Having one or more managers in a company also seems to be essential for digitalization, as shared decision-making involves a higher level of data analysis. Similarly, internationalisation was a control variable: companies with an international presence tend to have a higher level of strategy and less of an ad hoc decision-making culture, which also favors long-term, data-driven decision-making and corporate digitalization.

The first stage of the evaluation of the results focused on variance, outliers, different patterns and their possible background. Examining the factors that fit the theoretical models yielded standard results without variance, so we started to look for areas that could still capture, characterize and explain the different ways in which companies operate and compete. By comparing the individual factors in a non-model-specific way, we expected to find homogeneous groups of firms that differed significantly from each other. The limitations inherent in exploratory analysis must of course be taken into account: the results presented here await even larger sample testing and more detailed statistical analysis.

## **2 Literature Review**

### **2.1 The Innovation Aspect of Competitiveness**

In the field of corporate competitiveness, there are many parallel approaches (industry, regional, product and product group, business line, etc.). The diversity of definitions has sometimes caused methodological problems (Huggins, Izushi & Thompson, 2013), but has helped the rapid development of different theoretical concepts. In analyzing the results of the present research, a classical definition of competitiveness is taken as a starting point: a firm is competitive if it „can consistently offer consumers products and services that they are more willing to pay for than those of competitors on terms that ensure a profit for the firm” (Czakó & Chikán, 2007). In the present study, we examine the competitiveness of Hungarian companies, focusing on the challenges of digitalization on the one hand, and on the other hand, we analyze the future competitiveness opportunities of companies from the perspective of internationalisation.

The role of strategy in the competitiveness of a company has come to the fore, in addition to the soft-hard and resource-capability factor divisions, because it is essentially the company’s leader who determines the strategic goals, future plans and the alternatives to achieve them. The influence of the manager in the SME sector is more direct (Lazíková, Bandlerová, Rohačiková, Schwarz & Rumanovská, 2018) than in a large company, for example, the assessment, perception and development of organisational capabilities is essentially up to him/her (March, 2000; Pfeffer, 2005). The manager has the power to decide between different options, to determine the way of reacting in case of change and crisis, to allocate the necessary resources. This is the reason why we looked at the role and impact of the leader, mainly from the point of view of strategic decisions. Therefore, different revenue stages were analysed separately to explore the differences between them in terms of strategy, leadership and decision-making.

However, resources are limited for most SMEs, so the efficiency with which they are used by the decision-maker, and through them by the company, is not the same. Digitalisation can be one of the tools to help a company operate more efficiently and effectively. However, digitalisation is not an innovation in itself, it only becomes an innovation if it can be truly classified as an innovation. One of the most widely used innovation typologies is the classification of product, process, marketing and organisational innovation (Hassan, Shaukat, Nawaz & Naz, 2013; Szalavetz, 2011). Digitalisation can be seen in the enhancement of the user value of a product or service, in

the product positioning, promotion and positioning strategy related to marketing innovation. Customer database analysis can increase corporate profitability in many innovation areas, as digitisation can provide decision makers with more accurate data and faster access to reports. Organisational innovation is defined primarily as new ways of interacting within and between organisations. Digitalisation can broaden the channels of communication, create new ways of interacting and sharing knowledge, and provide new structures for accessing information by organisational members. Process innovation also focuses on an organisational factor: increasing the efficiency of the internal organisation. Process innovation is often technological and digitalisation can also play a key role in the introduction of new channels, automation of warehousing, tracking, planning and control, and distribution management (Agárdi, Berezvai & Alt, 2017). Several EU SME competitiveness studies have shown that the digitalisation of firms has become a critical factor in their competitiveness and is expected to further increase its role in firm performance in the near future (Boikova, Zeverte-Rizva, Rivza & Rivza, 2021; Galindo-Martín, Castano-Martínez & Méndez-Picazo, 2023). According to the WCC/IMD global research (IMD, 2022) and there is the wider environment, the level of digitalisation of society, so digitalisation has impact on all areas of business operation and management. Therefore, in this study we analyse not especially the innovation, but the digitalisation of firms, focusing on the manager, with control variables such as internationalisation, turnover or the period of the company's establishment.

A recurring pillar of Hungarian competitiveness research is the ability to innovate, to properly assess, develop and exploit organisational knowledge, and to lead in these areas. These approaches also focus on different areas: efficiency (Boda, 2012), creativity (Csath, 2006; Székely, 2013), the role of IT and controlling and data-driven strategy making (Bögel & Krauth, 2012; Hágen & Holló, 2017), and leadership (Gáti & Bauer, 2017; Rideg, 2017). Innovation or internationalisation appears as a separate factor among the ten factors of the Small Firm Competitiveness Index (Szerb, 2010; Szerb & Hornyák, 2016). The innovativeness of companies has been examined in product, process, marketing and organisational dimensions, but other studies have also concluded that the innovation capacity of the Hungarian SME sector is extremely low (Hámori & Szabó, 2010, 2012). This is also true in relation to other competitiveness factors and in international comparisons (Molnár & Udvardi, 2016). It is regularly argued that the innovation barrier, of a firm, is a leading factor and for the firms that excel in



internationalisation and networking, innovation and competitiveness is generally higher (Szalavetz, 2004; Szerb, Komlósi & Varga, 2017).

As shown by the pandemic, digitalisation was a key factor in companies' rapid and effective response to environmental challenges. These rapid responses required a fast decision-making mechanism and digital skill-set in the company. At the center of corporate digitalisation and decision-making, especially at SMEs, is primarily the manager. But business owners and managers usually see IT development as a costly and difficult-to-recover investment. The companies are more inclined to digitise when the business environment changes quickly and unexpectedly (Csath, 2006). Researches have proved company performance and profits increase significantly when development is not done in isolation, but in an integrated way, covering the entire company. It all depends on the IT attitude and the decision of the leader, the (re)allocation of resources. According to a survey of Spanish SMEs a more costly, larger-scale but less integrated TQM system implementations were associated with lower levels of profitability (Carmona-Marquez, Leal-Millán & Vázquez-Sánchez, 2014). Other research has found a relationship between company growth and the level of integration of ERP implementation. Analysing 352 Danish SMEs, the researchers concluded that the growth rate of young companies early in their life cycle is strongly dependent on the complexity of the ERP system and the level of integration (Schlichter, Klyver & Haug, 2018). SMEs often have less standardised processes and low levels of documentation, so IT developments help to improve the objectivity of corporate decision-making. With digitalisation, start-ups can support higher levels of knowledge sharing, manage more and more efficient information channels and operate in a flexible, data-driven way without having to go to the manager before every decision. Management involvement, engagement and support are therefore inevitable in early digitalisation processes (Bi, Davison & Smyrnios, 2019; Ónodi & Répáczky, 2022).

Innovation is the key driver of corporate competitiveness theories. Research has shown that many other factors, such as internationalisation, decision-making mechanisms and strategy, can also be emphasized through the leader in corporate competitiveness. Therefore, in this paper we focus on these factors in presenting the research findings.

## **2.2 Internationalisation Aspect of Competitiveness**

The survey did not define the concept of internationalisation, leaving it to respondents to interpret their company's presence in international markets. „Is your company present on international markets?”, followed by four response options: „we are present on international markets; our long-term objectives to enter; medium-term objective to enter; and we do not plan to enter international markets”. The concept of internationalisation is sufficiently broad and diversified to encompass virtually all the activities by which a company is involved in international processes. Furthermore, we have examined the issue of internationalisation by ownership background, which companies have a majority international ownership structure.

The internationalisation of companies, is a widely researched area in economics (Incze, 2010, 2012; Czakó, 2000; Antalóczy & Sass, 2011; Czakó, Juhász & Reszegi, 2016; Johanson & Vahle, 1990). Thanks to globalisation, companies are increasingly more easily involved in international processes. Companies entering international markets are more competitive and open to innovation. Small businesses are also increasingly asserting themselves in the international market, and are rightly the focus of research attention: the study of managerial attitudes in Hungarian SMEs (Hurta, 2013); learning and development in small businesses (Csillag, Csizmadia, Hidegh & Szászvári, 2020); the study of factors influencing the survival and growth of Hungarian start-ups (Csákné Filep, Radácsi & Timár, 2020). The domestic market offers limited opportunities for growth. Innovation and dynamic growth objectives require international market access.

Theories initially took a macro perspective, and the focus on firm-level factors came to the fore only later (Carmona-Marquez, Leal-Millán & Vázquez-Sánchez, 2014; Chikán & Czakó, 2009). Initially, corporate research focused on large firms, with attention to smaller firms starting in the 1990s, when some researchers identified a firm-size-specific growth trend (Dunning, 1993). The classic theory of corporate internationalisation is described by the Uppsala model, where internationalisation is a step-by-step process of market engagement (Incze, 2010; Johanson & Vahle, 1977, 1990; Huszák, 2020). The Born Global concept is that companies see the whole world as a potential market from the outset (McDougall, Oviatt & Shrader, 2003) and think in international terms from the outset in all their corporate activities. They internationalise quickly and generally successfully (Oviatt & McDougall, 1994) and focus on developing the skills needed to achieve success internationally (Knight & Cavusgil, 2004), becoming more competitive

overall. Business competitiveness research looks at how companies can gain a sustainable competitive advantage and what factors influence their success and competitiveness. The pillars of competitiveness of (small) firms are internationalisation, technology, innovation capability (Hátori & Szabó, 2010), market orientation (Stocker & Várkonyi, 2022), opening to new markets, export orientation (Varga, 2019) and integration of international knowledge as competitive factors in market competition. There is a strong link between internationalisation and innovation: according to a Chinese study (Yang, Deng & Chen, 2014), innovation has a negative impact on the survival rate of exporting firms when the firm is solely domestically owned and has poor profitability. For firms with international ownership and a stable profit margin, the effect of innovation was markedly positive. Other research has also demonstrated the positive impact of innovation on financial performance and highlighted the influence of internationalisation (Stocker, 2019).

More competitive companies are more successful than their peers. Ónodi-Répáczki (2022) investigated how leadership skills influence the success and efficiency of a company, looking at innovation. The competitiveness of a company is shown by a successful innovation-growth strategy, where the researchers defined success as bringing radical innovation to market (Dobák, Hortoványi & Szabó, 2012). Their research was also conducted among domestic CEOs and found that companies that do not innovate, but only stagnate, already show signs of crisis. Successfully bringing an innovation to market depends on sound technical knowledge, process improvement, the right networking capital and creativity and innovative ideas. Looking at the competitiveness of firms from a different perspective, we find that market orientation has the strongest impact on the competitiveness of medium and large firms, especially when the firm is present in several markets (Csillag, Csizmadia, Hideg & Szászvári, 2020), with competitive orientation having the strongest impact on competitiveness among firms in Central and Eastern Europe and Western Europe. In the SME sector in Hungary, even in the case of larger turnover companies, the managerial attitude is pronounced, and the lack of management skills, which have the greatest influence on strategy, operations and process design, is the biggest obstacle to growth and development (Karácsony, 2020).

### **3 Methodology**

The exploratory nature of the research goal determined the need to develop a complex research design that could respond to changes and unexpected results. Therefore, we

based the research stages (research objective, conceptual framework, research question, methodology and validity) on Maxwell's model (Maxwell, 2012), as it allows for interaction between the elements and has a non-linear structure. The target group of the quantitative research was Hungary-based companies with 50 employees or more and a turnover of at least HUF 100 million. The sampling method was stratified random sampling with defined quotas: the number of employees and the county in which the firms were located. A random method was used to select the firms to be contacted by quota cell, following the distribution of the surveyed firms by turnover and activity. The survey was carried out in 2022, and 305 respondents were in the final database. To make the sample more closely match the quotas, statistical weighting was used. Of the sample, 53.5% are medium-sized enterprises (50-99 FTE), 29.7% are medium-large enterprises (100-249 FTE) and 16.8% are large enterprises (250+ FTE), which is in line with the proportions found in the overall population.

The respondents were senior managers of the companies: 105 top executives (CEO, Managing Director, Chief Executive Officer), 65 executives subordinate to the top executive (CXO level) and 115 executives for strategic decisions participated. On average, the respondents had 25 years of work experience. The sample reflects the activity distribution of the whole population, with manufacturing accounting for a third of the domestic business sector. 34.9% of the enterprises are located in Budapest and 13.5% in Pest County, i.e. almost half of the sample is located in the Central Hungary region. 74.6% of the companies are majority Hungarian privately owned, 7.5% are majority Hungarian state or municipality owned and 17.9% are at least 50% foreign owned.

## **4 Results of Empirical Research**

### **4.1 Factors Affecting the Competitiveness of the Hungarian Business Sector**

The research focused on a deeper understanding of the competitiveness of Hungarian companies. Based on previous research, we focus our findings on the competitiveness-enhancing impact of digitalisation and evaluate our results in three aspects:

- (1) Company turnover
- (2) Internationalisation
- (3) Leadership and decision-making

#### 4.1.1 Results by Category of Company Turnover

In the first dimension, we examined the factors based on the turnover of the companies. We had not previously assumed better results for company size. Almost half of the companies have a turnover of over HUF 2.5 billion. 63% of these companies are classified as medium and medium-large sized enterprises and 37% as large enterprises. In the second category, which is interesting in many ways, there are 76% medium-large sized enterprises and 24% large enterprises.

Table 1  
Turnover categories

Turnover	What was the turnover of your company in 2021?	N=305	%
1	Between HUF 100 and 300 million	18	5.9%
2	Between HUF 301 and 700 million	45	14.8%
3	Between HUF 701 million and HUF 1.499 billion	51	16.7%
4	Between HUF 1.5 billion and HUF 2.5 billion	47	15.4%
5	Over HUF 2.5 billion	144	47.2%

Previous research (Almási, 2019; Szanyi-Gyenes & Almási, 2021) suggests that business success is not always conducive to innovation, and that the openness of managers to innovation (Ónodi & Répáczky, 2022) shows a significant relationship with successful business innovation. Sometimes, firm owners are not necessarily motivated to make a risky, resource-intensive innovation investment by stable business results, and they focus instead on secure operations that guarantee profits.

Five turnover categories were identified in the questionnaire survey. The results were analysed along each category. The pattern is clear that companies in the second turnover category often operate differently from other companies.

Table 2  
Turnover categories and strategy

Turnover category	STRAT-1	STRAT-2	STRAT-3	STRAT-4
1	16.7%	44.4%	33.3%	5.6%
2	31.1%	46.7%	15.6%	6.7%
3	15.7%	37.3%	41.2%	5.9%
4	19.1%	36.2%	40.4%	4.3%
5	32.6%	29.9%	32.6%	4.9%

*STRAT-1: We have a business plan broken down from the strategy to the individual level and quantified and we regularly review the plan-fact variances. STRAT-2: Most colleagues know the long-term goals of the business. STRAT-3: Only a narrow group of people (e.g. middle managers, managers, or family members in the case of a family business) know the long-term objectives of the business. STRAT-4: The manager is aware of the long-term objectives of the company, but does not share them with the majority of employees.*

The results show that technological changes, including the challenges of digitalisation, are more challenging for larger companies and have the least impact on companies in the second revenue category. Their differentiation can be explained by the fact that they are at different developmental stages, which presents them with very different types of challenges, but they do not yet have the organisational characteristics of classic larger companies (established management, organisational culture). Once past the initial growth stage, this second revenue category group is the least interested in exploring and experimenting with new opportunities. It is assumed that after the higher risk period of the start-up period, this is not the focus of strategic thinking. This group of companies typically emphasised meeting local market needs when the issue of internationalisation arose. Accordingly, they may be more focused on their existing practices and markets and less on new opportunities.

Companies in the second turnover category are extremely low on the following improvements: most of them do not plan to innovate in technology, digitize their existing processes, improve management skills, or set more detailed organisational goals at individual level in the next 1-3 years. Basically, they do not feel that their revenue growth depends on the digitalization of their decision processes, and they do not see that their decisions would be more accurate with higher levels of data analysis or at least that the time needed for the decision process would be reduced. The most active in these areas are companies in the lowest and highest turnover categories, which make turnover growth dependent on digitalization and skills development.

The results show that the second revenue category, together with domestic market orientation, represents a kind of resting state: the manager can feel successful with his previous strategy and the operation of the company, as it allowed the company to grow and reach the higher revenue level. There is a lack of motivation to change, to take risks and to be satisfied with the current situation. For companies reaching the additional turnover category, it is clear that growth involves continuous transformation, improvement and innovation. They focus more on internal improvements, digitalization, organisational inhibitors such as knowledge gaps or resistance to change. They are less likely to sit back and enjoy their successes, as they are at a different developmental stage and have sufficient data and previous experience, that growth is not an achieved resting state but a continuous task.

At different stages of the decision-making process, the companies in the research rely on data to different degrees. In smaller companies, the use of numerical analysis is typically used for the initial assessment of the situation, and the use of IT support for subsequent steps is not significant. The larger the turnover, the more important the use of data, in the overall decision-making process.

#### 4.1.2 Results by Internationalisation versus Domestic Market Focus

As we have seen in the literature review, internationalisation is a factor in corporate success and competitiveness. For this reason, the survey asked whether the company in question is present on the international market, has long- or medium-term objectives or does not plan to enter the international market. The question of internationalisation was used as a decomposition factor along several questions in order to identify common patterns between companies present on the international market and those focusing only on the domestic market.

Table 3  
Internationalisation

<b>Is your company present in international markets?</b>	<b>N=305</b>	<b>%</b>
We are present on international markets	157	51%
Our long-term objective is to enter the international market	45	15%
It is part of our medium-term objectives	22	7%
We do not plan to enter international markets	81	27%

Of the 305 companies in the sample, 51% of companies, are currently present in international markets, while nearly a quarter of the companies have no plans to enter international markets. Of the companies that do not plan to enter international markets, 21% cited a lack of resources and 12% a lack of expertise or experience. Among the free-word reasons given by companies not planning to enter the international market were: „*We have no such ambition; not compatible with the activity; local market is enough; serving local needs; serving Hungarian population, aiming to cover the domestic market; our service cannot do it.*” The reasons were clustered along three categories:

- (1) Domestic market aspirations, here by turnover category, smaller companies justified their exclusive domestic aspirations as local, while larger companies explained their exclusive domestic aspirations as Hungarian market coverage
- (2) Nature of the activity or service does not allow it
- (3) Lack of aspiration. The results also suggest that companies operating only in the domestic market do not continuously improve their strategy and are likely to engage in lower competitive intensity.

The aim of evaluating the results by internationalisation was to find relevant differences, patterns and correlations between companies present in the international market and companies that (definitely) do not plan to internationalise. When looking at the dimensions of strategy and internationalisation, we can see that there is a marked difference in strategic thinking between companies that are currently present in the international market and those that do not plan to enter the international market. Those that are present in the international market seek to maintain a competitive advantage through continuous new strategic initiatives, with more individual-level planning of strategy, compared to companies that are only active in the domestic market, where it is more typical that the company's management is aware of the company's strategy. Accordingly, information sharing is also asymmetric, with information in the hands of the CEO in the case of companies operating in the domestic market, and information flowing downwards in the case of companies operating in the international market.



Table 4  
Innovation attitude

<b>How much do you agree with the following statements about your organisation? Our organisation...</b>	<b>N=157</b>	<b>N=148</b>
constantly seeks to achieve sustainable competitive advantages over the competitors through new strategic initiatives.	52%	38%
is excellent in efficiently executing and further improving business as usual.	50%	32%
is excellent in exploring and experimenting with completely new possibilities.	48%	30%
is able to adapt effectively even to significant and unexpected environmental challenges	40%	42%
gives priority to digital technologies, i.e., allocates resources to their application and development	39%	28%

*The answers were scored from 1 to 5. Here the proportions who gave the maximum score of 5 are highlighted. N=157 who are present in the international market and N=148 who are not present in the international market.*

Companies that are also present in the international market perceive the impact of technology, including digitalization, as stronger and pay more attention to the use of digital technologies, compared to domestic companies that perceive the impact of technological change as less of a challenge. The lack of specific expertise as an inhibiting factor is clearly linked to internationalisation. Firms that are also present on the international market are likely to have the necessary specialized expertise, such as sales knowledge, and thus to perceive expertise as less relevant as a barrier. Conversely, companies operating in the domestic market may have a real and existing knowledge gap that hinders them from competing in the international market. Firms in the international market perform better in improving work process efficiency, identifying new practices and allocating resources accordingly.

In the case of internationalisation, in addition to market orientation, we also examined the ownership structure of domestic firms and found weak but significant relationships in the following areas. A significantly higher proportion of Hungarian firms with majority foreign ownership (more than 50%) perceive that technological change and digitalization challenges have a major impact on their organisation compared to Hungarian-owned firms. In their perception of their strengths, they described themselves as outstanding in

digitizing their processes and improving their efficiency, and in exploring entirely new opportunities. Compared to their peers, they consider organisational innovation and the use of agile methodologies to be of paramount importance and prioritize digital projects. They also adapt their organisational structures, information flows and decision-making processes to this end: they are outstanding in their bottom-up approach to technological innovation, idea generation and implementation of innovative ideas. They place the greatest emphasis on making data from corporate information systems available to an ever-wider range of users. In contrast, among Hungarian or predominantly Hungarian-owned companies, it is typical that numerical analyses are only available to a narrow group of people, typically managers. They feel that the abundance of data slows down rather than supports decision-making processes, and that they often have to wait for more and more data to make decisions. Meanwhile, companies with an international ownership background are taking advantage of data analytics and can reduce the time needed for decision-making processes by analyzing data in detail.

The coexistence of internationalisation with innovation was also striking in general. Companies already operating in the international market are much more likely to adopt the latest available technologies. By contrast, companies producing for the domestic market are less likely to be involved in the monitorization and introduction of new technologies, and those interested in innovative solutions tend to favor technologies that are already proven, i.e., risk-free and tested. Controlling for turnover, it appears that companies in the highest turnover category are more inclined to adopt new technologies immediately, but buy off-the-shelf solutions and are less likely to experiment internally. The lower revenue categories have a higher rate of experimentation, but the sample is still dominated by firms that finance only proven and tested technologies, with a high rate of 80%. Larger firms are quicker to purchase mature technologies due to their capitalization, while smaller firms are more likely to correct their financial shortcomings through experimentation.

#### **4.1.3 Results by Leadership and Decision-Making Process**

We examined the information acquisition and flow capabilities of the firm, with a focus on the development of information systems and data quality. It is important to know who has access to data in the organisation and whether the digitization of the decision-making process supports the delegation of decisions to a lower level. The role of data in the

decision-making process and other characteristics of managerial decisions (intuition, role of emotions, etc.) were also important. Information and decisions were also a key issue in the management culture question group: avoidance, procrastination, goal orientation and communication were also examined. Based on these factors the database was analyzed with the focus of the leader. We looked at how digitization and innovation in systems that support the flow and sharing of information affect decision-making.

The overwhelming majority of respondents to the survey considered that the organisation of the future is one that is technologically advanced, constantly evolving and innovative. This is related to the theoretical direction, which envisages flatter and networked organisations, as IT developments can eliminate the middle management level that essentially suppresses information transfer functions (Drucker, 1988). This loose, task-oriented organisational structure supports knowledge sharing within and between organisations, which also improves the competitiveness of companies. In the majority of responding companies (72.5%), data from enterprise information systems are only available to a limited number of people. And 80% of the companies in the sample believe that a management decision support system with sufficient quantity and quality of data is not necessary to involve lower management in decision making. Centralization-centralization has divided companies: 23.6% of respondents clearly reject the idea of delegating decisions to lower management levels. Only 9.2% of companies have concrete plans to decentralize in the next 1-3 years.

Schemas related to managers have also been highlighted in the mapping and evaluation of decision-making processes. In the majority Hungarian-owned companies, respondents said that managers tend to focus on failures, irregularities and exceptional deviations, and account for all mistakes. In their case, managers delay decisions, wait until things go wrong and problems have to become serious before they can make a decision and take active action, or even delay a response to urgent issues. This pattern of behavior was negligible in half-owned or majority foreign-owned companies. A similar divergence was also found on the basis of turnover: the second turnover group mentioned above is less focused on failures, in their case managers are not looking for failures and outliers. Interestingly, the larger the company and the more sophisticated the data, the more likely managers are to avoid decisions. Data abundance can lead to both decentralization and higher managerial control. Some companies use data abundance to control, identify and hold to account for errors. For other companies, access to data at lower organisational

levels means that decisions are made at the lowest level where the right information is already available. Digitalization can therefore play a very different role in the way companies operate, depending on the management style and organisational culture. Some firms exploit its potential to increase competitiveness, while others use it as a control function, which does not necessarily lead to more efficient operations. The variables of the study (turnover, internationalisation, decision making) therefore clearly show management differences, which should be examined in more detail in the future.

## **5 Conclusions**

The aim of this research for the companies of the future, is to understand what Hungarian business leaders think the company of the future will look like, in order to better understand what factors they consider important for future competitiveness. We were interested in what information they would associate with any future organisation, what expectations they would have and by what factors they would describe it. In analyzing the responses, human, cultural and managerial aspects were emphasized over technological or strategic issues. We can therefore assume, that a people-centered approach is associated with the organisation of the future.

Analyzing the most frequently mentioned keywords, we can see that the organisation of the future will be at the forefront of technology, modern, constantly evolving, digitally mature, innovative and adaptable to the environment. In a rapidly evolving world, there is a growing emphasis on technological development, digitalization, which can be a key pillar of competitiveness, agility and business success.

The turnover categories also showed clear differences and co-movements, which warrant further and more detailed analysis. The pattern anticipated by the models has materialized for some factors: increasingly large companies have more sophisticated systems and routines. However, an unexpected feature was the different behavior of the group of firms in the second revenue category. We hypothesize that this is due to the fact that after the first growth phase, companies move into a „rest” phase and operations, which goes hand in hand with maintaining the status quo and stability, avoiding risks and thus pushing development, digitalization and process innovation to the background.

Internationalisation is a key pillar of competitiveness (Szerb, 2010), and 51% of the companies in the sample, are currently active in international markets, so identifying the

pattern of internationalising companies and those operating only in the domestic market was an important decomposition factor in the evaluation. The different characteristics of the companies, present on the international market, were clearly visible in the analyses. Companies present on the international market are more open to improvements, support innovation, have a more structured corporate strategy and thus, tend to be more competitive than companies only operating within the Hungarian market.

The perception and experience of the company's manager influences the decisions that determine the company's openness to innovation, development and strategy. The analysis of managerial perceptions will therefore be a priority in the next research phases. This is in line with recent theories (Dörfler, 2022) that consider the internal set of organisational characters to be more relevant for the future of the firm than external, environmental influences. It seems to be proven (Ónodi & Répáczky, 2022), that managerial skills and managerial attitudes have an impact on the company's ability to innovate, and thus on the company's strategy and competitiveness. In our sample, managerial attitudes and organisational characteristics and routines were found to be pronounced biasing factors in the information flow, data use and decision-making process. We could detect characteristics that had an impact on corporate digitalization and innovation. These included managerial control, corporate culture associated with error, attitude to risk and characteristics related to the decision process.

The authors aimed to provide a deeper understanding of the competitiveness of Hungarian companies, from the perspective of digitalization and internationalisation. The authors' recommendation based on the results are the following:

1. The results show that technological changes, including the challenges of digitalization, are more challenging for larger companies and have the least impact on companies in the second revenue category. Their differentiation can be explained by the fact that they are at different developmental stages, which presents them with very different types of challenges, but they do not yet have the organisational characteristics of classic larger companies. The digitalization performance of companies operating in the domestic market, which are mostly Hungarian-owned, lags behind companies operating in the international market, which are mostly foreign-owned. To make companies more competitive in the future, we suggest to businesses to be more open to innovation and digitalization, to develop employees' skills and suggest management support and risk taking.

2. Companies that are also present in the international market perceive the impact of technology, including digitalization, as stronger and pay more attention to the use of digital technologies, compared to domestic companies that perceive the impact of technological change as less of a challenge. Companies that are also present on the international market are likely to have the necessary specialized expertise, such as sales knowledge, and thus to perceive expertise as less relevant as a barrier. These companies perform better in improving work process efficiency, identifying new practices and allocating resources accordingly. It is worth exploring networking opportunities to increase the connectivity of companies that think only in terms of domestic markets. This would presumably increase the number and quality of routines learned, which, if incorporated into their own operations, could make domestic firms, which currently have a low level of innovation, more technologically advanced. We advise companies to look for international opportunities in their corporate strategy because internationalisation plays a clear role in the development and digitalization of companies through information flows, organisational learning, decision-making processes and corporate culture.
3. The role of managers in the digitalization process was clear from the analysis of the research data. For the managers of companies lagging behind in innovation and digitalization, the role of environmental influences was stronger, their strategy was less formalized and the corporate strategy was less transparent to the members of the organisation. Likewise, ownership structure was an important control variable: where there is a single owner, the company is more prone to information flow lock-in, as information is only available to a narrower layer of management, even with higher levels of digitization. In the case of multiple owners and common operational management, digitalization does not only perform a control function, but also plays a role in knowledge sharing and data-driven decision making. Achieving and maintaining a sustainable competitive advantage requires transparent information flows, proactive decision-making and delegation. Digitalization can become a key to the future success of a company if managers change their management style and decision-making mechanisms. To this end, it is necessary to explore in more detail and distinguish the relationship between innovation and firm performance, and to explore whether digitalization has a direct, moderating or mediating effect on

competitiveness. This will give us further insights into how digitalization is affecting the professionalization of companies, through their management functions.

### **Acknowledgement**

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#### 5.4 ARTICLE IV.

##### **Almási A. & Szanyi-Gyenes, X. (accepted 2023): Examining business competitiveness in the context of barriers. Vezetéstudomány**

*The aim of the study is to examine the success of Hungarian firms in terms of the factors that reduce their competitiveness. Focusing on better understanding of the competitiveness of domestic companies, we sought to identify the factors that hinder their success. The analyses have been carried out on a representative sample, so the results can be considered robust. The factors hindering competitiveness have been analysed along several dimensions, and it is clear that these factors also affect the day-to-day operations of the company. It was found that the more innovative, risk-taking and knowledge-sharing a company is, the less it is affected by the barriers. In terms of internationalisation, companies that export or are present in international markets performed better in all aspects. The more successful companies ensure their continued and sustainable competitive advantage through new strategic initiatives and flexible adaptation.*

*Key words: competitiveness, barriers, internationalisation*

##### **Introduction**

The source of business-corporate success and the success factors are constantly changing depending on corporate goals and environmental expectations, but the success factors that recur in some research can be clearly identified (Berényi & Deutsch, 2021). Initially, corporate success factors focused on measurable, data-based factors (Kay, 1993), such as competitive advantage, optimal use of resources, enterprise value, accounting data, and data related to corporate growth (changes in market share, sales, profits and efficiency). These indicators undoubtedly provide the conditions for exact measurement and comparability, but the results do not necessarily show how the company is responding to future challenges, how it is recognising environmental threats and internal weaknesses, how it is able to redeploy its resources and respond effectively to technological and innovation challenges, and what its organisational reserves are. Companies' ability to anticipate the future often depends on strategic innovation, the effectiveness of decisions,



the ability and speed of process reengineering, and the up-to-date knowledge and development potential of organisational knowledge (Drucker, 1988).

The research cited in this paper, „Future Organisation and Leadership” (Marciniak et al., 2022), therefore focused specifically on the adaptive skills of companies, and its main question was how a domestic company can be successful in the future, in the long term, despite the challenges that are currently unknown. In the course of the research, the authors of the present study focused primarily on internationalisation as one of the most important competitiveness factors and used perceptual questions to investigate the characteristics that hinder and inhibit the success of companies. The research also analysed issues such as digitalisation, leadership and decision-making. For our own analysis of the data, we focused on internal operational factors and approached it from several aspects, such as strategy, internationalisation, knowledge management. This allowed us to assess in a complex way, across all the areas studied, the pattern of companies that perceive themselves as more successful or more prone to failure.

The results showed that inhibitors are closely related to firm competitiveness factors. Typically, managers perceived more and/or higher levels of inhibitors in key areas of competitiveness such as leadership, strategy, internationalisation and knowledge management, where performance was already weaker. In line with the results of previous domestic competitiveness research (Szerb et al., 2014; Czakó & Chikán, 2007; Chikán et al., 2019), the present research also showed that in addition to success factors, it is worthwhile to address the shortcomings and failures that hinder success when examining the competitiveness of domestic companies. However, while the aforementioned studies mainly focused on the factors that positively influence competitiveness, the self-developed part of the „Future organisation and leadership” research focused specifically on the inhibiting factors. This is also in line with the theory of equilibrium: it is not necessarily the fact that companies excel in some areas that makes them more competitive, but the synergy makes it worthwhile to address gaps and barriers.

The Future Organisation and Leader survey measured companies’ expectations and perceptions of barriers in a current, present state. This methodology helps us to understand and explore what future challenges are perceived by companies and their leaders, and whether they have the internal management and organisational capabilities to successfully address them. This links to previous research methods and results on barriers.

## **Factors affecting business competitiveness - success and failure**

The measurement of corporate competitiveness is also complicated by the diversity of definitions (Török, 2003), but it is precisely this diversity that allows for a very wide range of corporate research and novel results. The approach to competitiveness itself has also changed, as the earlier models focusing on large firms and hard factors and resources (Barney, 2001), industry and competition (Porter, 1991), firm output or growth have been replaced by more and more approaches focusing on internal and soft factors (Krugman, 1994), knowledge management (Chilton & Bloodgood, 2014), firm size (Acs & Audretsch, 1988). Corporate success, which is more complex than competitiveness, is a similarly complex and broad concept: it can be understood in terms of performance in terms of concrete numbers (increasing sales, decreasing costs, increasing profits, increasing customer profitability), the fulfilment of objectives and the relationship between human resources (Dyer & Reeves, 1995), but it also includes the success of management or the success of business relationships (Bódi-Schubert, 2012).

Major success factors in research: the leader and the attitude of the leader play a decisive role in the success of a company (de Vries, 2006); in addition to the direct effect of the leader, an indirect effect can also be detected in several factors (Szanyi-Gyenes & Almási, 2021); management plays a key role in the success of innovative companies (Ónodi & Répáczki, 2022) or in bringing an innovative product to the market (Dobák, Hortoványi & Szabó, 2012); internal capabilities of the firm (Fletcher, Harris & Richey, 2013; Rideg, 2017); the quality of the workforce and the quality of management (Némethné, 2010); firms that are present in international markets are more competitive (Szerb et al., 2014); export presence is competitiveness enhancing (Somogyi, 2009); digitalisation and internationalisation are competitiveness enhancing (Szanyi-Gyenes & Almási, 2023). Other research, on the contrary, investigates the inhibiting factors, looking at weaker competitiveness factors, searching for the reasons for the lagging behind (Hámori & Szabó, 2012) and explaining the growth inhibiting factors by the low level of domestic innovation capabilities.

Many authors see exportability as a clear sign of business success (Eliasson et al., 2011, Ábel & Czakó, 2013). Domestic research has concluded that internationalisation requires a higher than average level of both output quality and the company's operational processes and strategy (Antalóczy & Sass, 2011; Békés & Muraközy, 2012). In addition to the above, Matzler et al. (2010) identified responsiveness as an important dimension

of success and considered it to be the most decisive in ensuring the long-term success of a company.

In the study of success, it has increasingly emerged that it is not only what determines success that is important, but also what can hinder it. Complex models have emerged that have interpreted the drivers of competitiveness and growth in relation to the entrepreneur, the firm and the strategy (Storey & Salaman, 2010) or in relation to external and internal influences (Doub-Edgcomb, 2005). The role of the owner-manager has become increasingly important as a cross-cutting influence on the overall functioning and objectives of the firm (Papadiki-Chami, 2002).

Low efficiency, lack of profitability (Major, 2002), financing problems and scarcity of resources (Kállay & Lengyel, 2007), innovation gaps (Inzelt & Szerb, 2003), weak internationalisation (Acs et al., 2005) have been frequently identified as barriers to success in domestic firms. Two large-scale competitiveness surveys have also addressed the negative effects on competitiveness. In the in-depth interview phase of the Competitiveness Research Centre's research (Chikán & Czakó, 2009; Chikán et al., 2019), participants were given the freedom to define what corporate success means to them. Respondents clearly listed measurable, data-driven and thus tangible success factors, such as cash flow, profitability, growth of corporate assets, EBITDA, capacity data. The topic of management strategy was also raised, but these were felt to be the least important and were only identified as a success factor as a function supporting sales and operational processes. In contrast, the factors that were cited as the most important barriers to success were the lack of management competence, lack of methodological preparation, lack of strategic focus in decision-making, low risk-taking and, in general, the predominance of intuitive and subjective decision-making. And in the research project „Organisation and Management of the Future”, business leaders have formulated what they think the company of the future will be: a company that is at the cutting edge of technology, digital, constantly renewing, innovative and environmentally aware. In the Small Business Competitiveness Index (SCI) research (Szerb et al., 2014), the role of leadership was given greater weight and a number of individual demographic and behavioural factors were compared in relation to business growth. The same effects were also examined at the firm level (firm size, age, number of owners, etc.). This suggests that a motivated entrepreneurial personality that exploits opportunities and a diversified company with a larger market size and innovation are more successful, with the positive

effect of foreign sales being more prominent. However, this does not justify the negative effect, nor does it necessarily mean that the weaker companies in these areas are also among the less successful, so it is worth exploring the actual inhibiting effects. The research has focused on the external and internal constraints to firm growth. The latter included the lack of skilled workers, organisational system weaknesses, low technological standards and management problems. The KVI survey measured business managers' satisfaction with company performance, which allowed a comparison of perceptions with actual financial data. The data showed that only 13% of managers were dissatisfied with their company's performance, while almost 40% considered their company successful while their real turnover was declining.

The research results show that the perception of corporate performance by managers, owners and decision-makers is highly controversial and contains many subjective elements. Both the underlying managerial behavioural influences and decision-making practices and the need to refine the research methodology therefore require addressing managerial perceptions of success-failure and its impact on corporate competitiveness.

If the manager's perception of the factors that hinder corporate success is made, the type of failure may differ depending on the outcome and impact (Repisky, 2023). Here, too, there is the business-finance approach, which considers the specific revenue loss or cost increase as the failure of the company and the manager/management (Shepherd, 2003; Jenkins et al., 2014). Khelil (2016) already points out that the manager's perception of success and failure often differs from the actual effectiveness and performance of the company. The threshold or goal-achievement mismatch theory emerges, which already indicates the subjectivity of management: the entrepreneur perceives success and failure relative to his own expectations and goals. The reality of expectations, the quality of strategy formulation, and the managerial knowledge that manifests itself in this, thus greatly influences managers' perceptions of the extent and intensity of the factors that hinder the success of their company. The dimension of time also plays a significant role in this: past experience, experiences of success and failure influence both perception and decisions and risk-taking. The dimension of knowledge is also important, as it is not always the case that previous experiences of success and failure represent a potential for development for the manager and the company, or that they may be stuck in a state of blaming external causes and learned inertia. *„We cannot identify important behavioural factors that might explain why some firms and entrepreneurs are successful and others*

*are not, based on the statistical data we systematically collect*” (Szerb, 2008, p. 3). The influence of the leader is pronounced, often seen as a key figure in corporate competitiveness, and empirical research confirms this.

Based on the literature review and the results of these studies, we identified the internal factors that hinder corporate success, the role of which was specifically examined in the „Future Organisation and Leadership” research. Internationalisation, as the most significant factor, is used as a decomposition factor in the analysis. The questionnaire survey asked respondents to answer „whether their organisation is present in the international market”, thus the survey was not designed to assess and measure the degree and extent of internationalisation. Previous research on innovation (Hámori & Szabó, 2012) has identified a lack of openness and a closed attitude as one of the barriers to innovation. Therefore, we did not separate the nature of internationalisation in the internationalisation factor, but examined the international openness of the firm as such. Because of the importance of individual and corporate behavioural effects, the themes of strategy, knowledge development, innovation, information flows and decision-making processes are analysed in the evaluation of the results. We have narrowed the analysis to those areas on which the manager has a direct influence and measured the factors that hinder corporate success through the manager’s perception.

<i>Domestic research and studies on the factors hampering business competitiveness</i>	<i>What factors have been used to examine the internal constraints on the competitiveness of domestic firms</i>
Hámori & Szabó (2012)	Attitudes that hinder innovation (inflexibility, risk-taking) Low level talent management Limitations of leadership knowledge
Szerb et al., (2014)	Low morale and work intensity Gaps in expertise Leadership skills gaps Low innovation capacity
Chikán et al., (2019)	Lack of management competence Lack of strategic focus Subjectivity of the decision-making process Low risk appetite
Csákné Filep, J., Radácsi L., Timár G. (2020)	Low motivation of founders Lack of entrepreneurial, financial and management skills Distrust

Table 1: Internal barriers to competitiveness in domestic competitiveness research (own editing)

GATING ACTORS	DIMENSION UNDER CONSIDERATION
Low work ethic	<p>Our organisation prefers established, proven and tested technologies.</p> <p>Our organisation is often involved in knowledge sharing with other organisations.</p> <p>Our organisation is characterised by a single leader who decides on strategically important issues.</p> <p>Our organisation channels knowledge from outside (e.g. customers, suppliers, ...) frequently and consciously through open innovation.</p> <p>The manager is aware of the company's long-term goals, but does not share them with the majority of employees.</p> <p>The strategy is translated into an individualised and quantified business plan and we regularly review plan-to-actual deviations.</p>
Lack of specific expertise	
Sales staff skills are not sufficient	
Management knowledge and leadership skills of middle managers are not sufficient	
Lack of staff motivation	
Low innovation capacity of staff	
Staff resist change	
Staff cannot absorb new knowledge	
Staff are not able to use information technology tools (computer, Internet, etc.) properly	

Table 2: Barriers and main dimensions examined in the research (own editing) Barriers were measured on a 5-point Likert scale

### Strategy

The leader is often at the centre of competitiveness research in relation to strategy setting (or lack thereof), resource allocation, culture shaping and leadership style in general. In addition to leadership style, the leader's role perception, attitude, motivation, vision, competencies and management skills, as well as the knowledge boundaries of these, are regularly highlighted (Hámori & Szabó, 2012). Equally important is the leader's personality, which determines, for example, his or her willingness to take risks that essentially influence innovation or investment decisions (Kyndt & Baert, 2015), as well as the operational and strategic areas he focuses on, his approach to his own and the organisation's development, and the conceptual framework he uses when thinking and deciding about vision, strategy, innovation, market opportunities and competition, organisation and internal resources (Pálinkás, 2006; Bánfi, Boros & Lovas, 2012; Kőműves, Karácsony & Poór, 2022). „*The key to organisational success is the clarity and quality of the relationship between strategy and capabilities*” (Storey & Salaman,

2010, p. 67), but „*the perception of opportunities occurs at the level of attitudes*” (Szerb, 2010, p. 46.)

The personality of the leader is also crucial in whether his perception is deficit motivated or growth-oriented, and thus whether his strategy is defensive or growth-oriented (Maslow, 2003). Thus, a perceptual bias develops as to whether the leader perceives the choice and the decision situation at all, as „not knowing” is a defence mechanism for the risk-averse leader who fears his self-esteem (Festinger, 2000). Anxiety about knowledge, the deliberate misperception of the situation, protects him from decision making, from responsibility, from planning and developing knowledge. Intentional distortion of the knowledge barrier by the manager can also be a defence mechanism, but it is also embedded in abstraction, perception of future possibilities and thus in managerial decisions that are distant in time.

### **Internationalisation**

The internationalisation of firms is often discussed in the context of competitiveness, as internationalisation is one dimension of competitiveness (Dabić et al, 2020), international presence leads to more competitive firms (Somogyi, 2009; Szerb, 2010), and on the other hand, the export ratio is regularly used as a numerical measure of competitiveness in addition to firm growth (Cetindamer & Kilitcioglu, 2013; Szerb, 2014; Stocker & Várkonyi, 2022). However, when looking at the actual competitiveness of domestic firms, the results show that the competitiveness of domestic firms lags behind international trends (CIS, 2018; European Commission, 2023). Looking at European statistical data, we can see that in international comparison we are lagging behind in terms of innovation index, digitalisation development, R&D expenditure or even innovation activity of the SME sector (European Commission, 2023), which factors determine the competitiveness potential of domestic companies and their international competitiveness. The definition of internationalisation is sufficiently broad to include virtually any activity that relates to economic activity outside the domestic economy. In the Future Organisation research project, we left it up to the respondent to define what they meant by internationalisation, asking them to answer „whether their organisation is present in the international market”, and not measuring the extent or nature of internationalisation.

Small firms are also becoming more dominant in the international market, and understandably are attracting more research attention (Dvoulety & Blazková, 2021). An interesting finding for future competitiveness is that a macroeconomic shock will force

family firms to recombine their resources, leading to an increase in the depth and breadth of internationalisation (Fourné, Zschoche, Schwens & Kotha, 2023). Innovation and internationalisation could be the way out for the SME sector after the COVID crisis (Juergensen, Guimón & Narula, 2020). Looking at SMEs, organisational innovation is necessary for resilient international growth, and digitalisation, strategic collaboration and agile use of resources are critical sources of resilience (Eriksson, Heikkilä & Nummela, 2022). Firms that consider internationalisation as a strategic goal at the outset typically have exceptional resources, advanced technology and a high degree of international orientation (Hennart, Majocchi & Hagen, 2021). The importance of soft factors is reflected in the critical role of acquiring relevant knowledge in the internationalisation process (Fletcher, Harris & Richey, 2013)

The internationalisation of domestic firms is also a popular area of research (Czakó, 2000; Antalóczy & Sass, 2011; Békés, Halpern & Muraközy, 2013), and it can be found that exporting firms tend to perform better in the market than firms operating in the domestic market (Kazai, 2014; Szerb, Márkus & Csapi, 2014; Czakó, Juhász & Reszegi, 2016; Stocker, 2016, 2019; Stocker & Várkonyi, 2022) However, we have limited knowledge about the strategy, problems and understanding of small firms (Szerb, 2010), so research tends to approach them from a specific perspective: Successful innovation-growth strategy (Dobák, Hortoványi & Szabó, 2012), market orientation (Stocker & Várkonyi, 2022), firm performance and managerial attitudes (Hurta, 2013), corporate identity (Almási, 2019, 2021), the study of managerial attitudes in Hungarian SMEs (Hurta, 2013), learning and development in small firms (Csillag, Csizmadia, Hidegh & Szászvári, 2019), the factors influencing the survival and growth of Hungarian start-ups (Csákné, Radácsi & Timár, 2019), or the risks associated with project management challenges in start-ups (Venczel, Berényi & Hriczó, 2023).

### **Knowledge Management**

A company's knowledge, skills and innovative capacity will increase its competitiveness if it can harness them. One of the foundations of competitiveness is the ability to respond well to constantly changing external and internal challenges: to identify changes in time, to assess its own strengths and weaknesses, to be aware of the knowledge and capabilities available and to be able to react flexibly on the basis of these. The enterprise is thus a *„burning platform that forces leaders to respond to change, re-stabilize the organisation*



*and create a new, enduring configuration*” (Schultz & Maguire, 2013, p. 7). Whether these changes are the result of external or internal influences and the information asymmetries that characterize the decision situation are not all the same. The first step in the decision process is to recognize the need for a decision, so a company or manager can only start to gather information for its decision alternatives once it recognizes the decision situation. Misunderstanding trends, untimely perception of trends, decision errors and capability gaps hamper the firm’s response (Prahalad & Hammel, 1990; Grant et al., 2004). Flexibility, timely response to change, is a key factor of competitiveness, so it is essential to examine what decision characteristics characterise more competitive and less successful firms.

## **Innovation**

Innovation readiness is closely linked to the management of organisational capabilities. According to Pavitt (1991), accumulated competence, specialised expertise, the design and alignment of organisational mechanisms with different activities, the strategicisation of continuous learning, the subordination of resource allocation to innovation are all prerequisites for an innovative firm. And another research report examined the role of management in the success of innovative firms (Ónodi & Répáczki, 2022). The results found that firms with low managerial innovation attitudes had low innovation performance. The openness of managers to innovation was found to depend on personality traits.

In their research, Dobák et al. (2012) defined success as the market introduction of a radical innovation. In their results, they concluded that the mere existence of an innovation idea is a necessary but far from sufficient condition. On the basis of interviews with managers of innovative SMEs, they defined the conditions for success as being made up of four factors: preparedness, i.e. professional knowledge; practice, i.e. process improvement; resources, skills, relational capital; and talent or creativity.

Hámori and Szabó (2012) measured the factors that hinder and support innovation in their research on domestic firms. They specifically addressed the respondent’s own perception and the respondents’ views on the topic. They also looked at the drivers for innovation and the barriers to innovation within the organisation and compared these to form their views. They concluded that, among the external factors, competition, market structure

and the number and dominance of competitors influence the extent to which firms' decision-makers perceive innovation pressures. However, external pressure tends to drive product innovation and to restrain process innovation and organisational development, because the manager puts limited resources at the service of product innovation. Networking, or the resistance to networking, which generates knowledge sharing and development, is also often driven by managerial attitudes and cultural elements of the organisation. Among the internal inhibitors, respondents highlighted excessive workload on daily tasks as the most important, followed by adherence to existing routines, weak incentives, lack of talent among staff, lack of IT technology-related knowledge, and a fixed job description that does not support innovation.

### **Decision-making process and management characteristics**

In the decision literature, the organisational dimension has emerged alongside the managerial decision (March, 2005), where the ambiguity of the decision as a process is also included alongside the managerial style. In this approach, the organisation is a set of choices, a set of questions and emotions, a complex set of relationships between solution proposals and options. In March's interpretation, time and timing are essential aspects of organisational decision-making, and he therefore draws attention to the strategic embeddedness and consequences of decisions. It is also an important aspect whether the company/manager's own decision is behind the change (e.g. international market entry, new product launch), when he/she can proactively participate in the change or has to react passively to external environmental challenges (e.g. Covid, legislative changes, etc.). In organisational decision making, not only the current time demand of the process matters, but also all past experience, the repository of previous decisions, including rejected options. In the decision bin model (March, 2005), exogenous organisational processes such as problems, solutions, participants and decision options and their interrelationships influence the decision. The structure of the decision process is influenced by the organisational structure, access to information, their hierarchical or specialised structure. Therefore, it was considered essential to carry out an exploratory analysis of decisions and to compare decision characteristics with organisational processes such as information flows or the number of decision actors in a company, in addition to the manager. On this basis, we focused our own research on the relationship between the decision-making process and the leader.

## **Background and purpose of the research**

The present study aims to extend the scope of the above scientific results and the research on the competitiveness of domestic firms published so far. Our analyses have been carried out on a representative sample of the domestic corporate sector as members of the „Organisation of the Future” research group. In the framework of the „Organisation of the Future” research, we investigated how the domestic corporate sector views future expectations, what development trends it perceives, what it is doing to „keep up with the times” and to maintain its competitiveness (Marciniak et al., 2022). To this end, we conducted a broad, detailed survey of the managers of domestic companies, focusing on a number of areas. A sample size of more than 300 provides a good analytical opportunity from a research perspective. The aim of this paper is to use the available sample to better understand the competitiveness of domestic firms in terms of the internal factors that hinder competitiveness.

As we have seen from the barriers listed in Table 2, in the organisation and leadership section we asked about areas that hinder competitiveness such as gaps in management knowledge and leadership skills, organisational resistance to change, work ethic and motivation.

In the present research, we focused on some key factors of competitiveness, such as internationalisation, innovation, administrative routines, and analysed them in relation to the barriers. We looked for a pattern that could help us categorise the characteristics of competitive and lagging firms. We looked for the typical co-occurring influences that inhibit firms from growing and gaining a sustainable competitive advantage.

In the „Future Organisation” research, we therefore considered it crucial to look at the current situation of companies and to get an idea of how the future of the company and the environment, the role of the leader and the organisation are perceived by the leader. All this will determine the decisions and investments he or she makes in the coming years, the strategic direction of the company, and therefore the future competitiveness of the company.

## **Research methodology and research sample**

The analysis was based on a research project of the Institute of Management Sciences of Corvinus University of Budapest. In the framework of the research project on the organisation and leadership of the future, we contacted managers of domestic companies and initiated a detailed questionnaire survey on external and internal factors for the present and the future. Of particular relevance to the focus of the present research, a significant proportion of respondents were first line managers (CEO, CEO or President), with the remaining respondents being managers subordinate to the first line manager and managers in other positions responsible for strategic decisions.

We excluded the smallest companies from the survey target group on the assumption that we would not get relevant responses. Thus, the target sample was the population of registered partnerships with 50 or more employees. In terms of the database, a total of 1.369 companies were contacted, of which 305 companies were included in the sample with a response rate of 22.35%.

„The Future Organisation and Leadership” research covered a number of separate thematic areas, such as digitalization, business-oriented data analysis, decision making, working style, leadership style (Marciniak et al., 2022). The research included a set of questions on internal barriers, strategy and internationalisation, which we have worked on ourselves, and these factors were compared with other factors to get a complex picture of the competitiveness of domestic companies. In compiling the factors that hinder competitiveness, we drew on previous secondary and our own research (Almási, 2019). We examined perceptions of work ethic and motivation, innovativeness and resistance to change, different expertise (e.g. sales, digitalisation-related) and management knowledge gaps. In further proprietary analyses, we found a link between digitalisation and internationalisation, with firms with a presence in international markets perceiving the impact of technology, including digitalisation, as stronger and paying more attention to the use of digital technologies (Szanyi-Gyenes & Almási, 2023). The perception-based assessment obviously contains biases, for example, managers of less competitive firms overestimate their own capabilities (Szerb & Vörös, 2021). The shortcomings in goal setting are reflected in managerial preferences, which significantly limit innovation and the adaptation of new knowledge (Czeglédi, 2012). We have incorporated these methodological approaches and secondary research findings into our own research.

## **Research results**

The individual factors and groups of questions were analysed using cross-tabulation, correlation and ANOVA (using SPSS). In addition to frequency and distribution, we were able to detect a significant relationship between the different areas. At this stage of the analysis, the following results are highlighted:

### **Strategy**

Respondents were asked to describe, in a free-word response, what they think the organisation of the future will look like, and what factors could describe its characteristics. While the majority of respondents said that the organisation of the future would be a technologically advanced, constantly evolving, innovative and digitally mature company, this was less reflected in their strategy. The breakdown of strategy, awareness, openness of companies to innovation and the other factors examined were measured on a 5-point Likert scale. Respondents believe that it is sufficient for the CEO to be aware of the company's objectives, and many only share the company strategy with a narrow group of people at most, typically middle managers. There is a marked difference between companies where the majority of employees are aware of the corporate objectives or where the strategy exists and is known to the whole organisation, and even where there is a quantified business plan broken down by individual. The awareness and data-driven disaggregation of strategy and the enterprise analysis of plan-fact data go hand in hand with an organisation that is actively using digitalisation. Companies with one-person decision making and management are significantly less likely to excel in identifying completely new opportunities (Sig.: 0.001) and in improving the efficiency of existing workflows (Sig.: 0.000). They are less likely to seek sustainable competitive advantage over competitors through new strategic initiatives (Sig.: 0.000), to allocate resources to digitalisation and the application of new technologies (Sig. 0.000), and to adapt flexibly to meet unexpected environmental challenges (e.g. Covid-19) (Sig. 0.003).

For those companies that are currently present on the international market (51% of respondents), it can be said that they are constantly seeking to maintain their competitive advantage through new strategic initiatives. These companies have a business plan broken down to the individual level, their decision-making processes are well defined and known

to their stakeholders. As can be seen in Figure 1, 53% of companies present in the international market agree that their organisation is constantly seeking to maintain a sustainable competitive advantage through new strategic initiatives, while 39% of companies not present in the international market responded the same, with implications for a range of future opportunities and a significant relationship with other factors examined.

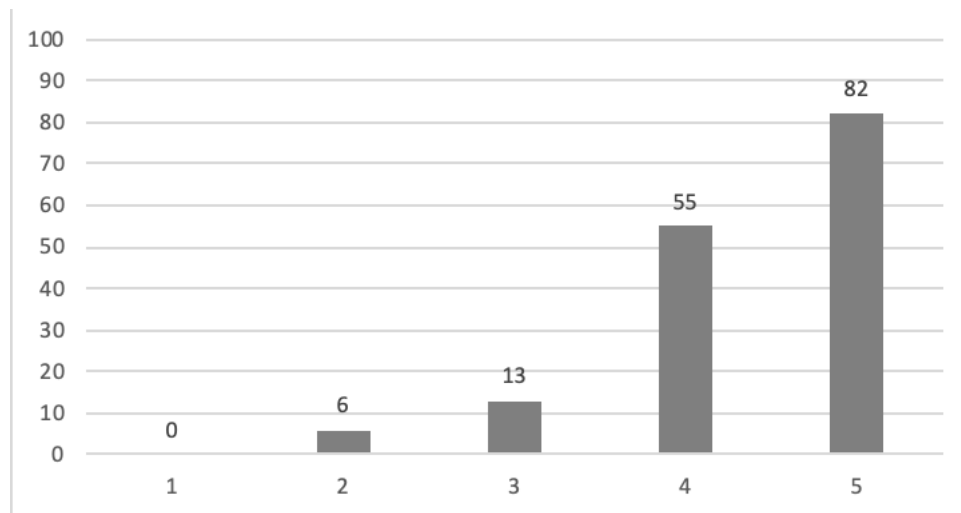


Figure 1: Strategy renewal in relation to internationalisation, N= 156 are present on the international market (own editing)

*Values: 1: not at all true that it constantly seeks to achieve sustainable competitive advantages over its competitors through new strategic initiatives; 5: absolutely true that it constantly seeks to achieve sustainable competitive advantages over its competitors through new strategic initiatives.*

## Internationalisation

Further exploring the barriers, looking for patterns, we found that the characteristics of firms operating in international markets differ significantly from those of their counterparts operating exclusively in domestic markets. If a company belongs to the group of companies that are also present in the international market, it perceives significantly fewer inhibitors and tends to score higher on competitiveness-related indicators.

Considering the responding companies, out of a sample of 305, almost half of the companies are now present in the international market, so it is a relevant question to examine the patterns and underlying factors between companies present in the international market and those operating only in the domestic market. It is also proven

from other research (Szerb, 2010) that international presence means more successful firms in terms of competitiveness. In this respect, it is interesting to note that a quarter of the respondents do not even plan to enter the international arena, and that entering the international market is neither a medium- nor a long-term goal.

Is your company present on the international market?	db	%
They are now also present on the international market	157	51
Long-term objectives include	45	15
Medium-term objectives include	22	7
We have no plans to enter the international market	81	27

Table 3: Share of international presence of companies in the sample (own editing)

What can be a particular strength from a competitiveness perspective is that they have responded more effectively to the often rapid external environmental changes of the present, and in particular to unexpected environmental challenges during the COVID.

The question arises as to why, despite the spectacular benefits of internationalisation, many domestic companies do not plan to compete in foreign markets. Categorising the responses, 21% of respondents said they lacked the resources to enter international markets, 12% said they lacked the skills and experience, and 7% said they lacked the capital. Looking a little deeper, 44% of companies not planning to internationalise gave a free-word reason, explaining that they did not plan to compete internationally: „domestic market is the goal; we are a local company; domestic market is sufficient for us; coverage of the domestic market is the goal; not compatible with our activities”). Categorising their satisfaction with the domestic market, the results suggest that the majority of companies have no motivation to grow internationally, but also do not invest in internal training, as their answers suggest that they lack resources, skills and experience.

## Knowledge Management

Organisational learning, the effective channelling of new knowledge into business processes, is also an essential factor in maintaining competitiveness. In terms of results,

companies where managers perceive a lack of staff motivation and skills/knowledge, knowledge and use of IT tools, innovation capabilities as a strong inhibiting factor are less likely to engage in knowledge sharing with other organisations (Sig.: 0.003). In addition, managers perceive that a large part of the staff is resistant to change and unable to absorb new knowledge (Sig.: 0.001). Interpreting the results, we can say that managers of lagging companies feel that their organisation is not suitable for development and improvement in many aspects, which can be a competitive handicap. An even more negative picture emerged when we compared claims of open innovation with barriers. In addition to the above, low work ethic, lack of specific expertise and insufficient management knowledge and leadership appeared.

## **Innovation**

One important factor of competitiveness is the innovation capacity of companies, an area where official statistics show that domestic companies are lagging far behind other EU Member States. The innovation activity of companies was analysed in relation to technological innovation and grouped according to their risk-aversion strategy. In this way, we distinguish between firms that only use technologies that are already widespread, tried and tested elsewhere, and firms that experiment but only introduce new processes or technologies when their usefulness has been proven. The third group is made up of companies that seek to apply cutting-edge technologies through systematic internal improvements. This willingness to take risks and to innovate was compared with each of the inhibitors. We were able to demonstrate a significant relationship between risk-averse and innovation-following behaviour and inhibitors. The strongest inhibiting factor cited by managers was the lack of motivation of employees (Sig: 0.007), and the impact of perceived low IT knowledge in the organisation was also prominent (Sig.: 0.007). Experimental and innovative companies had a lower proportion of perceived presence of inhibiting factors in the organisation, and significantly fewer of these were also present.

Going international is often associated with a stronger willingness to innovate and take risks. Our results show significant differences between domestic and internationally active domestic companies. Figure 2 shows that companies in the international market tend to adopt a higher proportion of available, cutting-edge technologies, while companies operating only in the domestic market tend to use more proven technologies.



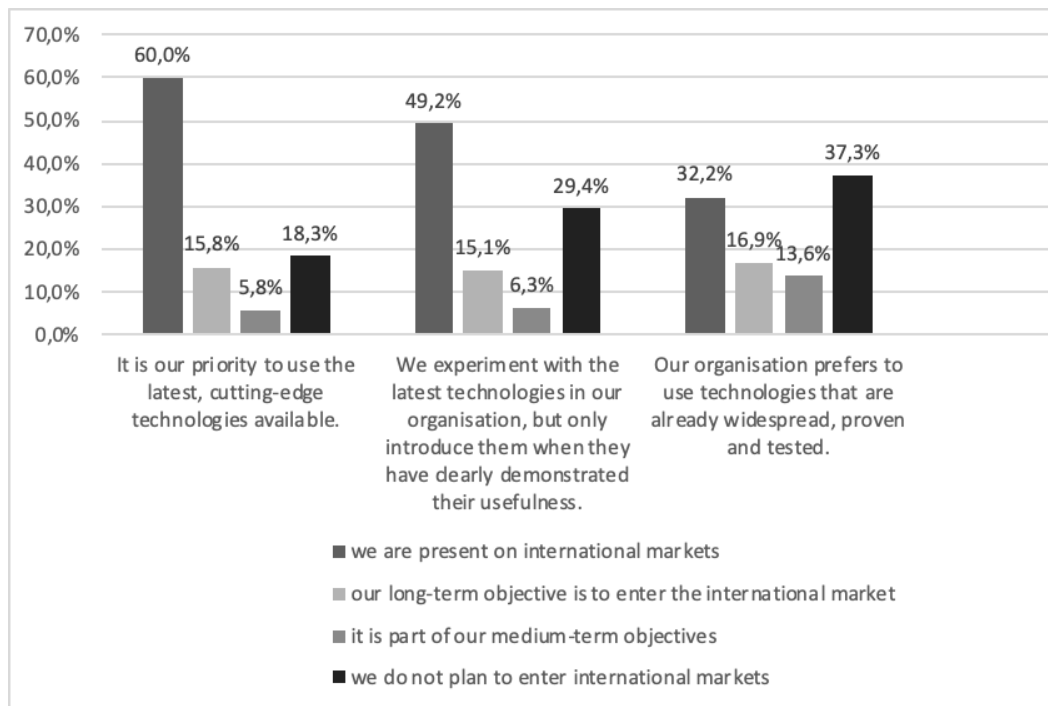


Figure 2: Type and degree of innovation as a function of internationalisation (own editing)

*Explanation: the percentage of companies already present in the international market, the percentage of companies planning to enter the international market in the long or short term and the percentage of companies only active in the domestic market that chose each response option.*

Managers of firms that are at the forefront of networking, open innovation and knowledge sharing between organisations also reported fewer organisational barriers. There were also other specificities in terms of channelling new knowledge, experimenting with or applying innovative technologies. Company size seems to be a determinant: the larger an organisation, the more likely it is to engage in knowledge sharing with other organisations. However, smaller companies tend to be more experimental in innovation, while large companies tend to be at the forefront of rapid adoption.

### Decision-making process and management characteristics

Decision-making routines were highlighted because our previous research has shown that the perceptions of managers who make decisions alone are more distorted, and that information flows, decision-making processes and internal knowledge sharing are more closed and of lower quality. Companies with two or more decision-makers were forced to communicate and argue more actively, requiring data, which meant more thorough

planning routines and more active communication, information flow and organisational involvement. This interaction and mutual influence was also demonstrated in this database. In the sampled companies where a manager is the decision maker, the inhibiting factors felt significantly stronger in terms of low work ethic (Sig.: 0.000), lack of expertise and management knowledge (Sig.: 0.042), lack of employee motivation (Sig. 0.000), and perceived employees as resistant to change (Sig.: 0.001) and not open to new knowledge (Sig.: 0.001). In contrast, in companies where more managers are involved in decision making, inhibiting factors are less of a hindrance to company performance as perceived by managers.

### **Summary of results**

In the present research, we focused on a deeper understanding of the future competitiveness of domestic companies, and on the analysis of the internal factors that hinder competitiveness, looking for the answer to the question of what factors hinder companies from successful growth in the future. The internal factors that hinder corporate success and their role were examined separately in the „Future organisation and leadership” research. In this paper, we analyse the impact of internationalisation as the most significant factor, and the importance of individual and firm behavioural effects along the dimensions of strategy, knowledge development, innovation, information flow and decision making. We have narrowed the analysis to those areas over which the leader has a direct influence and measured the factors that inhibit corporate success through the leader’s perception. The statistical results were validated on a representative sample, thus providing relevant messages for understanding domestic corporate functioning and competitiveness. The analysis focused on internal operational factors and approached the analysis from several aspects, such as strategy, internationalisation, innovation, knowledge management and decision making.

In the minds of domestic managers, the organisation of the future has strong human-centred characteristics, where organisational-cultural factors play a decisive role, and the management aspect, being an organisation, also plays a key role (Marciniak et al., 2022). Researchers have long attributed a crucial importance to the role of the leader in the success of the firm (Handy, 1986; Peters & Waterman, 1986; Bácsi, Szőcsné Kováts, Takács & Toarniczky, 2006), in the innovative activity of the firm (Ónodi & Répáczki,

2022), with innovative entrepreneurial character, as the leader's task is to „*explore, understand and create opportunities*” (Farkas, Málovics & Kincsesné, 2017, p. 65.). Consistent with this, we can see that the company stakeholders themselves believe that the leaders of the company have a key role to play in the future success of the company.

51% of business leaders preferred hard and 49% preferred soft organisational characteristics to describe the organisation of the future (Marciniak et al., 2022), which shows the importance of internal factors from a competitiveness perspective. This is in line with the expectation, also articulated in the literature review, that a balance between soft and hard factors should be sought (Kaplan & Norton, 2000). Previous domestic competitiveness research has already shown that managers emphasise hard factors and explicit, typically financial-performance indicators as the key determinants of firm success (Chikán & Czakó, 2009). In contrast, when asked to list factors that hinder competitiveness, they mostly highlighted soft factors such as inadequate decision making processes, management knowledge gaps, limited organisational learning capabilities and inefficiency problems. The analysis of our own database confirms that company managers have a similar view: although they emphasise the importance of soft factors in direct questions, rational, measurable, competitive factors (efficiency, profitability, etc.) dominate in activity questions.

Awareness and data-driven disaggregation of strategy and enterprise analysis of plan-fact data go hand in hand with an organisation that is actively using digitalisation. Companies with one-person decision-making and leadership are significantly less likely to excel in identifying new opportunities, less likely to pursue new strategic initiatives to gain a sustainable competitive advantage over competitors, and less likely to allocate resources to digitisation and the use of new technologies. This reduces their flexibility to adapt, makes it more difficult for them to respond to unexpected challenges and limits their future competitiveness potential.

If a company belongs to the group of companies that are also present on the international market, it is significantly less likely to perceive barriers and to have higher scores in competitiveness indicators, it is more likely to use innovative technologies, to adopt a risk-taking strategy, to be more flexible, to seek continuous opportunities, to have a strategy that is broken down to the individual level, to be more open to innovation, to be less affected by barriers, and thus to be more successful in future competitiveness than companies that focus only on the domestic market.

In terms of results, companies where managers perceive a lack of staff motivation and skills/knowledge, knowledge and use of IT tools, innovation skills as a strong inhibiting factor are less likely to engage in knowledge sharing with other organisations. Managers perceive that a large part of the workforce is resistant to change and unable to absorb new knowledge, which is why managers of lagging companies feel that their organisation is in many ways not suited to development and improvement, which could be a competitive disadvantage in the future.

Experimental, innovative companies had a lower proportion of perceived and significantly lower incidence of barriers in their organisation. Smaller companies are more experimental in innovation, while large companies tend to be more at the forefront of rapid adoption. International market entry is often associated with a greater willingness to innovate and take risks. It can be argued that openness to innovation and experimentation can reduce barriers, increase the willingness to enter international markets and thus make the company more competitive in the future.

Looking at decision-making processes, companies with two or more decision-makers were forced to communicate more actively, which meant more thorough planning routines and more active communication, information flow and organisational involvement. In companies with one manager, the barriers were felt to be stronger in the areas of low work morale, lack of expertise and management knowledge, lack of employee motivation, and employees were perceived to be resistant to change and not open to new knowledge. Conversely, in companies where more managers are involved in decision making, inhibitors are less likely to hinder the company's performance as perceived by managers. These findings suggest that the quality of the decision-making process may be a key determinant of future competitiveness and that companies with more people involved in decision-making may be more competitive and effective.

Of course, the validity of the results is tempered by the fact that the sample is dominated by manufacturing companies due to the limitations of the research. In addition, we asked for perception-based assessments from respondents, who are senior managers in the companies.

## Conclusion

The Future Organisation and Leadership research group looked at what the organisation and leadership of the future will look like, what challenges business leaders will face and what factors will determine the success of a company. In this study, the authors have focused on the role of inhibitors to corporate competitiveness and have sought to identify significant effects, well-defined patterns and cooccurrences.

We were also able to demonstrate the bias in knowledge perceptions that has emerged in other research: the sample also found that managers of companies that perform less well in competitiveness factors overestimate their own abilities compared to more successful managers. Managers who believe that their firms are less constrained by inhibitors are those whose firms have centralised, single-actor decision-making, closed and incomplete information flows and knowledge sharing, and low organisational awareness of strategy.

It is also worth investigating the number of managers further: our own previous research (Almási, 2019) and the results of the Future Organisation and Leadership research have also shown that there is a correlation between the number of managers and firm success, but this hypothesis was not fulfilled on the larger database of the KVI competitiveness research (Szerb et al., 2014). The discrepancy may also be due to differences in the sample selection criteria, but we hypothesize that the number of managers is not the only determinant in this issue. Our data suggest that the involvement part of the decision-making process (e.g., the powers of middle managers), the information flow and knowledge sharing specific to the organisation, and more active interaction between the leader and the organisation (e.g., sharing strategy downwards with organisational members or channeling innovative ideas upwards to leaders) are equally important. This involvement is, according to our results, greatly facilitated by corporate digitalization. Competitiveness research has typically looked at companies' IT development, systems and tools availability and automation, number and type of innovations, cost ratios. A number of international studies (Galy & Saucedo, 2014; Schlichter, Klyver & Haug, 2018) focus on the level of organisational fit of the IT systems implemented, the complexity of the target expectations for the investment, and the level of managerial-organisational commitment. Empirical research shows that digitisation significantly increases the success of firms when the level of integration is as high as possible and the manager's goal is not to improve efficiency or reduce costs in isolated functional areas (e.g. by implementing a CRM or a stock module).

Internationalisation is similarly a management-driven area: expansion abroad is typically not an ad hoc decision, so the development, detail and organisational communication of strategy is a prerequisite for internationalisation.

The results can provide the following lessons for companies to be more competitive, more efficient and successful in the future, and to reduce barriers within the organisation:

1. It is recommended that in decision-making processes, in strategically important issues, more senior, organisational actors should be involved in decision-making, so that data analysis, decision preparation and daily routines can be carried out more efficiently. As a result, more effective decisions can be made, organisations will be more open, strategy decomposition will be more common, staff involvement will be created and inhibiting factors will be reduced.
2. In order to be more competitive, it is recommended to look for strategic opportunities where companies can be involved in international processes, thus making the organisation more open to innovation, new opportunities can bring more effective operation, employees will be more motivated, thus reducing the impact of inhibiting factors.
3. The specification and implementation of innovation and digitalisation should be as broad as possible, involving the whole organisation, based on continuous information and knowledge sharing. This also facilitates the development of related areas and processes, which has a positive impact on the success and competitiveness of companies.

## 6. PRESENTATION OF RESEARCH RESULTS

The research focus of the dissertation articles is on the competitiveness of Hungarian companies. My main research questions are: *What determines the competitiveness of domestic firms? What are the new challenges? How does it contribute to the resilience of companies?* The analysis has typically been done from the perspective of internationalisation: *What role does internationalisation play in corporate competitiveness? What are the specific characteristics of companies in the international market? What are the barriers or success factors?* Internationalisation is a stable element of competitiveness in research (Szerb, 2014; Varga, 2019; Stocker & Várkonyi, 2022). Finally, in line with the research model, *what role does the manager play in the success and competitiveness of the firm?* The attitude, decisions, and strategic direction of the firm's leader determine the firm's competitiveness.

The first article examines the role of leadership in the success of domestic SMEs. It analyses individual cases, which are not suitable for general statements, but guides the research questions that will appear in the following articles. The second, third, and fourth articles are based on the analysis of a large sample database. Due to the representative sample, the results are suitable for statistical generalisation. In line with national business statistics, the sample is dominated by medium-sized enterprises. As „*our knowledge about the internal world, strategy, behaviour and problems of SMEs is limited*” (Szerb, 2010, p. 2) and the last data collection of the Competitiveness Survey was in 2019 (Chikán, Czakó, Demeter & Losonczi, 2019), the present results are novel and relevant.

The research team „Future of the Organisation and Leadership” (Marciniak et. al., 2022) aimed to research the future challenges of domestic companies. *What factors will be important in the future? What will determine the success of the company of the future? What challenges will the future leader have to face?* The research has resulted in a complex and valuable database and has opened up several interesting research areas.

An objective and transparent assessment of success is not possible (Berényi & Deutsch, 2021); what we mean by the success of a company is not a straightforward concept (Szanyi-Gyenes & Almási, 2021), but internal capabilities contribute to an increasing extent to the success and competitiveness of a company (Rideg, 2017). The first article aims to examine the role of the CEO in the success of SMEs, but the role of the CEO also appears in the analysis of the barriers to growth in the third article.

## 6.1 The role of leadership in the success of SMEs

The article focuses on the success of the Hungarian SME sector based on theories of competitiveness and organisational identity. The analyses focus on the functioning of the firm and the role of leadership. The research results summarise the competitiveness characteristics of Hungarian SMEs from the leader's perspective, with a particular focus on leadership effects in the internationalisation of SMEs. The companies included in the research were all innovative SMEs and experienced dynamic international growth. The results show that, in addition to the direct effect of the leader, there are also indirect effects in several factors. It is because the ability to set strategic direction, identify growth opportunities, manage the necessary internal resources, and develop an organisational structure that fits the SME sector's vision and objectives depends on the managers' leadership skills. The investor has usually brought the expected business approach, structure, and order to the company's operations, and professional management has been put in place. In one of the companies studied, there were several successive managers over the few years of operation who failed to understand the dynamics of the company and were unable to manage international growth. The result was a downward trend, and the company was on the verge of bankruptcy, which a change of management and a different approach managed to halt the fall. „*The previous management was comfortable management*”, said one interviewee, showing the importance of motivated management. The key to success is a motivated manager, „*where you can be more successful than your competitors by working 12 hours more a week because in the end you have to do everything, you just have to do it better*”.

The results of the company interviews were evaluated along four dimensions: (1) strategy and vision: the companies studied all had a clear vision and conscious strategic objectives in the international growth phase; (2) leadership and organisation: competent and motivated leadership is essential in the dynamic growth phase; (3) processes and development; (4) change management: internationalisation and a turbulent changing environment have posed constant challenges for companies, and it is the responsibility of the company leader to manage these challenges successfully.

Although, due to the methodological limitations of the research, the results cannot be generalized, and their validity is limited they provide a basis for understanding the success of domestic SMEs and for further research directions.



*The article focuses on the competitiveness of domestic SMEs from a leadership perspective.* The results of the study of international growth-oriented small enterprises show that success as a factor is linked to international growth. All companies being interviewed fit the concept of born global companies, seeking an international market from the outset, and looking at the whole world as a potential opportunity. Conscious planning and strategic concept are crucial elements in international growth. The vision of all the companies studied was linked to international success. The arrival of an external investor has typically further reinforced conscious planning, defined directions, identification of focus areas, and professional management. Competent and determined leadership and management roles are essential for the success and internationalisation of the companies and were often identified as a gap.

## **6.2 The competitiveness of the organization of the future from the perspective of the internationalisation of companies**

It is difficult to research the company of the future, to study its characteristics and to define the factors that will make it successful. Nevertheless, it is the focus of the research project *„Organisation and Management of the Future”*. *The aim of the research was to get a more complex picture of the operating practices of organisations and managers in Hungary and to understand the ideas and expectations of the future organisation and manager in the respondents' minds. Internationalisation is a context for the analysis, which may determine the success and competitiveness of future organisations.* Companies at the forefront of technology, which constantly strive to innovate and renew themselves, will be more competitive in the marketplace and thus will view internationalisation boldly and proactively as an opportunity for the successful growth of their company.

How do today's leaders envision the organisation of the future? In the words of the respondents, the organisation of the future is: *„responsive and positive to change; moving ahead with improvements; innovative; innovating; renewing; constantly evolving; economically stable; stable background; multi-legged; well organised; well-defined tasks; receptive to innovation; modern; digital; efficient; skilled workforce; building on knowledge base; environmentally aware; thinking in new perspectives; surviving the current situation”*. Categorising the responses according to „hard” and „soft” factors, the results show a balanced picture. Among the responses that emerged, 51% tended to

describe the organisation of the future in terms of hard (*planning, structure, infrastructure, control*), while 49% tended to describe it in terms of soft (*people, culture, support, shared values*).

The analyses are based on a representative sample, so statistical generalisability is possible. It is also worth looking at the results in a deeper context and searching for causal effects.

*The focus of the article is on the competitiveness of domestic companies from the perspective of the internationalisation of companies and the challenges for the future.* In the minds of domestic business leaders, the organisation of the future has strong people-centered characteristics, the organisation is largely defined by its organisational culture, and the organisation of the future cannot be imagined without a leader. Companies with an international market presence are more risk-averse and tend to adopt the latest, cutting-edge technology in higher proportions. Companies with an international market presence are more likely to maintain a competitive advantage through continuous strategic initiatives and a strategy broken down to the individual level. Companies in international markets tend to have a more individualised strategy in which employees are aware of the objectives of the company.

### **6.3. Top Executives on Competitiveness: Survey of Digitalization and Internationalisation in Hungarian Companies**

We examined the competitiveness of domestic companies, focusing on the challenges of digitalisation on the one hand. On the other hand, we analysed the future competitiveness opportunities of companies from the perspective of internationalisation. The analyses cover the importance of strategy, management aspects, and their interaction with digitalisation challenges and international aspirations. The results are evaluated in terms of both ownership structure and market orientation, and differences and patterns are examined for companies with an international and a purely domestic focus.

Based on the initial analyses, we discovered some interesting results, in line with the trends. It was already known that environmental factors play an important role in the formulation of corporate strategy and in management decisions. Another important aspect is the stage of development of the company, because it determines the problems and

challenges. The perception of managers plays an important role in decisions, the attitude of the manager has an impact on the competitiveness of the company, the perceived business opportunities, the willingness to take risks and to innovate. Having one or more managers in a company also seems to be essential for digitalization, as shared decision-making involves a higher level of data analysis. Similarly, internationalization was a control variable: companies with an international presence tend to have a higher level of strategy and less of an ad hoc decision-making culture, which also favors long-term, data-driven decision-making and corporate digitalization.

*The article focuses on the digitalisation factors that determine the competitiveness of domestic companies from the perspective of company internationalisation.* The results show that technological changes, including the challenges of digitalization, are more challenging for larger companies and have the least impact on companies in the second revenue category. Their differentiation can be explained by the fact that they are at different developmental stages, which presents them with very different types of challenges, but they do not yet have the organisational characteristics of classic larger companies. The digitalization performance of companies operating in the domestic market, which are mostly Hungarian-owned, lags behind companies operating in the international market, which are mostly foreign-owned. To make companies more competitive in the future, businesses should be more open to innovation and digitalization, to develop employees' skills and suggest management support and risk taking.

Companies that are also present in the international market perceive the impact of technology, including digitalization, as stronger and pay more attention to the use of digital technologies, compared to domestic companies that perceive the impact of technological change as less of a challenge. Companies that are also present on the international market are likely to have the necessary specialized expertise, such as sales knowledge, and thus to perceive expertise as less relevant as a barrier. These companies perform better in improving work process efficiency, identifying new practices and allocating resources accordingly. It is worth exploring networking opportunities to increase the connectivity of companies that think only in terms of domestic markets. This would presumably increase the number and quality of routines learned, which, if incorporated into their own operations, could make domestic firms, which currently have a low level of innovation, more technologically advanced. Companies should to look for

international opportunities in their corporate strategy because internationalisation plays a clear role in the development and digitalization of companies through information flows, organisational learning, decision-making processes and corporate culture.

The role of managers in the digitalization process was clear from the analysis of the research data. For the managers of companies lagging behind in innovation and digitalization, the role of environmental influences was stronger, their strategy was less formalized and the corporate strategy was less transparent to the members of the organization. Likewise, ownership structure was an important control variable: where there is a single owner, the company is more prone to information flow lock-in, as information is only available to a narrower layer of management, even with higher levels of digitization. In the case of multiple owners and common operational management, digitalization does not only perform a control function, but also plays a role in knowledge sharing and data-driven decision making. Achieving and maintaining a sustainable competitive advantage requires transparent information flows, proactive decision-making and delegation. Digitalization can become a key to the future success of a company if managers change their management style and decision-making mechanisms. To this end, it is necessary to explore in more detail and distinguish the relationship between innovation and firm performance, and to explore whether digitalization has a direct, moderating or mediating effect on competitiveness. This will give us further insights into how digitalization is affecting the professionalization of companies, through their management functions.

#### **6.4. Examining business competitiveness in the context of barriers**

The aim of this article is to examine the competitiveness of domestic firms, focusing on the barriers. The analysis was conducted on a representative sample using a quantitative methodology. The results show that company managers play a key role in the competitiveness of companies, and in several cases, significant effects were found. The analyses focused on a deeper understanding of the competitiveness of domestic firms. We identified the barriers to innovation and competitiveness. The inhibitors also affect the day-to-day routines of the firm. The more innovative, risk-taking, and knowledge-sharing active a company is, the less it is affected by the impact of the inhibitors. A significant relationship between risk-averse, and innovation-following behaviour and inhibitors can be demonstrated. Regarding internationalisation as an important aspect of

competitiveness, firms that export or are present in international markets perform better in all aspects. Given their characteristics, they are constantly seeking to gain a competitive edge through new strategic initiatives and flexible adaptation.

This research focuses on some of the critical factors of competitiveness, such as internationalisation, innovation, and administrative routines, and compares these with the barriers. In search of common characteristics, we looked at the characteristics of competitive and lagging firms. We looked for the typical co-occurring influences that prevent firms from growing and gaining a sustainable competitive advantage. We sought to identify significant effects, well-defined patterns and co-occurrences, focusing on the role of leadership challenges and inhibitors on firms' competitiveness.

*The focus of this article is to gain a deeper understanding of the competitiveness of domestic firms in terms of the barriers to growth from the perspective of internationalisation.* It is recommended that in decision-making processes, in strategically important issues, more senior, organisational actors should be involved in decision-making, so that data analysis, decision preparation and daily routines can be carried out more efficiently. As a result, more effective decisions can be made, organisations will be more open, strategy decomposition will be more common, staff involvement will be created and inhibiting factors will be reduced. To be more competitive, it is recommended to look for strategic opportunities where companies can be involved in international processes, thus making the organization more open to innovation, new opportunities can bring more effective operation, employees will be more motivated, thus reducing the impact of inhibiting factors. The specification and implementation of innovation and digitalization should be as broad as possible, involving the whole organization, based on continuous information and knowledge sharing. This also facilitates the development of related areas and processes, which has a positive impact on the success and competitiveness of companies.

### 3. Figure: Summary of the main findings



Source: Own editing

This dissertation focuses on the competitiveness of domestic firms, with a special emphasis on the role of internationalisation and leadership. Research on competitiveness is actual because the competitive situation is strengthening in both domestic and international markets, the economic environment is changing more and more intensively, and the pandemic has eliminated several former trends (Alexa et al., 2019). As we have read in the literature review, there exist infinite numbers of study which talks about how to improve SME competitiveness, the impact of SME internationalisation on innovation, SMEs international performance, SME's resilience, competitiveness after COVID. Environmental conditions and activities undertaken by companies affect the level of competitiveness, and often even determine the success of companies on the market. Research has already shown that companies with an international presence are often more competitive and more open to innovation. Moreover, leadership plays a vital role in a

company's internationalisation decisions, influencing its openness to innovation and thus its future success and competitiveness.

Innovation is decisive for market competitiveness and efficiency, and some research shows that European SME innovations can rarely be seen as pioneering or groundbreaking (Letycja, 2020). Small and medium-sized enterprises are the core of the European economy. Global crises demand radical and rapid changes from companies, resulting in an increased need for flexibility and responsiveness. Today, resilience is increasingly mentioned as a capacity for renewal that helps us to be resilient in the face of sudden and difficult situations (Eriksson, Heikkilä & Nummela, 2022). The „Future of Organisation and Leadership” research project focuses on the future competitiveness of Hungarian companies (Marciniak et al., 2022) where the main research question is what factors determine the success of the company of the future. Our goals was to understand the perceptions and expectations of the respondents about their future organisations. The research team has taken a complex approach to explore external environmental influences, internal organisational characteristics, the content of strategic thinking, international growth plans, inhibitors, just to highlight some of the important areas of investigation that may determine the success of the company of the future.

In the research model, I analysed the effects of the drivers of competitiveness, internationalisation and leadership on the competitiveness of domestic firms, with a special focus on the factors that hinder competitiveness. The doctoral thesis and related articles were based on the following five research questions, the results of these articles may provide valuable findings.

### ***1. What are the characteristics of the competitiveness of Hungarian companies?***

The future hungarian organisation will be a highly people-centred organisation, where the leader will have a prominent role. The task environment still has the greatest impact on the operation of domestic companies. They feel less affected by changes in the macro-environment. This rigidity may prevent them from exploiting the potential of flexible trends. Furthermore, interesting is contrast that the organisation of the future is seen as digital, an organisation that adopts the latest technology, yet the impact of technological change is less felt by the leaders of domestic companies.

Companies that are open to international markets proves to be more successful and thus more resilient in the face of rapidly changing environmental conditions. Companies in the international market perform better in improving work process efficiency, identifying new practices, and allocating resources accordingly.

The results show that technological changes, including the challenges of digitalization, are more challenging for larger companies and have the least impact on companies after the early period. Companies after the early period are extremely low on the following improvements: most of them do not plan to innovate in technology, digitize their existing processes, improve management skills, or set more detailed organisational goals at individual level in the next 1-3 years. In this category companies least concerned with exploring and experimenting with new opportunities - focus on satisfying local markets - internationalisation does not arise, after the higher risk period of the introduction, this is not the focus of strategic thinking.

A significantly higher proportion of Hungarian firms with majority foreign ownership perceive that technological change and digitalization challenges have a major impact on their organisation compared to Hungarian-owned firms. In their perception of their strengths, they described themselves as outstanding in digitizing their processes, improving efficiency, and exploring entirely new opportunities. Presumably, foreign culture has a significant impact on the exploitation of opportunities. Again, it confirms that international impact is positively related to competitiveness.

## ***2. What are the characteristics of companies operating on the international market?***

Companies present on the international market showed better scores in all the dimensions examined. They are characterised by continuous strategic renewal, a strategy broken down to the individual level, the use of technological innovation and openness to innovation. The leadership style is also supportive of strategic objectives and the transformational leadership style is more typical. These companies are constantly seeking to maintain a competitive edge through new strategic initiatives, have a more individualised strategic plan, have a well-defined and known decision-making process, incorporate available information into the decision-making process, have responded more effectively to unexpected environmental challenges in times of pandemics, are more



attentive to the use of digital technologies and perform better in terms of workflow efficiency.

Companies with an international presence are more integrated into global value chains, looking for competitive advantages, and therefore presumably more courageous and risk-taking in their adoption of the latest cutting-edge technology solutions, pay more attention to the use of digital technologies. The role of leadership and its decisions are coming into even sharper focus, due to rapidly changing conditions and intense competition. The role of change management will be enhanced.

Companies that are also present in the international market perceive the impact of technology, including digitalization, as stronger and pay more attention to the use of digital technologies, compared to domestic companies that perceive the impact of technological change as less of a challenge. Companies that are also present on the international market are likely to have the necessary specialized expertise, such as sales knowledge, and thus to perceive expertise as less relevant as a barrier. These companies perform better in improving work process efficiency, identifying new practices, and allocating resources accordingly. It is worth exploring networking opportunities to increase the connectivity of companies that think only in terms of domestic markets. This would presumably increase the number and quality of routines learned, which, if incorporated into their own operations, could make domestic firms, which currently have a low level of innovation, more technologically advanced. Companies should look for international opportunities in their corporate strategy because internationalisation plays a clear role in the development and digitalization of companies through information flows, organisational learning, decision-making processes and corporate culture.

### ***3. What are the factors that may make companies more competitive in the future?***

The competitiveness of the future organisation will be determined by the following factors: open to new technological solutions, using modern technology, willing to adopt new technological options in a risk-taking way, open to innovation, leader supports the innovation activities of the organisation, flexibility to adapt to changing situations and resilient.

The consistency of corporate culture and core values across the organisation also stood out for the companies that rated themselves as more successful, thus soft factors have a significant impact on.

Companies operating in the international market are much more likely to adopt the latest available technologies, making companies that engage in internationalisation more competitive in the future.

The results show that technological changes, including the challenges of digitalization, are more challenging for larger companies and after the early period, it has the least impact on companies. Their differentiation can be explained by the fact that they are at different developmental stages, which presents them with very different types of challenges, but they do not yet have the organisational characteristics of classic larger companies. The digitalization performance of companies operating in the domestic market, which are primarily Hungarian-owned, lags behind companies operating in the international market, which are mostly foreign-owned. To make companies more competitive in the future, should be more open to innovation and digitalization, to develop employees' skills and suggest management support and risk taking.

#### ***4. What is the role of the leadership in the process of competitiveness and international growth?***

Not only does the manager play a key role in the success and competitiveness of small and medium-sized enterprises in Hungary, but almost everything depends on it. A manager's experience, perception, instinct and judgment determine the company's strategy. The perception of stability of the corporate culture, a clearly articulated vision and strategy by the leader, and the corresponding knowledge, organisation and process management were found to be characteristics of successful enterprises.

The perception and experience of the company's manager influences the decisions that determine the company's openness to innovation, development and strategy. The internal set of organisational characters to be more relevant for the future of the firm than external, environmental influences. Managerial skills and managerial attitudes have an impact on the company's ability to innovate and, thus, on the company's strategy and competitiveness. Characteristics that have an impact on company digitalization and

innovation can be identified. These included managerial control, corporate culture associated with error, attitude to risk, and characteristics related to the decision process.

Related to the theoretical direction, envisages flatter and networked organisations needed, so IT developments can eliminate the intermediate management levels that essentially suppress information transfer functions. This loose, task-oriented organisational structure supports knowledge sharing within and between organisations, which also improves the competitiveness of companies.

In most Hungarian-owned companies, respondent managers tend to focus on failures, irregularities and exceptional deviations, and account for all mistakes. In their case, managers delay decisions, wait until things go wrong and problems have to become serious before they can make a decision and take active action, or even delay a response to urgent issues. Some companies use data abundance to control, identify, and hold to account for errors. For other companies, access to data at lower organisational levels means that decisions are made at the lowest level where the information is already available. Digitalization can, therefore, play a very different role in the way companies operate, depending on the management style and organisational culture.

The role of managers in the digitalization process was clear from the analysis of the research data. For the managers of companies lagging behind in innovation and digitalization, the role of environmental influences was stronger, their strategy was less formalized and the corporate strategy was less transparent to the members of the organisation. Likewise, ownership structure was an important control variable: where there is a single owner, the company is more prone to information flow lock-in, as information is only available to a narrower layer of management, even with higher levels of digitization. In the case of multiple owners and common operational management, digitalization not only performs a control function, but also plays a role in knowledge sharing and data-driven decision making. Achieving and maintaining a sustainable competitive advantage requires transparent information flows, proactive decision-making, and delegation. Digitalization can become a key to the future success of a company if managers change their management style and decision-making mechanisms. To this end, it is necessary to explore in more detail and distinguish the relationship between innovation and firm performance, and to investigate whether digitalization has a direct, moderating or mediating effect on competitiveness.

### ***5. What are the barriers to competitiveness, internationalisation and successful growth?***

Analyzing each of the inhibitors, it can be stated that it is after the early period that they are the most problematic, these companies are likely to face a number of growth inhibitors during the growth, and they are the most resistant to change, as they perceive low innovation capacity of their employees as the biggest inhibitor.

Inhibiting factor is clearly linked to internationalisation as well. Firms also present on the international market are likely to have the necessary specialized expertise, such as sales knowledge, and thus perceive expertise as less relevant as a barrier. Companies operating in the domestic market may have a real and existing knowledge gap that hinders them from competing. In this way, it can be said that an international dimension reduces the presence of barriers. To be more competitive, it is recommended to look for strategic opportunities where companies can be involved in international processes, thus making the organisation more open to innovation; new opportunities can bring more effective operation, and employees will be more motivated, thus reducing the impact of inhibiting factors.

The results also showed that managers of companies that perform less well in competitiveness factors overestimate their own abilities compared to more successful managers. Managers who believe that their firms are less constrained by inhibitors are those whose firms have centralized, used single-actor decision-making, closed and incomplete information flows and knowledge sharing, and low organizational awareness of strategy.

The specification and implementation of innovation and digitalisation should be as broad as possible, involving the whole organisation, based on continuous information and knowledge sharing. This also facilitates the development of related areas and processes, which has a positive impact on the success and competitiveness of companies.

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## 8. ANNEX

### *Annex 1: Expert interview outline for the qualitative research part*

#### 1) DESCRIPTION

Description of the company's activities

In which market is the company present

What partnership is currently identified in the operation

Who are the owners - is there an investor in the ownership structure

What is the vision and mission of the company

What is the role of the interviewee in the life of the company?

#### 2) PROJECT START DATE

When and how the project started, who founded it and why

The interviewee was present at the start of the project or joined later

Where was the source of funding in the beginning

What was the purpose of using the funding

What difficulties were encountered at the start of the project (organisational, strategic...)

What funding was needed later

How the team was put together - who were the key players

Who was the head of the company, who was responsible for setting the strategic direction

To what extent was it operated on a company basis/structured

How clear were responsibilities

Were there (written) regulations

Was there a strategy in mind - especially when entering the market

First international steps where/why/with/with whom/how

#### 3) FURTHER LIFE CYCLES, GROWTH PHASES

Expansions, market entries, new product launches

Development in a company-like, structured operation

The arrival of investors in the company - what changes it has brought

#### 4) IDENTIFICATION OF VARIABLE FACTORS

How the organisational structure has changed over time

Changes in management and leadership roles

Changes in decision-making

#### 5) NEEDS

Organic or from external sources

What were the difficulties/challenges

What innovation in the business can be identified

How much attention the company pays to continuous innovation

How important innovation is for international growth and success

#### 6) HOW INTERNATIONAL GROWTH HAS EMERGED

Was it a conscious decision or was it circumstances  
According to analytical targets or as circumstances dictate  
What principles were used to choose partners

#### 7) GRANT MONEY, CAPITAL RAISING, ANGEL CAPITAL

What are/were present in the life of the company  
What the interviewee thinks about EU funding  
To what extent have the resources been used  
Criticism of funding opportunities

#### 8) STRATEGIC ORIENTATIONS

Is there a strategy in writing or verbally  
Does the company use strategic methods, analyses  
How much awareness, analysis dominate in partnership/expansion  
Is there a vision, a mission, a set of goals  
What is the time horizon for the company  
How plans are reviewed  
Who is responsible for identifying the guidelines

#### 9) CLOSING QUESTIONS

According to the interviewee, what are the most important criteria for the success of a business  
Other experience considered important



*Annex 2: Questions analyzed from the Future Organisation and Leadership questionnaire*

**What was the turnover of your company in 2021?**

- 1 Below HUF 100 million
- 2 Between HUF 100 and 300 million
- 3 Between HUF 301 and 700 million
- 4 between 701 million and 1,499 billion HUF
- 5 Between HUF 1.5 and 2.5 billion
- 6 Over HUF 2.5 billion

**QUESTIONER: DO NOT ASK, CODE YOUR ANSWER IN THE CATEGORIES BELOW!**

- 1 Less than 50 full-time employees
- 2 50-99 full-time employees (medium-sized company)
- 3 Between 100-249 people (medium-large company)
- 4 Over 250 people (large companies)

**Which is typical of your company's ownership?**

- 1 Mostly Hungarian private property (over 50%)
- 2 Mostly owned by the Hungarian state or municipality (over 50%)
- 3 Half in Hungarian and half in foreign ownership
- 4 Majority foreign-owned (over 50%)

**Please rate the features on a 5-point scale below, where 1 means they have no effect at all and 5 means they have a powerful effect. You can use the intermediate scores to nuance your opinion!**

- 1 changing economic policy priorities, government legislation, and sector standards
- 2 social and cultural changes (demographic changes, changing values, multicultural challenges, etc.)
- 3 technological changes (technological changes affecting core and supporting processes, including digitalization challenges)
- 4 changes in the market for our products/services (changes in customer/client preferences, competitor actions, new market entrants, etc.)
- 5 changes in the market for the inputs we need to operate (e.g. changes in the availability and price of raw materials and energy, etc., or changes in suppliers)
- 6 labor market expectations (e.g. availability of suitable labour and changing expectations)
- 7 changes in financial markets (borrowing and investment opportunities, inflation, exchange rates, etc.)
- 8 global natural challenges (e.g. global warming, pollution, depleting natural resources)
- 9 the COVID-19 epidemic

**10** the changing expectations of our owners

**Please rate the characteristics on a 5-point scale below, where 1 means strongly disagree, and 5 means strongly agree. Use the middle values to nuance your opinion!**

- 1** its members identify with the primary reason for the organization's existence (the economic, social or environmental purpose it seeks to serve)
- 2** develops or creates value together with its customers/clients (co-creation)
- 3** is constantly striving to achieve sustainable competitive advantages over its competitors through new strategic initiatives.
- 4** excels in the efficient implementation and further improvement of standard workflows
- 5** excels at exploring and experimenting with entirely new possibilities.
- 6** can adapt flexibly to meet even significant and unexpected environmental challenges (e.g. Covid-19).
- 7** gives priority to digital technologies, i.e. allocates resources to their application and development (responsibility, budget, skilled staff, tools)

**Again, please rate on a scale of 5, with 1 being strongly disagree and 5 being strongly agree.**

- 1** for its size, it has few hierarchical levels and can be described as flat.
- 2** is characterised by the roles played by members of the organisation rather than formal leadership positions.
- 3** is characterised by a significant proportion (or even all) of the work being carried out by self-directed teams with clear performance objectives and responsibilities.
- 4** projects and working groups typically involve representatives of several disciplines (functional unit, business line, etc.).
- 5** is characterised by an almost non-stop process of transformation - a series of changes in strategy, structure, processes, etc.
- 6** characterised by a single leader deciding on strategically important issues
- 7** characterised by shared decision-making by several leaders to shape our strategy
- 8** regularly assess which of its processes are worth outsourcing and which are worth bringing in-house.
- 9** part of a supply chain.
- 10** the focus of activity is on the division of labour within a larger group of companies.
- 11** the network of partners changes rapidly over time.
- 12** is often involved in knowledge sharing with other organisations.
- 13** open innovation, i.e. the frequent and deliberate channelling of knowledge from outside (e.g. customers, suppliers, ...).

**Again, please rate on a scale of 5, with 1 being strongly disagree and 5 being strongly agree.**

- 1 for its size, it has few hierarchical levels and can be described as flat.
- 2 is characterised by the roles played by members of the organisation rather than formal leadership positions.
- 3 is characterised by a significant proportion (or even all) of the work being carried out by self-directed teams with clear performance objectives and responsibilities.
- 4 projects and working groups typically involve representatives of several disciplines (functional unit, business line, etc.).
- 5 is characterized by an almost non-stop process of transformation - a series of changes in strategy, structure, processes, etc.
- 6 characterised by a single leader deciding on strategically essential issues
- 7 characterised by shared decision-making by several leaders to shape our strategy
- 8 regularly assess which of its processes are worth outsourcing and which are worth bringing in-house.
- 9 part of a supply chain.
- 10 the focus of activity is on the division of labor within a larger group of companies.
- 11 the network of partners changes rapidly over time.
- 12 is often involved in knowledge sharing with other organizations.
- 13 open innovation, i.e., the frequent and deliberate channeling of knowledge from outside (e.g., customers, suppliers, ...).

**Please choose one of the following statements that best describes your organisation!**

- 1 The strategy is translated into an individualized and quantified business plan and we regularly review plan-to-actual deviations.
- 2 Most colleagues know the long-term goals of the company.
- 3 Only a narrow group of people (e.g. middle managers, managers or, in the case of a family business, family members) know the long-term goals of the company.
- 4 The manager is aware of the company's long-term goals but does not share them with the majority of employees.

**Is your company present in international markets?**

- 1 are now also present on the international market
- 2 their long-term objectives include entering the international market
- 3 their medium-term goals include
- 4 we do not plan to enter international markets

**Answer 1 means you strongly disagree about your organization, answer 5 means you strongly agree about your organization. You can use the intermediate answers to nuance your opinion!**

- 1 have mechanisms to keep up with changing „customer” needs (both internal and external)
- 2 takes a customer-centric approach to developing offers (both for internal and external customers).
- 3 has a transformational culture that embraces change and high-performance
- 4 digitally interconnect and interoperate your sales channels (multi- or omnichannel)
- 5 strives to digitize and rethink processes in both internal services and customer services
- 6 prioritize and schedule digital projects
- 7 uses agile methods for agility and speed
- 8 has guiding policies and decision-making structures to manage the digital transformation.
- 9 has security policies, standards, and practices in place to keep data secure.
- 10 has IT audit assessments, i.e., security metrics and vulnerability assessments.
- 11 is characterized by purposeful and frequent experimentation with new technologies
- 12 a bottom-up approach to technological innovation
- 13 has a well-structured innovation transfer mechanism (from idea generation to implementation of new ideas).
- 14 looking for new digital business model(s) enabled by digital technology
- 15 set up a dedicated unit to promote business innovation
- 16 have procurement strategies to buy, hire, or otherwise creatively source the resources you need
- 17 has innovative financing models for raising funds and/or tailored payment methods
- 18 build creative partnerships with internal and/or external suppliers (provide funding, infrastructure, and expertise)

**Which of the following statements about technological innovation is true for your organisation? Please choose the most typical one!**

- 1 We strive to use the latest, cutting-edge technologies available.
- 2 We experiment with the latest technologies in our organization, but only introduce them when they have clearly proven their usefulness.
- 3 Our organisation prefers established, proven, and tested technologies.

**Continue to rate on a scale of 5, where the answer 1 means: definitely not planning, 2 - probably not planning, 3- don't know, 4 - probably planning, 5 means: definitely planning.**

- 1** introducing new digital technologies to make our support activities/processes more efficient
- 2** the introduction of new technologies for the digital transformation of our core activities/core processes
- 3** more detailed organisational objectives, broken down to individual level, than at present
- 4** improving our current marketing activities
- 5** improving information systems and the data-driven operation of the organisation
- 6** the replacement of human resources by technology as much as possible
- 7** the development of management skills
- 8** developing the skills of employees
- 9** improving the well-being of employees at work
- 10** a more robust presence on international markets
- 11** improving the organisation's business continuity capability
- 12** increasing the standardization of our products/services
- 13** improving the customization of our products/services
- 14** decentralization of management decision-making
- 15** more flexible labour market solutions
- 16** the creation/development of small, autonomous project teams for more flexible environmental responses
- 17** providing workers with only meaningful work
- 18** outsourcing certain activities/processes
- 19** other, please explain:
- 20** introducing/maintaining hybrid working after the COVID-19 outbreak

*Annex 3: Certificate of recognition for the award-winning conference presentation*

 HIDAK ÉS UTAK – II. INNOVÁCIÓS KONFERENCIA LEHETŐSÉGBŐL CSELEKVÉS	 BUDAPESTI CORVINUS EGYETEM VÁLLALKOZÁS ÉS INNOVÁCIÓ INTÉZET	 NEMZETI KUTATÁSI, FEJLESZTÉSI ÉS INNOVÁCIÓS HIVATAL	 Pannon Egyetem Gazdaságtudományi Kara
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**ELISMERŐ OKLEVÉL DÍJAZOTT KONFERENCIAELŐADÁS TARTÁSÁRÓL**

**Hidak és utak - II. Innovációs Konferencia**

**Lehetőségből cselekvés**



**Tisztelt Szanyi-Gyenes Xénia!**

A BUDAPESTI CORVINUS EGYETEM és a PANNON EGYETEM Gazdaságtudományi Kara 2022. november 24-25-én rendezte meg a „Hidak és utak II. Innovációs Konferencia - Lehetőségből cselekvés” című konferenciáját. A konferencia fővédnöke a Nemzeti Kutatási, Fejlesztési és Innovációs Hivatal volt.

Örömmel értesítjük, hogy a II. Innovációs Konferencia Technológiai innovációk menedzsmentje Szekciójában tartott „Jövő szervezete és vezetése kutatási beszámoló” című előadását a felkért szekcióvezetők Kiemelt Előadásnak minősítették, és a szakmai zsűri az előadás alapján elkészülő tanulmányának a **Vezetéstudomány** c. folyóiratban való megjelentetését javasolja.

A konferencia-előadások alapján készült kéziratok megjelentetése folyamatos lesz, kérjük a cikket a hagyományos módon nyújtsa be a folyóirat erre szolgáló elektronikusan felületén (<https://journals.lib.uni-corvinus.hu/index.php/vezetestudomany>), és a megjegyzés rovatban is tüntesse fel, hogy cikkének alapját a II. Innovációs konferencián szakmai elismerésben részesült előadása képezi.

Munkájához és sikereihez ezúton is gratulálunk!

  
  
Dr. Deutsch Nikolett  
Intézetvezető  
Vállalkozás és Innováció Intézet  
BUDAPESTI CORVINUS EGYETEM