

## Patterns of Business Internationalisation in Hungary: Empirical Results from the V4 Survey

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Andrea S. Gubik, Sándor Karajz

University of Miskolc, Hungary

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### 4.1. INTRODUCTORY REMARKS

This chapter analyses specific features of internationalization of Hungarian businesses. First, the sample is presented and then the main results are shown in the following context:

- The Pace and Scope of Internationalisation,
- The Choice and Use of Entry Modes,
- Motives for Going International
- The Role of the Entrepreneur in the Internationalisation Process.
- Internal Resources for Internationalisation,
- Internationalisation Strategies,
- The Role of the Entrepreneur in the Internationalisation Process.

The data was obtained from empirical research within the framework of the Visegrad Fund project “Patterns of business internationalization in Visegrad countries - in search for regional specifics” (standard grant no. 21310034) conducted in the late 2013 and early 2014 (Bartha & Gubik, 2014; Gubik & Karajz, 2014; Gubik & Wach, 2014; Wach, 2014a; 2014b; Wach & Wojciechowski, 2014; Knežević & Wach, 2014; Kiendl-Wendner & Wach, 2014; Daszkiewicz & Wach, 2014; Daszkiewicz, 2014). The questionnaire was available online.

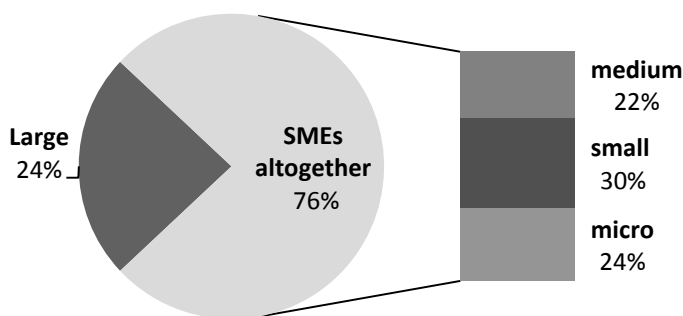
The sample does not represent Hungarian firms since this was not the purpose of the data collection. This is because a sample with the same ratio of different firm size groups would have encompassed mainly micro-sized enterprises, which were less active internationally and would have been less suitable for achieving the goals of the research. The purpose of this survey was to include the same amount of firms of different sizes in the research, that’s why large and internationally active firms are over-represented in the sample. When evaluating the results of this paper this fact has

to be considered because it may affect the generalizability and applicability of the results.

## 4.2. RESEARCH SAMPLE CHARACTERISTICS

The research sample is amounted to 104 firms, as we received 104 completely filled in questionnaires ( $n = 104$ ). As for firm size, approximately 26% of firms were micro-sized enterprises, 30% were small-sized enterprises, 21% were middle-sized firms and 23% were large firms.

The respondents employed about 287 workers on average and in total the number of employed amounted to 30,000 people.



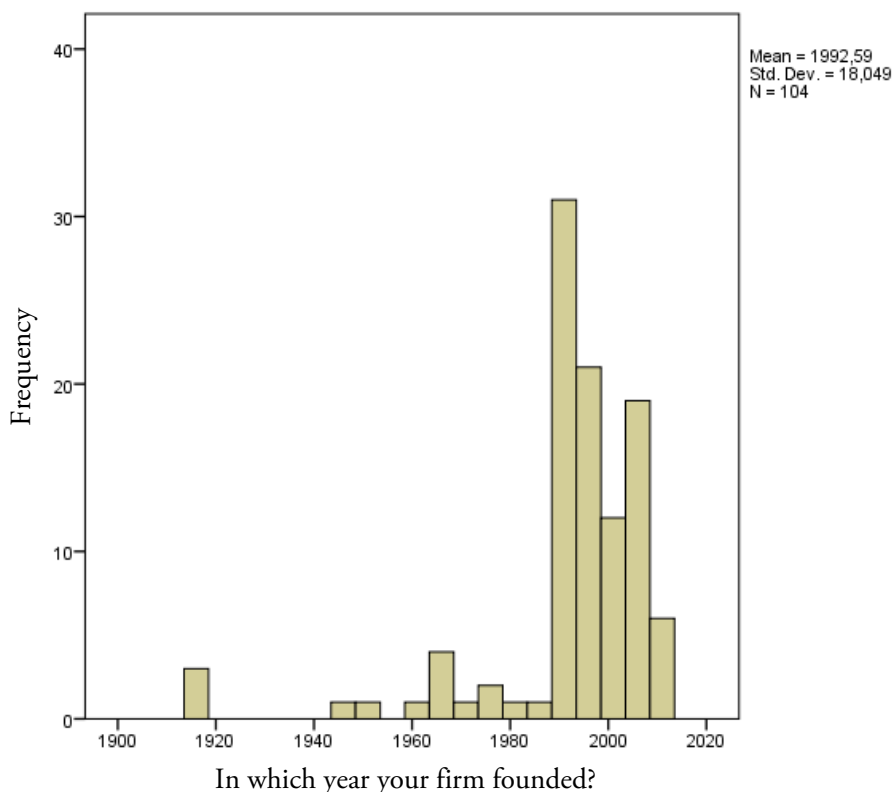
**Figure 4.1.** Size of the firms in the sample in Hungary  
Source: Own study based on the V4 survey results of 2014 ( $n = 104$ ).

Most firms were founded after 1990s, less than 15% had more market experience than this. Figure 4.2. shows the age of the sampled firms.

Only 27 firms reported that the business was a family business. According to our definition they are firms that are the solely (or dominantly) owned by the same family, employ family members or are active in supporting the business processes of the family members.

In our database 87 firms are owned by Hungarian investors and 8 firms are in foreign ownership with 100% share. There are only 3 firms in the sample with foreign ownership below 50% and 5 with more than 50%.

As for the business activities of the surveyed firms, almost half of them are industrial firms (49%), 35% are service providers, 14% are trading firms and 2% are involved in agricultural activities. Within the industrial firms, construction (F) and manufacturing (C) were the most often mentioned economic activities. Besides them professional, scientific and technical activities and information and communication (J) are also above the average.



**Figure 4.2.** The age of the firms in the sample in Hungary  
Source: Own study based on the V4 survey results of 2014 ( $n = 104$ ).

**Table 4.1.** Firms' spheres of activity in Hungary

Economy Sector	Number of firms	Valid percent
Agriculture	2	1.9
Industry	51	49.0
Trade	15	14.4
Service	36	34.6
<b>Total</b>	<b>104</b>	<b>100.0</b>

Source: Own study based on the V4 survey results of 2014 ( $n = 104$ ).

### 4.3. RESULTS AND DISCUSSION

#### The Pace and Scope of Internationalisation

The Hungarian database contains responses of 104 firms out of which 74 firms were active in international markets. All firms but one with foreign ownership was involved in international activity.

**Table 4.2.** International activity of the firms in Hungary

<b>Internationalisation of Firms</b>	<b>Frequency</b>	<b>Percent</b>
International activities	74	71.2
No international activities	30	28.8
<b>Total</b>	<b>104</b>	<b>100.0</b>

Source: Own study based on the V4 survey results of 2014 ( $n = 104$ ).

International activities by firm size were also analysed. The ratio in internationally active firms was almost the same as in the whole sample (Table 4.3.)

**Table 4.3.** Firms' international activities by firm size among Hungarian firms

<b>Size of firms</b>	<b>All firms</b>		<b>Internationally active firms</b>	
	Number of firms	Valid %	Number of firms	Valid %
Micro firms	27	26.0	18	24.3
Small firms	31	29.8	22	29.7
Medium firms	22	21.2	16	21.6
Large firms	24	23.1	18	24.3
<b>Total</b>	<b>104</b>	<b>100.0</b>	<b>74</b>	<b>100.0</b>

Source: Own study based on the V4 survey results of 2014 ( $n = 104$ ).

The majority of internationally active firms started their international activities after the political changes in 1990. The EU accession didn't alter significantly the internationalization willingness of the firms. Only 34 % of the asked firms started their international activities after the accession. Table 4.4. shows the year of the first international activity.

**Table 4.4.** Start of international activity in Hungary

<b>Year of establishment</b>	<b>Number of firms</b>	<b>Valid %</b>
Before 1990	9	12.3
1990-2004	39	53.4
After 2004	25	34.2
Total	73	100.0
Missing	1	-
<b>Total</b>	<b>74</b>	<b>-</b>

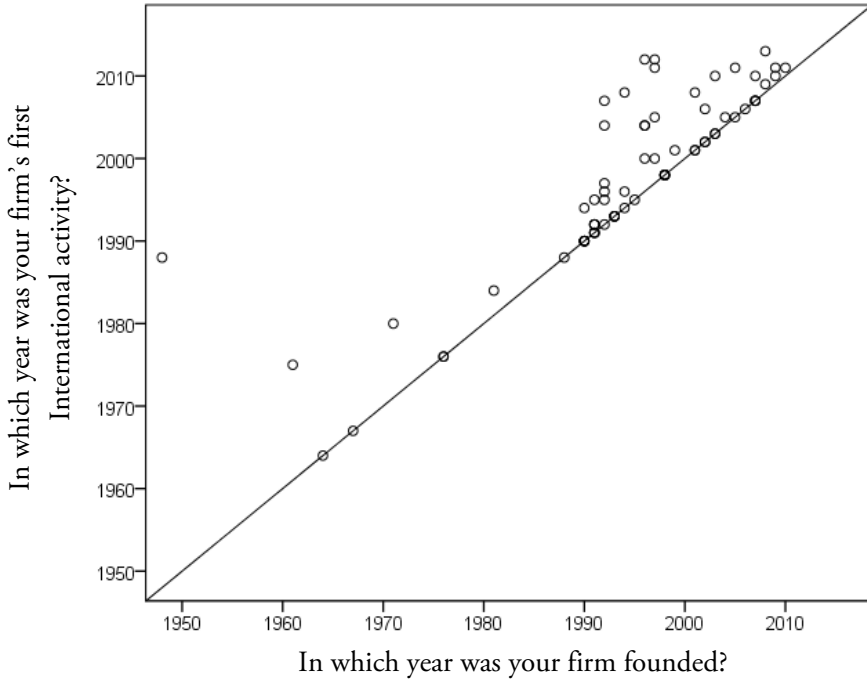
Source: Own study based on the V4 survey results of 2014 ( $n = 74$ ).

The next step was to analyse the market entry strategies applied by the respondents. Figure 4.3. shows the years when the businesses were founded and went international. The firms in the diagonal were founded and went international in the same year. They are born global firms.

About one-fifth of young enterprises in Europe are born global firms but with considerable differences among countries (Eurofound, 2012). In Hungary this rate is

less than 10%. Hungarian researchers found the same results. Hungarian firms adopt gradual internationalisation (Antalóczy and Éltető, 2002, Szerb and Márkus, 2008).

In the current sample 37 firms, which constitute more than half of the sample, gave this response. (Since the years of foundation of the surveyed firms were the same in some cases, the figure fails to reflect all the 37 firms because of the overlapping markers). The other part of the firms went international only after gaining some experience on the domestic market.



**Figure 4.3.** Years of establishment and going international in Hungary  
 Source: Own study based on the V4 survey results of 2014 ( $n = 73$ ).

However, the sample shows that the rate of firms which went international not in the year of their foundation, but after gaining 5 years or less experience in the domestic market amounted to 60%. Only 8 firms had been performing their national activities for over 10 years before they went global.

Table 4.6. shows the territorial scope of the firms. Almost 44% of the firms in the sample are actively present in the EU and other international markets. Out of 49% firms which are without international activities, 17% conduct business activities in the local markets.

**Table 4.5.** Firms' domestic experience (in years) before they went international

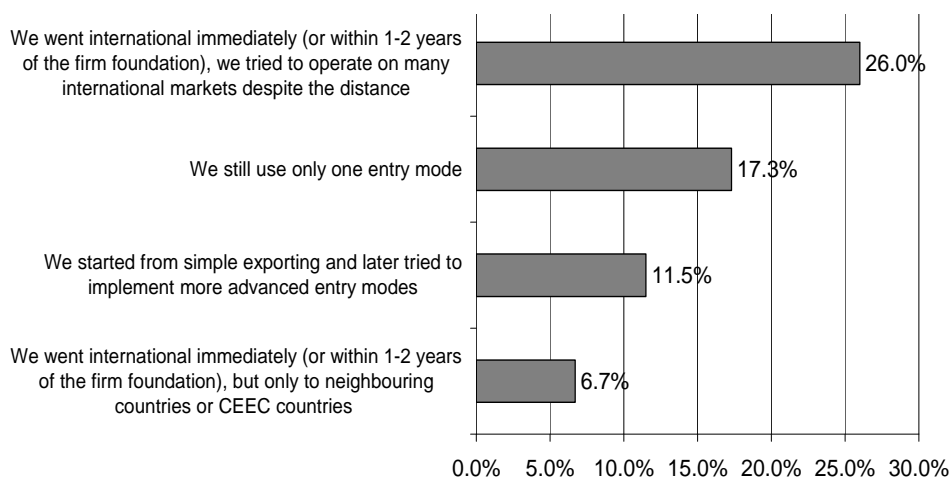
Start of Internationalisation	Number of firms	Valid %
Born global (1-3 years)	37	50.68
1-5 years	21	28.77
6-10 years	7	9.59
More than 10 years	8	10.96
Total	73	100.00
Missing	1	-
<b>Total</b>	<b>74</b>	<b>-</b>

Source: Own study based on the V4 survey results of 2014 ( $n = 74$ ).

**Table 4.6.** Firms' territorial scope in Hungary

Market Scope	Number of firms	Valid %
Mainly local market	18	17.3
Mainly regional markets	18	17.3
Mainly national market	15	14.4
Only neighbouring countries/cross border countries	1	1.0
Within the EU markets	7	6.7
Within and beyond the EU markets	45	43.3
<b>Total</b>	<b>104</b>	<b>100.0</b>

Source: Own study based on the V4 survey results of 2014 ( $n = 104$ ).

**Figure 4.4.** Patterns of foreign market entry in Hungary

Source: Own study based on the V4 survey results of 2014 ( $n = 104$ ).

17% of respondents chose only one foreign market entry mode, 12% of firms with more market entry mode focused on gradual internationalisation (Johanson, Vahlne, 1990), during which the more complex types in entering international markets

appeared gradually and followed simple solutions. The proportion of firms which became immediately active on many markets accounts for 33%. Only 7% of them were present in the markets of neighbouring countries or eastern and central Europe, whereas 26% targeted distant international markets (Figure 4.4).

### The Choice and Use of Entry Modes

The figures obtained in the survey show that 71% of the surveyed firms are present in some form in the international market. Approximately 51% are engaged in importing; 25% conduct indirect export activities (export commission house, export/import broker, export management house and trading firm); 38.5% are involved in direct exporting (in form of foreign agent, foreign distributor or own foreign representative office) and a low proportion of them (12.5%) have cooperative export activities (export grouping / export consortium, piggybacking). The rate of those who seek contractual solutions amounts to 41.3%. These can be management contracting, assembly operations, contract manufacturing, turnkey operations, international licencing or international franchising. There are some (21.5%) who have foreign investments (Figure 4.5). Table 4.7 illustrates the detailed responses of the six types.

A considerable proportion of firms are engaged in more than one international activity. An intensity indicator has been elaborated to measure internationalisation. It indicates how many possible foreign market entry modes a firm has utilised during its international activities. The indicator ranges from 0 to 1, where 0 means that the firm does not conduct activities in international markets and 1 means engagement in all activity types (import, direct export, indirect export, cooperative export, contractual modes and investment). The indicator mean of 0.3 indicates that firms utilise about one-third of their opportunities for internationalisation.

There are divergences in terms of size and activity areas. There is no clear direct relation between the growing corporate size and the increasing internationalisation intensity. Small and medium-sized enterprises are the most active with a 0.35 intensity indicator, in contrast to large and micro-sized firms with 0.28 and 0.22 indicators respectively.

As for their activity areas, there are only slight divergences. Trading firms are characterised by the lowest intensity which are followed by industrial firms and service providers (Figure 4.6). Only two firms are engaged in agricultural activities.

First, the impact of internal resources related to international activities were analysed with the intensity indicator elaborated for measuring internationalisation. The table 4.8. clearly illustrates the significant correlation between the availability of resources for internationalisation and the internationalisation intensity indicator (Spearman's Rho values exceed 0.45,  $p=0.000$ ). The more resources are available, the

more intensive internationalisation is. The marked resource types (financial, human, physical and information) also correlate with each other. The firms either have a sufficient amount of them or lack all of them.

**Table 4.7.** Firms' entry modes in Hungary

<b>Entry modes</b>	<b>Number of firms</b>
<b>Importing</b>	
import	53
<b>Indirect exporting modes</b>	
export commission house (ECH)	12
export/import broker	4
export management house (EMC)	3
trading company	11
<b>Direct exporting modes</b>	
foreign agent	12
foreign distributor	19
own foreign representative office	14
<b>Cooperative exporting modes</b>	
export grouping / export consortium	10
piggybacking	5
<b>Contractual modes</b>	
management contracting	10
assembly operations	10
contract manufacturing	27
turnkey operations	10
international licensing	6
international franchising	2
<b>Investment modes</b>	
a foreign branch	6
a joint-venture subsidiary	3
a wholly-owned subsidiary	7

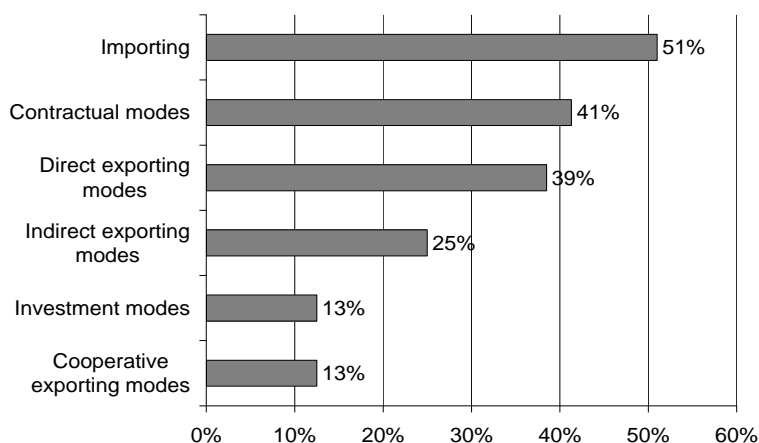
Source: own study based on the V4 survey results of 2014 ( $n = 104$ ).

Figures show that there is a significant difference in the evaluation of resources by firms of different sizes, since larger firms gave a more favourable description of their resources. Firms which were active in the international markets in general ('Does your firm run any international activities?') also gave higher than average scores to particular factors than did those without international activities.

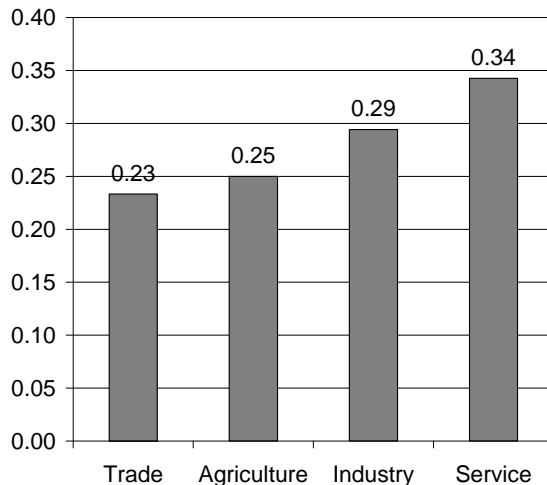
The correlation regarding attitude of owner/entrepreneur/manager to internationalisation is similar to the one of resources. The growing size of firms is closely correlated to the increase in motivation, knowledge and experience related to



internationalisation. Similarly, active participation in internationalisation improves attitude of owner/entrepreneur/manager to this.



**Figure 4.5.** Modes of international activities in Hungary  
Source: Own study based on the V4 survey results of 2014 ( $n = 104$ ).



**Figure 4.6.** Internationalisation intensity by activity areas in Hungary  
Source: Own study based on the V4 survey results of 2014 ( $n = 104$ ).

Internationalisation intensity and the attitude of owner/entrepreneur/manager are also in interdependence with each other. The weakest connection is experienced in the case of general business experience (Spearman's  $Rho=0.25$ ,  $p=0.011$ ). Similar

to resources, the different factors of attitude are also in interdependence with each other (Table 4.9).

**Table 4.8.** Relationship between foreign market entry modes and corporate internal resources in Hungary

Variables	1	2	3	4	5
1 Intensity of internationalization	1				
2 Financial resources for internationalization	.502**	1			
3 Human resources for internationalization	.501**	.687**	1		
4 Physical resources for internationalization	.464**	.736**	.706**	1	
5 Information resources for internationalization	.502**	.496**	.507**	.578**	1

\*\* . Correlation is significant at the 0.01 level (2-tailed)

Source: Own study based on the V4 survey results of 2014 ( $n = 104$ ).

**Table 4.9.** Relationship between foreign market entry modes and attitudes of owners, entrepreneurs and managers to internationalization in Hungary

Variables	1	2	3	4	5	6
1 Intensity of internationalisation	1					
2 Motivation to go international	.449**	1				
3 Cosmopolitanism and international openness	.433**	.765**	1			
4 Knowledge of international markets	.421**	.667**	.695**	1		
5 Experience with international markets	.505**	.719**	.699**	.814**	1	
6 Professional business experience in general	.253*	.438**	.478**	.522**	.516**	1

\*\* . Correlation is significant at the 0.01 level (2-tailed);

\*\* . Correlation is significant at the 0.05 level (2-tailed)

Source: Own study based on the V4 survey results of 2014 ( $n = 104$ ).

There are no significant divergences in the evaluation of sector characteristics by firms of different sizes. However, firms with international activities gave higher than the average scores to all factors than those without international activities. They believe the sector they operate in, experience a strong foreign competition. As a result of this, they think they operate in a strong competitive environment and face strong innovation challenges. The Table 3 shows that there are two variables (Level of competitiveness in general, Level of innovation) that do not show significant correlation with the intensity indicator. Further items of the questionnaire provide bases for an objective evaluation of the role played by innovation in internationalisation<sup>1</sup>. Vulnerability towards internationalisation and Intensiveness of foreign capital are only significant at 0.05 level.

<sup>1</sup> We experienced that the firms which have been committed to innovation in the past three years have higher intensity indices (0.33) than the non-innovative ones (0.24).

Similar to resources and attitudes, the different characteristics of the business industry also correlate with each other. (Table 4.10.).

**Table 4.10.** Relationship between foreign market entry modes and the basic characteristics of the business industry in Hungary

Variables	1	2	3	4	5	6
1 Intensity of internationalization	1					
2 Vulnerability towards internationalization	.218*	1				
3 Level of competitiveness in general	.170	.528**	1			
4 Intensiveness of foreign competitors	.405**	.466**	.514**	1		
5 Intensiveness of foreign capital	.226*	.414**	.387**	.754**	1	
6 Level of innovation	.054	.313**	.254**	.476**	.536**	1

\*. Correlation is significant at the 0.05 level (2-tailed);

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Source: Own study based on the V4 survey results of 2014 ( $n = 104$ ).

The variables which are in close correlation with each other enable us to explore the latent structure behind the 14 observed variables by a factor analysis. Within the framework of principal component analysis (PCA), the three factor groups under investigation (resources, attitudes and sector characteristics) were jammed into two factors (Kaiser-Meyer-Olkin test (KMO)=0.855, total variance explained is 60.4%).

**Table 4.11.** Rotated component matrix of the factor analysis in Hungary

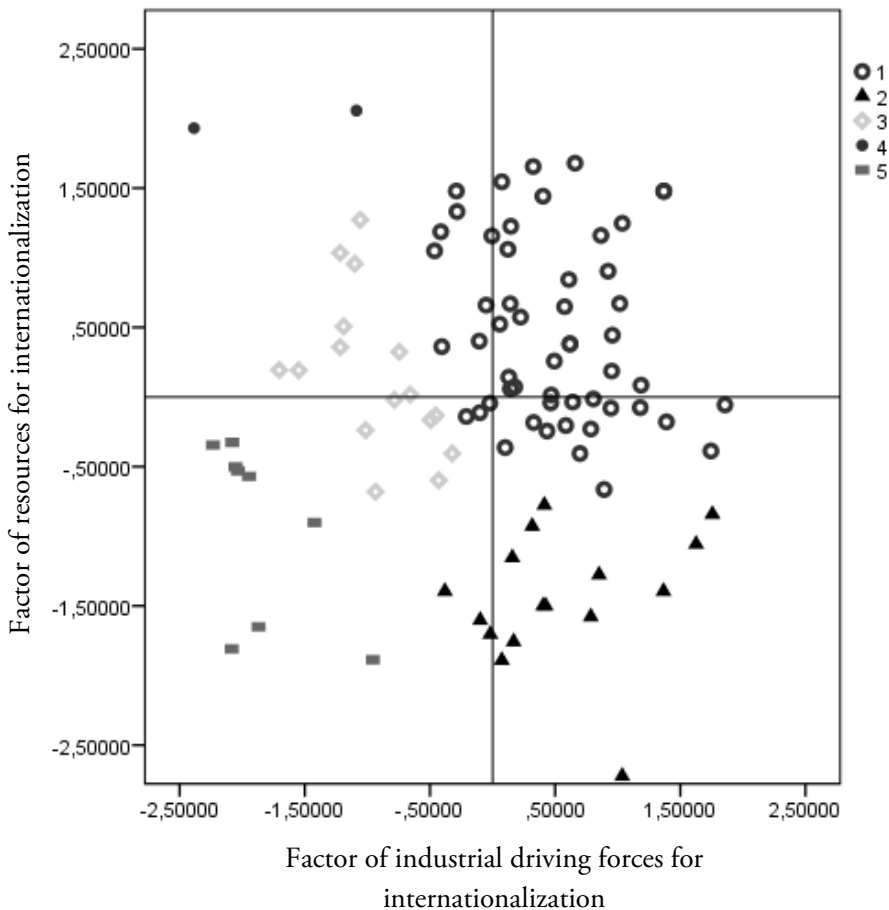
Variables	Factor 1 Resources	Factor 2 Driving forces of the industry
Knowledge of international markets	.882	.020
Experience with international markets	.858	.090
Human resources for internationalization	.811	.176
Information resources for internationalization	.803	.163
Cosmopolitanism and international openness	.769	.243
Motivation to go international	.766	.342
Physical resources for internationalization	.757	.348
Professional business experience in general	.593	.091
Financial resources for internationalization	.586	.134
Intensity of foreign competitors	.201	.839
Intensity of foreign capital	.123	.837
Level of innovation	-.024	.729
Vulnerability to internationalization	.322	.585
Level of competitiveness in general	.202	.571

Source: Own study based on the V4 survey results of 2014 ( $n = 104$ ).

Table 4.11. shows the factor weight of the variables and the factor a particular variable is the most suitable for. It is clearly seen that variables measuring

internationalisation resources and attitudes of owner/entrepreneur /manager to internationalisation constitute one factor. Thus, the subjective characteristics of owner/entrepreneur /manager (openness and motivation) are as critical resources of internationalization as objective ones (previous international experience, general business experience and possession of appropriate information). The other factor contains the variables that evaluate the basic characteristics of the business industry.

On the basis of the two elaborated factors, a hierarchical cluster analysis was performed and five groups of firms were identified. Two firms (Cluster 4 in Figure 4.7.) turned out to be outsiders, even when a lower cluster number was selected. These two firms considered their resources to be over the average. However, they felt that the business environment they operated in failed to promote internationalisation. This paper also investigates clusters and presents some cases.



**Figure 4.7.** Firm clusters in Hungary

Source: Own study based on the V4 survey results of 2014 ( $n = 104$ ).

**Cluster 1: Successful world citizens**

Respondents of this cluster consider their resources to be high. They feel that business environment they operate in promotes their internationalisation. The intensity of their international activities is over the average. About 92.5% of them are present in the international market (their intensity indicator is 0.42). They employ 441 people on the average, so it is more than likely that they don't have any problems with acquiring the resources required for their international activities. They are mostly large and middle-sized firms operating in processing industry, construction and service industry. Their innovation activity is above the average. About 77.4% of respondents have implemented innovation in the last 3 years and 17% of them were involved in innovation at a global scale.

They are unlikely to require any direct support to promote internationalisation. However, every move that affects international rating of Hungary and shapes its image as well as the economic policy the country follows in supporting competitiveness of firms (cutting red tape) can indirectly contribute to successful internationalisation ( $n = 53$ ).

**Cluster 2: Emerging way-out seekers**

Firms belonging to this cluster are mostly micro and small-sized family enterprises (81.3%) operating mainly in construction and service industry. Only half of them are present in international markets and are primarily engaged in importing. The majority of the firms in this cluster do not conduct any innovation activities (56.3%). Even if they do, the scope of implemented innovation is limited (firm scale). They consider the competition in their sectors to be fierce and the foreign capital and foreign competitors to be dominating. However, they lack resources required for their successful internationalisation. In their case, internationalisation would be a way to move forward and to increase their competitiveness, since they experience strong international competition even in national markets because of the characteristics of the business industry, which the firms operate in.

The factor analysis highlighted the fact that it is necessary to own physical resources and to have an access to appropriate information, but it is insufficient. The attitude of the owner/entrepreneur/ manager to internationalisation should be improved as well so that they will be able to break into international markets. The channels leading to increase their subjective and objective resources need to be identified.

**Cluster 3: Ordinary people**

Enterprises making up this cluster are primarily small and middle-sized service providers. They feel that their available resources for internationalisation are average and the sector they operate in fails to promote their internationalisation. However,

75% are active in international markets with different entry modes (contractual, investment, exporting and importing modes). They are also active in innovation, 75% of firms (12 firms) implemented some innovation in the last 3 years. However, only one respondent reported innovation at a global scale. Taking into consideration their intensity indicator of 0.32, they seem to utilize the available resources ( $n=16$ ).

#### **Cluster 5: Local patriots**

Only 9 enterprises make up this group: 4 large firms and 5 small and middle-sized enterprises. All but one operate only in the national market. They have little opportunities to break into international markets. They lack subjective and objective resources for internationalisation. In addition, the characteristics of their business industry they operate in fail to contribute to their becoming international ( $n=9$ ).

After identifying the specific groups of firms and their opinion about their resources and industry, it is easier to determine which firms require external assistance for fostering their internationalisation. According to our cluster analysis firms need tailor-made support in their internationalisation process which should depend on their preparedness and the characteristics of their business industry.

### **Motives for Going International**

The surveyed firms generally showed proactive approach to internationalisation. The two most frequent responses to the question related to the motives were as follows: Recognizing new opportunities for further development of your firm in international markets and Continuous efforts for the development of your firm through the introduction of new solutions. The responses clearly show that firms searched for international opportunities in an entrepreneurial way in order to develop and expand and not because it was a matter of necessity for them Table 4.12. illustrates the responses.

The survey showed that foreign ownership was higher in firms with proactive strategy ( $\text{Eta}=0.3$ ,  $p=0.09$ ). In addition, the mentioned firms went international sooner ( $\text{Eta}=0.384$ ,  $p=0.013$ ). The size of firms, the circle of their activities, the type of ownership (family business or not) had no effect on the responses.

The fact whether the firm had a strategy on going international or not was of determining importance (Cramer  $V=0,318$ ,  $p=0,018$ ). The survey showed that firms which had strategies made continuous efforts to develop the firm (40.9%). Whereas firms without formalised strategies often considered to make use of unplanned international opportunities (58.3%). The character of the strategy (ethnocentric, geocentric, polycentric or regiocentric) had no effect on the responses.

**Table 4.12.** Motives for going international in Hungary

Motives	Frequency	%	Valid %	Cumulative %
Lack of opportunities for further development of your firm in the domestic market	12	11.5	16.7	16.7
Recognizing new opportunities for further development of your firm in international markets	24	23.1	33.3	50.0
Making use of unplanned international chances (e.g. Due to the response to international orders)	16	15.4	22.2	72.2
Continuous efforts for the development of your firm through the introduction of new solutions	20	19.2	27.8	100.0
Total	72	69.2	100.0	-
Missing	32	30.8	-	-
<b>Total</b>	<b>104</b>	<b>100.0</b>	-	-

Source: Own study based on the V4 survey results of 2014 ( $n = 104$ ).

The next question was related to the reasons of going international. (What is the main reason for going international in the case of your firm? One answer was allowed). The most frequent reason mentioned by 44 firms was seeking for markets (60.3%). The other reasons received far lower scores. Strategic assets and/or seeking strategic capability was mentioned by 15 firms, It was followed by efficiency seeking (10 firms) (Table 4.13).

**Table 4.13.** Reasons for going international in Hungary

Motives	Frequency	%	Valid %	Cumulative %
Market seeking	44	42.3	60.3	60.3
Resources seeking	4	3.8	5.5	65.8
Efficiency seeking	10	9.6	13.7	79.5
Strategic assets and/or seeking strategic capability	15	14.4	20.5	100.0
Subtotal	73	70.2	100.0	-
Missing	31	29.8	-	-
<b>Total</b>	<b>104</b>	<b>100.0</b>	-	-

Source: Own study based on the V4 survey results of 2014 ( $n = 104$ ).

To this end, neither the firm size nor the foreign ownership and not even the family character of the business played any role in the reasons for going international. However, the results show that the intensity of international activities in terms of market and efficiency seeking was considerably higher than the average. The spheres

of activities influenced the results (Cramer  $V=0.3$ ,  $p=0.02$ ), the vast majority of industrial firms (72.2%) considered market seeking the main motivation of going international compared to the average of 60.3%. Efficiency seeking was focused on by 33.3% of firms involved in commercial activities, which is also significantly higher than the average (13.7%).

### Internationalisation Strategies

The questionnaire also enquired about the internationalisation strategy. Only 17.8% of the responded firms had a formalised international strategy. However, 50.5% had a strategy, but it was not formalised. The rest 31.5% lacked this strategy.

**Table 4.14.** Firms by the presence of an international strategy in Hungary

Answers	Frequency	%	Valid %	Cumulative %
No	23	22.1	31.5	31.5
Partially, but the strategy is not formalised	37	35.6	50.7	82.2
Yes, we have the international strategy	13	12.5	17.8	100.0
Subtotal	73	70.2	100.0	.
Missing	31	29.8	.	.
<b>Total</b>	<b>104</b>	<b>100.0</b>	.	.

Source: Own study based on the V4 survey results of 2014 ( $n = 104$ ).

The results showed that mostly large firms had a strategy. However, the size of the firms had no effect on whether the strategy was formalised or not. The rate of foreign ownership affected the existence of the strategy. The higher the foreign ownership rate was, the more likely the firms had a strategy and the more likely the strategy was formalised (Eta=0.36,  $p=0.008$ ).

The intensity of international activities also influenced the presence of the strategy. The higher an intensity indicator a firm had, the more likely the strategy was formalised (Eta=0.407,  $p=0.002$ ). The proportion between the revenues generated from international activities and the total revenue was of determining importance (Eta=0.547,  $p=0.000$ ). The higher this proportion was, the more formalised the solutions were. Table 4.15 illustrates these results.



**Table 4.15.** International strategy by size, foreign ownership, international intensity and revenue ratio in Hungary

Questions	Yes, we have international strategy	Partially, but the strategy is not formalised	No	Average	Eta
How many people are hired (employment only) in your firm annually on the average?	326.130	466.297	130.538	362.342	0.145*
What is the percentage of foreign ownership in the assets of your firm?	34.174	7.111	7.692	15.861	0.360
International intensity	0.471	0.455	0.218	0.418	0.407
How much high is the percentage of total revenue in your firm that came from international activities?	63.261	45.757	6.077	44.205	0.547

\* the relationship is not significant.

Source: Own study based on the V4 survey results of 2014 ( $n = 104$ ).

The respondents had to indicate the strategy type they had applied. Table 4.16. illustrates the distribution of responses.

The respondents applied Polycentric (39.7%) and Ethnocentric (30.2%) strategies.

**Table 4.16.** International strategy by size, foreign ownership, international intensity and revenue ratio in Hungary

Strategy type	Frequency	%	Valid %	Cumulative %
Ethnocentric strategy	19	18.3	30.2	30.2
Polycentric strategy	25	24.0	39.7	69.8
Regiocentric strategy	12	11.5	19.0	88.9
Geocentric strategy	7	6.7	11.1	100.0
Total	63	60.6	100.0	-
Missing	41	39.4	-	-
<b>Total</b>	<b>104</b>	<b>100.0</b>	-	-

\* the relationship is not significant.

Source: Own study based on the V4 survey results of 2014 ( $n = 104$ ).

### **The Role of an Entrepreneur in the Internationalisation Process**

The questionnaire also enquired about the personal traits of owners, entrepreneurs and managers, namely their age, gender, the highest qualification, business qualifications, internationalisation motives.

The obtained results showed that the majority of respondents were males (91.8%), 87% had a higher qualification degree and 71% had a business qualification.

Neither the respondents' age, nor their qualification and not even their business qualification had a direct impact on the firm's going international. However, the education level did affect the managers' and owner's attitude to internationalisation. The correlation between the education level and all the examined variables of attitudes (motives, approach, knowledge and experience) was significant. An international approach is an important factor of the internationalisation process, which has been experienced in the previous analysis.

### **3.4. CONCLUSIONS**

This chapter analysed internationalisation of Hungarian firms. In the sample the medium-sized and large firms were over represented compared to Hungarian firms. Consequently, the rate of the firms which have already gone international was higher than in reality. That is why the primary aim of this paper was to analyse the trends and reasons of internationalisation. To this end, the conclusions are as follows:

1. Whereas (in the literature of 1990s and 2000s) internationalisation activities of firms were linked mainly to the size and spheres of their activities in the past, at present the importance of these factors and the gap between them is decreasing. Smaller enterprises are also getting more and more mobile. In addition, the importance of the service areas, which were considered to be immobile in the past, is growing. This is because communication and information technologies spread rapidly and psychological distances decrease (concerns about cultural differences and fears of the unknown).
2. Nowadays firms go international earlier than in the past. They often do this at the time of their foundation or one or two years later (born globals). These firms are rather smaller firms than large ones. This is because smaller firms are more flexible and use simpler ways to get usable information (international relationship capital, internet, etc.).
3. The availability of resources is of determining importance for a firm. However, the nature and type of these resources are changing. By applying a factor analysis we came to the conclusion that the attitude of corporate owner/entrepreneur/manager to internationalisation is as critical resource in terms of internationalisation processes as other objective resources owned by

firms. The obtained results show that providing physical resources and access to appropriate information is necessary, but not sufficient. The attitude of the owner/entrepreneur/ manager to internationalisation should be improved as well so that they will be able to appear and operate successfully in international markets. Giving the right place to subjective matters in promoting internationalisation and giving more support apart from financial ones in this area (with coaching, consulting, etc.) may contribute to the increase in corporate participation in different support programs.

4. This chapter analysed corporate internationalisation by applying an intensity indicator. The analysis concentrated on three areas and investigated the role of resources, managerial attitudes and industrial driving forces in internationalisation process. According to technical literature, these factors relate positively to international activity. This paper analysed their effect on the internationalisation intensity. Findings show that the more resources for the internationalization process a firm has, the more complex solutions it applies. The attitude of owner/entrepreneur/manager to internationalisation (motivation, approach and knowledge) shows the same results. Driving forces of the firm's sector (intensiveness of foreign competitors and foreign capital, vulnerability towards internationalisation) also affect modes of international activities.
5. By conducting a cluster analysis, we managed to identify some specific groups of firms and determine which firms require external assistance for fostering their internationalisation. The cluster analysis showed that firms need tailor-made support in their internationalisation process which should depend on their preparedness and the characteristics of their business industry.
6. It has been established that the majority of firms apply an ad hoc approach to organise their international activities and lack declared strategies. A firm is more likely to have a strategy if it has a foreign owner and is internationally active (high intensity indicator and the percentage of revenues from international activities in the total revenue is high).
7. The managers and owners of internationalised firms have a high level of qualification, which may be accompanied by continuous improvement of foreign language skills. This factor has not been examined in this paper. The obtained results show that the high level of education of firm managers and owners has a favourable impact on shaping their attitude toward internationalisation.

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