

INSIDE OUT EU PROJECT

Region: Hajdú- Bihar County (HU)

Partner: Chamber of Commerce and Industry of Hajdú Bihar County

ACTION PLAN: CHAMBER OF COMMERCE OF HAJDÚ-BIHAR



**HAJDÚ-BIHAR MEGYEI
KERESKEDELMI ÉS
IPARKAMARA**

HAJDÚ-BIHAR

Inside Out EU
Interreg Europe



European Union
European Regional
Development Fund

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PART 1 – GENERAL INFORMATION

Project	Inside Out EU
Partner Organisation	Chamber of Commerce and Industry of Hajdú-Bihar County
Other Partner Organisations Involved	Ministry for National Economy / Ministry of Finance Hungarian National Trading House / Hungarian Export Promotion Agency Local Government of Hajdú-Bihar County University of Debrecen Municipality of Debrecen
Country	Hungary
NUTS2 Region	Észak-Alföld
Contact Person	Gábor Iván
Email	ivan.gabor@hbkik.hu
Phone Number	+36 20 320 5366

PART II – POLICY CONTEXT

- Investment for Growth and Jobs Programme**
- European Territorial Cooperation Programme**
- Other regional development policy instrument**

NAME OF POLICY INSTRUMENT ADDRESSED

Economic Development and Innovation Operative Programme

PART III – DETAILS OF THE ACTION ENVISAGED

Action 1

The Background

Inside Out EU addresses the problems SMEs face with when they go international and its objective is to help them overcome the challenges reinforcing the so called virtuous triangle “collaboration-innovation-internationalisation”.

The intention of the Chamber of Commerce and Industry of Hajdú-Bihar County – as partner of the Inside Out EU project – was to initiate the development of the Economic Development and Innovation Operational Programme (GINOP) via the Ministry of Finance (Managing Authority of the Operational Programme) based on the Good Practices of the partnership. The Economic Development and Innovation Operational Programme (GINOP) is the flagship programme among the EU funded Hungarian development schemes with the objective to boost employment and innovation during the 2014-2020 EU fiscal period. The main objectives of the OP are:

- economic expansion based on sustainable, high added value production and high employment,
- improvement of competitiveness and promotion of the Hungarian industrial sector.

At the analysis phase the Chamber of Commerce and Industry of Hajdú-Bihar County together with its stakeholders realised, that there are some barriers of internationalization of the SMEs of Hungary. Some of those were not common among the partners of the project, that’s why we could not identify good practices for the development on these areas.

- lack of employees communicating on foreign languages
- high costs of internationalization and lack of financial assets
- high(er) risks
- etc.

Of course, some other important factors that are able to support internationalization are not as specified, moreover we can define them as European objectives – like innovation or the need of soft or specified skills for business management. During the study of the good practices presented by the partners during the study visits and partner meetings, the Chamber of Commerce and Industry of Hajdú-Bihar County identified the ones below as possibilities for the development of the EDIOP.

The Good Practices we have identified to be able to exploit or to adapt in Hungary are:

1. The Export Development Program (EDP) brings student to SME's to help create new business abroad.

Description of the good practice:

EDP is a collaboration between Saxion University of Applied Sciences and the province of Overijssel to support SME's in their international business and bring the best talent of Saxion to the SME's in Overijssel.

In the program, a talented student will graduate over the course of five months on an international business issue at a company in Overijssel. Subsequently, this graduate will carry out his or her recommendations proposed in the research for 6 months as a trainee with the company. This trainee

phase can wholly or partly take place abroad, for example at a branch or agent or in cooperation with a partner.

During the graduation project, the student will be supervised by a graduation supervisor from Saxion and will be mentored by an experienced export manager from an external company.

In this way, the company is given a high potential in the field of international business for one year. Experience shows that this professional is offered an employment contract after the traineeship. In this way, highly educated students for internationally operating SME's in Overijssel are retained.

Opinion of the partner about the practice:

The Chamber of Commerce and Industry of Hajdú-Bihar County has found the Export Development Program (EDP) of the GO Export of the Netherlands very impressive. It is a complex cooperation programme of Saxion University of Applied Sciences and the province of Overijssel to support SME's in their international business and to bring the best talent of Saxion to the SME's in Overijssel. Fortunately, for the University of Debrecen, the basis of the student-company cooperation is prepared. Of course, it can be levelled up if the responsible organisation would be able to give a training on the soft skills of the interested students. We were convinced that the cooperation is good for all the players of the field, so universities has a huge part in the internationalization not only by education, but by the match of the students and the companies also.

2. During a collective workshop for managers of a small number of companies, the companies themselves develop a self-diagnosis of their potential for internationalisation

Description of the good practice:

In Navarra, only 6.7% of companies sell their products abroad, although many have the potential to do so. This is a problem shared with many other regions in Europe.

The Self-diagnosis for Export programme seeks to help these companies that have never gone abroad or that have an emergent internationalization project by evaluating their possibilities in the international market.

The programme consists of a collective workshop for managers of a small number of companies (no more than 10). The companies themselves develop a self-diagnosis of their potential for internationalization.

The process is:

- a) Self-diagnosis workshop (2 hours). Presentation and explanation of the programme. Every attendant fill in the self-diagnosis survey with the assistance of a consultant. After the workshop, every company have a personalized evaluation.
- b) Individual meetings with a consultant. To analyse the results obtained in the survey, the company has a meeting with the consultant in order to study the next steps to be taken.

The objectives of the program are:

- a) Detect the strengths and weaknesses of the company in order to start an internationalization process, also in the case they are already exporting.
- b) Give recommendations on steps to follow to start internationalization or continue with greater guarantees of success.

The sessions have a thematic or geographic focus: a session for start-ups was held and some other workshops have taken place in rural areas

Opinion of the partner about the practice:

The Chamber of Commerce and Industry of Hajdú-Bihar County is part of the Enterprise Europe Network. Something similar to this kind of assessment is offered via the EEN advisors to the SMEs. Maybe self-assessment can help SMEs to identify their current stage of internationalisation, although no doubt that the contribution of the consultant is inevitable.

There are many similarities between Navarra and Hajdú-Bihar, the main difficulties in the adaptation of the practice are the scarce financial resources and the availability of the professional knowledge.

3. Business Generator (BG) is a model for managing innovation and growth in SME's, with a structured method on how to use external expertise and give concrete results.

Description of the good practice:

Business Generator has identified a gap in the strategic management process of local businesses and their need to introduce new impulses. The norm is to have a board of directors, but SME's seldom make use of external directors. The idea behind the project is based on research results presented by Johansson and Löf, Cecis, focused on the ability of companies to utilise internal and external expertise and convert it into innovations and growth. The researchers indicated that businesses could make large gains if they were prepared to benefit from using external competence. For most entrepreneurs bringing in external expertise is a major, time-consuming activity. A BG is staffed with four individuals: two men and two women, each with different profiles and skills chosen to match the needs of the enterprise. One of the individuals has analytic capability. Another has empathy and focus on customer benefits. The third has experience of managing development processes. And finally, one is creative, innovative and will look into the future. The focus is on identifying the keys to success for each business. Acting as coaches, they ask the challenging questions that result in new decisions and tangible change. Positive change can only happen in a safe environment and the team became that safe and open-minded platform for the entrepreneur. They met 10 times over three years.

Opinion of the partner about the practice:

Chamber of Commerce and Industry of Hajdú-Bihar County had a discussion about the good practice with its manager and found that there are some difficulties to overcome if one wants to adapt this practice. The most important is that having a kind of external board of directors is a matter of trust. That is why the possible members have to be chosen very carefully - they have to be professionals, have a nice personality, have time for the task, have to be enthusiastic and committed, beside trustworthy (as all businesses have their secrets).

In Hungary it is not sure that the 2 men – 2 women share is adaptable and we have to think about the possible costs also.

The findings above are strengthened by some important actors of the entrepreneurial ecosystem in Hungary:

The American Chambers in Hungary in its 2019 edition about Cooperation for a more competitive Hungary stated that among the primary targets to improve the competitiveness of the Hungarian economy by we have to focus on:

- a) A more structured framework of cooperation between the business sector and education, and the increased promotion of practice-oriented trainings in higher education institutes
- b) Increasing government spending and the efficient use of funds in areas critical to our competitiveness: education, innovation and R&D
- c) More support for innovation

They recommend further incentives to encourage cooperation between higher education institutions and businesses in research and development and innovation (the so-called “Third Mission” activities of higher education institutions in general). a. In order to expand knowledge transfer, it is necessary to create a predictable and transparent incentive system, and to simplify and accelerate the process of commercial utilization (primarily that of intellectual property rights transfer and license fee evaluation).

b. They recommend revising the application of public procurement rules relating to universities and other central budget-funded research units.

In November 2018, the Competitiveness Council adopted a package of proposals for a more competitive Hungary, which, in addition to the Ministry of Finance, synthesizes the initiatives of the Ministry of Innovation and Technology, the Ministry of Foreign Affairs, the National Bank of Hungary and the Hungarian Chamber of Commerce and Industry. With 42 measures, the program is an important milestone in the overall development of the business environment, and it is supported by the government. In addition to taxation, employment, education and health, the most important part is the corporate environment and the service-provider state, with 17 measures altogether. As an example, the development of knowledge and development centres, the targeted improvement of the compliance of the training system with the demand of the labour market and the improvement of foreign language education can be mentioned.

Resource requirement: from 2020 onwards, it requires roughly 1% of GDP over four years, the results will already be offset by 2022, so that in 2023 it can generate additional revenues of 0.3% of GDP.

Expected impacts: The Ministry of Finance expects an annual growth surplus of 0.7% of GDP on average over the year, which will last for at least four years.

The Program for a More Competitive Hungary recognized that it is a must “to identify the businesses (SMEs) that are able to grow and that they need to be provided with complex development packages that include knowledge transfer, too. In order to achieve the above goals, three priority projects have been launched:

- GINOP-1.1.2 Increasing the efficiency of the SME sector by developing financial knowledge and providing entrepreneurial mentoring;

- GINOP 1.1.3 Industry 4.0" sample factory "project to promote the digitization / automation / robotization of enterprises to meet the expectations of Industry 4.0 by presenting real sample factories, providing thematic training and compiling development plans and financing digital switchover;
- GINOP 1.1.4" gazelle "project aimed at providing more efficient support for fast-growing small and medium-sized manufacturing enterprises."

Action

As Hungary is a centralised country, most of the calls are national ones. Because of this and because of the suggested actions, it is better to manage those as a system.

In our opinion, based on the good practices the trainings of the SMEs and the future managers of the SMEs (including start-ups) is a must for the development of internationalisation. The actions below have to be consistent and beside the existing SMEs the calls have to be also available for the managers of the future SMEs. This is possible by including the universities in the trainings.

The three proposed action for the development of the Economic Development and Innovation Operational Programme (GINOP) are:

1. **Trainings of SMEs on internationalization/entering export markets;**

The HEPA Hungarian Export Promotion Agency is responsible for providing high quality services in order to support the further export success of Hungarian enterprises and improve the country's international image. They work in close co-operation with other state-owned, economic background institutions.

Their work is similar to the work of some other institutions in some other European countries.

Our suggestion is that this organisation is ready to provide training for the SMEs of Hungary, which can increase and develop their international activities.

The actions can be based on the Export Development Programme visited at Overijssel (Netherlands), the self-diagnosis for internationalization model of Navarra (Spain) and the Business Generator Programme of the Karlstad University (Sweden).

2. **Academic talent program for the internationalization of SMEs;**

Universities are not only responsible for qualifying the human capital (Education – the first mission) and for producing new knowledge (Research – the second mission). Universities must engage with societal needs and market demands by linking the university's activity with its own socio-economic context. Today, universities develop their strategies around these three missions.

A government, which supports the third mission of the university can have a double-folded effect:

- a) SMEs and other companies in contact with the university can gain better students as employees
- b) students of the university can be sure to be employed.

The actions can be based on the Export Development Programme visited at Overijssel (Netherlands).

3. Simplification of the calls for proposals related to internationalization

During the stakeholder meetings and the study visits, the most important action – although the most difficult to sketch. All SMEs have limited resources while taking part in calls requires extra work (preparation of the proposals and implementation besides reporting and monitoring tasks, etc.). It is a demand for long years to make it more possible for SMEs to take part in calls without professional help. The complexity of the calls has to be simplified, too.

Both the Managing Authority of the EDIOP and the HEPA Hungarian Export Promotion Agency (and its predecessor) took important roles as stakeholders and participants of the study visits in the Inside Out EU project, therefore, the cooperation between the parties are already exist which could be a good basis for the implementation of the proposed actions in the centralized system of Hungary.

Proposed methods and tasks to carry out the actions:

To ensure a comprehensive approach the three proposed actions will be presented in a new single call in way that follows the structure of the previous calls of EDIOP.

To simplify and to ease the access of the target group to the support system, it's proposed that the actions of the call will be carried out by a single applicant, a national organization that has enough resources and competences in SME internationalization, namely HEPA Hungarian Export Promotion Agency. HEPA as an umbrella organization will involve the target group, 150-200 SMEs with needs for internationalization into the implementation.

With regards to the nationwide accessibility of the program and the quite high number of the addressed companies the new call should be divided into two main parts:

I. Tasks related to the umbrella organization and to the elaboration of the technical framework of the SME support services:

1. *Project development*
 - a) Implementation plan and related documents
 - b) Preparation of an export maturity system,
 - c) Preparation a system of identification and monitoring for identification and monitoring of the companies ready to export,
 - d) Preparation of a methodology for identification and selection of the SMEs to participate in the program
 - e) Preparation of a methodology for the involvement of the talents of the higher education
2. *Communication activities*
 - a) Preparation of communication strategy
 - b) Sensitisation of the target group

II. Tasks related to the support of SMEs with needs for internationalization

1. *Facilitating the entry into the foreign market of Hungarian-owned SMEs that have not yet or only occasionally export, but are able to export their own products or services*

- a) Support the participation of SMEs in international fairs and trade shows
- Export market research, gathering information about the foreign markets, developing potential foreign partners' database and international partner search;
 - Organizing and conducting participation in thematic international exhibitions or trade fairs, tailored to the company's profile, according to the needs of the companies
 - Organization of product demonstration abroad,
 - Organization of a company presentation abroad

- b) Consultancy services and training of SMEs:
- Providing training, counselling and mentoring to the target group;
 - Export maturity survey,
 - Business and export development consultancy,
 - Innovation survey & consultation (based on Innovation Health Check and Improve methodologies),
 - Continuous updating of e-learning, curriculum development, content development,

2. *Premium consultancy services and tailor-made foreign market experts for SMEs with identified 'High Growth Potential' and existing export activities*

- Providing tailor-made training, counselling and mentoring
- Export Maturity Survey
- Organization of special foreign market preparatory training and thematic workshops
- Business and export development consultancy
- Evaluation of financial situation
- Development of company-specific business export strategy, development and monitoring of development lifecycle
- Product / service consultation and external market validation

Players involved

- HEPA Hungarian Export Promotion Agency
- SMEs of the regions
- Chambers of Commerce and Industry on county level
- universities
- local governments
- companies

Timeframe

All proposed actions will be carried out in a new single call. The predicted identification code is EDIOP-1.3.7-2019.

The call will be launched in Semester 2 2019.

The program must be ended by 31st December 2021.

Costs

Total cost: 250,000-350,000 EUR

As there will be one applicant that implement all actions the costs are cover all actions and they are related to all tasks described in Section 2 including the costs of the elaboration of the support system and the services provided to the supported SMEs (150-250 companies), such as:

- Staff cost
- External experts, technical assistance
- Marketing, Communication
- Project management
- etc.

Funding sources

The program is financed by ERDF and Hungary in the EDIOP program as follows:

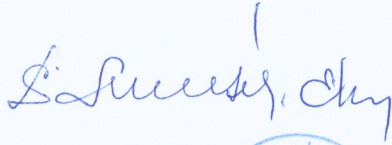
1. Funding sources of the tasks related directly to the applicant:
 - intensity rate 100%
2. Funding sources of the tasks related to the services provided to the target group:
 - Advisory services for SMEs, intensity rate 50%
 - Innovation support for SMEs, intensity rate 50%
 - Support for training, intensity rate 50%
 - De minimis aid, intensity rate 100%

Date 18 November 2019

Name Dr. Éva Skultéti

Position Secretary General

Signature



Organisation Stamp

