

SME-SPECIFIC "PROFILES", STRATEGIC POTENTIALS AND ATTITUDES TOWARD INTERNATIONALIZATION IN THE ENLARGED EU¹

J. Hanns Pichler²

Entrepreneurial attitudes such as "willingness to change" and "taking risks" in a nowadays widened European context may be considered crucial prerequisites of success, especially under conditions in times of dynamic change as, e.g., enlargement of markets in the process of EU integration with resulting challenges for necessary adjustments and strategic responses. The question, thus, arises which in such an environment might be the more adaptive or appropriate entrepreneurial "type"?

Questioning, thereby, perhaps more pointedly: Do entrepreneurs - and if so, how (?) - react, when confronted with such challenges? Do they react at all, and if so again, are there any discernible behavioural patterns of pro-active response and strategic adjustment?

I. BACKGROUND AND METHODOLOGICAL APPROACH

Recent research on entrepreneurship seems to ascertain that, in essence, a mix of more specific profiles or "types" of entrepreneurs prevails; a mix - if going by the original STRATOS typology (cf. Fröhlich/Pichler, 1988) and followed up by the INTERSTRATOS study - consisting of Pioneers (with distinct openness to change and risk), of Organizers (with more pronounced administrative-executive strengths), of Allrounders (as kind of "jacks-of-all-trades", without really outstanding strengths), and finally of Routineers (as representing the more traditional, risk averse "rentier").

Specifics as to methodological aspects and background of both the STRATOS and INTERSTRATOS research projects are summarized in the following.

¹ Based on a longitudinal analysis of empirical findings and related data sets under the INTERSTRATOS project with participation of small business researchers from 8 European countries. The Vienna Small Business Research Institute (IfG), in particular P. Voithofer, is to be credited for data processing including required tabulations; Austria specific (national) data collection, sampling and analyses were supported by the Austrian Science Foundation.

Complementary to the INTERSTRATOS study proper, for the first time selected results, including cooperative behaviour, are shown in the context of SME strategies and adjustment patterns in formerly Eastern European countries as a separate ANNEX to this analysis based on a special investigation with related sampling conducted in Hungary (1998).

² Austrian Institute for SME Research Vienna

STRATOS	INTERSTRATOS
• acronyms standing for:	
Strategic Orientation of Small European Businesses	Internationalisation of Strategic Orientations of European Small and Medium Enterprises
• participating countries:	
Austria	Austria
Belgium	Belgium
Finland	Finland
France	Norway
Germany	Sweden
Great Britain	Great Britain*
Switzerland	Switzerland
The Netherlands	The Netherlands
• selected industries or sectors:	
Textiles/Clothing	Textiles/Clothing
Electronics	Electronics
Food	Food
	Metal/Machinery
	Furniture Making
• stratification of sampling:	
stratified random sample pertaining to 5 size classes, by number of employees (full time equivalents): 1 - 9, 10 - 19, 20 - 49, 50 - 99, 100 - 499	
• sampling and sample size:	
Individual in depth interviews (appr. 1230 entrepreneurs)	mailed questionnaire (appr. 3000 responses)
• data base (questionnaire):	
appr. 600 variables (thereof on values and attitudes 85)	appr. 200 variables (thereof on values and attitudes 12, condensed into "profiles")
• methodological approach:	
cross section analyses	longitudinal approach (panels and repeated cross section analyses)
Measuring significance by chi-square tests, and distribution by standard deviation	
• cluster derived entrepreneurial "types":	
2 basic: "Pioneer", "Organizer" 2 derived (mixed): "Allrounder", "Routineer"	2 basic: "Pioneer" and "Organizer"
FASTCLUS-procedure/SAS program package	
EDP - common data base, Institute of Small Business Research (IfG), Vienna	
* Questions designed to identify types of entrepreneurs by their values and attitudes were omitted from the UK study	

II. ATTITUDES AND STRATEGIC RESPONSES BY ENTREPRENEURIAL "TYPES"

Both the STRATOS and INTERSTRATOS projects attempt to position the small business entrepreneur as seen in his or her comprehensive role as the very center of activities.

When depicting the proper entrepreneurial „type" in responding to the very challenges of the larger market, recent INTERSTRATOS results seem to point towards the Pioneers, however with certain limitations as regards phase management, whereby specific strengths have to be judged in view of business life-cycles (no "men for all seasons").

The rationale for limiting the following analysis to "Pioneers" and "Organizers" only (leaving aside "Allrounders" and "Routineers" as mentioned in the introductory to this Chapter and referred to more explicitly again in Chapter 9) is to focus underlying observations more specifically to a "dynamic" (i.e. pioneering) type as distinct, by comparison, from the more "tidy" (i.e. administrative-executive) Organizer. Criteria of respective entrepreneurial profiles have been derived and condensed by factor analysis based on the STRATOS data set preceding the INTERSTRATOS study (c.f. Froehlich/Pichler, 1988; The STRATOS group, 1990, esp. chp 4; Landstroem H./Frank H./Vecina J.M., 1997).

Based on that, the more specific question arises as to how, and to which degree, different entrepreneurial "types" - in this very context confined to Pioneers and Organizers - are inclined to go for cooperation strategies under changing market conditions and pressures of internationalization.

Consistency tests conducted over the 5-year observation period, differentiated by both entrepreneurial types and countries (and stratified again by sectors and size classes) reveal remarkably stable patterns: ranging in the case of the two selected types of entrepreneurs from 93 % to 85 %, by countries from 97 % to 77 % based on total samples.

Depicting selected entrepreneurial "profiles"

Empirical findings reveal considerable differences (three out of twelve indicators) with regard to entrepreneurial attitudes and behavioural "types" as shown in the following:¹

¹ Cf. in this context Smith, N. R.: *The Entrepreneur and his Firm. The Relationship between Type of Man and Type of Company* (1997); Froehlich, E./ Pichler, J. H.: *Werte und Typen mittelstaendischer Unternehmer* (1988); The STRATOS Group: *Strategic Orientations of Small European Businesses* (1990), on "Values" esp. pp. 34 ff; Woo, C. Y./ Cooper, A. C./ Dunkelberg, W. C.: *The Development and Interpretation of Entrepreneurial Typologies* (1991). More recently also Froehlich, E. A./ Hawranek, P. M./ Lettmayr, C. F./ Pichler, J. H.: *Manual for Small Industrial Businesses. Project Design and Appraisal* (1994), esp. pp. 44 ff. and 232 f.; Haahti, A. J. (ed.): *INTERSTRATOS. Internationalization of Strategic Orientations of European Small and Medium Enterprises, EIASM Report 95-01* (1995), esp. chpts. II and V; Donckels, R./ Miettinen, A. (eds.): *Entrepreneurship and SME Research on its Way to the Next Millennium* (1997); Landström, H./ Frank, H./ Veciana, J. M. (eds.): *Entrepreneurship and Small Business Research in Europe. An ECSB Survey* (1997); Haahti, A./ Hall, G./ Donckels, R. (eds.): *The Internationalization of SMEs. The Interstratos Project* (1998); Pichler, J. H.: *Klein- und mittelbetriebliche Anpassungsstrategien in einem Umfeld fortschreitender Internationalisierung* (1998); Mugler J.: *Betriebswirtschaftslehre der Klein- und Mittelbetriebe* (1998-99), in this very context esp. Vol. 1, chpts. I and II; Filion, L. J.: *Zwei Unternehmertypen. Operateur und Visionär* (IGA 2/1999); Becattini, G.: *Flourishing small firms and the re-emergence of industrial districts* (1999 mimeo)

Graph 1: Profile of entrepreneurial attitudes of Pioneers and Organizers*

	1	2	3	4	5
1. Government should not restrict competition, even not interfere through incentives.				• ⊗	
2. Professional bodies and similar organizations should provide assistance to their members, only.			•	⊗	
3. Changes in a business should be avoided at all costs.	•	⊗			
4. A firm should not leave the location where it is established.		•	⊗		
5. Jobs should be clearly described and defined in detail.		•		⊗	
6. Managers should plan rather than follow their intuition.			•	⊗	
7. Firms should only introduce proven office procedures and production techniques.		•		⊗	
8. In family owned businesses management should stay in family hands.		•	⊗		
9. Small firms should not hesitate to do business with large firms.				• ⊗	
10. Small business managers should take personal responsibility for the recruitment of all employees.			•	⊗	
11. A manager should consider ethical principles in his behaviour.				• ⊗	
12. Business should take precedence over family life.		•	⊗		

Legend:

• = Pioneer

⊗ = Organizer

ranking:

1 - strongly disagree

2 - disagree

3 - no opinion

4 - agree

5 - strongly agree

Source: INTERSTRATOS, total sample

IfG-graph 

Above profiles result from cluster analyses as repeatedly tested and applied in both STRATOS and INTERSTRATOS studies; originally comprising 85 value statements in the STRATOS questionnaire and subsequently condensed (on basis of factor analysis) to 12 profile indicators for the purposes of INTERSTRATOS.

In addressing type-specific attitudes and behaviour, among the specifically investigated features and inclinations on part of both Pioneers and Organizers more distinct patterns and forms of cooperation seen to emerge.

Business cooperation instead of outright or "cut-throat" competition has been a question raised in the context of both the STRATOS and INTERSTRATOS projects. Cooperation strategies also reflect basic entrepreneurial attitudes relevant to be scrutinized more closely in the given context.

Patterns of cooperation and networking

If implying relatively more dynamic-creative (Pioneer) or more administrative-static (Organizer) type strengths and considering that networking, as a rule, also involves uncertainties (partners not sticking to agreements or turning out to be inefficient), it may be quite plausible a hypothesis: Pioneers rather than Organizers should be more open to cooperation as being supported also by empirical findings; stronger inclination towards cooperation and networking on part of Pioneers as against Organizers being evident both with respect to domestic partners at home and with respect to foreign partners abroad.

Less immediately evident appear strategies with respect to attitudes towards cooperation and networking on part of Pioneers versus Organizers, if looking at more specific forms of cooperation as, e.g., networking with foreign partners at home on "extension of product range" or with domestic partners abroad with respect to "sales" as being depicted and illustrated in the following tables.

Table 1

Frequency of Pioneers and Organizers cooperating with *domestic partners at home* in different fields

Fields	Pioneers					Organizers					Total				
	Percent										N				
	1991	1992	1993	1994	1995	1991	1992	1993	1994	1995	1991	1992	1993	1994	1995
Sales	37	27	45	34	33	28	26	35	35	30	2,106	1,973	1,575	1,617	1,834
Extension of Product-Range	33	29	41	33	31	25	25	30	29	27	2,205	2,135	1,562	1,353	1,832
Manufacture	33	30	38	33	30	25	24	30	31	26	2,196	2,131	1,568	1,617	1,834
Purchase/Supply	27	24	29	24	24	20	24	22	25	22	2,184	2,132	1,540	1,592	1,825
Research and Development	25	25	27	25	23	18	20	20	19	18	2,187	2,130	1,547	1,332	1,834
Logistics / Warehousing	24	21	28	24	20	16	19	20	23	17	2,188	2,129	1,525	1,567	1,822
Electronic Data Processing	19	17	22	21	16	15	16	15	19	12	2,186	2,134	1,526	1,556	1,824
Joint venture (local firm)	2	1	2	1	1	1	0	1	1	1	2,983	2,901	2,657	2,173	2,432

Source: INTERSTRATOS update

Table 2

Frequency of Pioneers and Organizers cooperating with *foreign partners abroad* in different fields

Fields	Pioneers					Organizers					Total				
	Percent										N				
	1991	1992	1993	1994	1995	1991	1992	1993	1994	1995	1991	1992	1993	1994	1995
Sales	29	26	31	28	27	20	23	21	17	18	1,807	1,738	1,499	1,509	1,736
Extension of Product- Range	25	22	21	17	19	18	17	15	11	13	1,809	1,734	1,482	1,484	1,730
Research and Development	14	14	17	11	13	11	12	10	7	8	1,783	1,723	1,468	1,471	1,728
Manufacture	15	13	15	16	14	11	10	11	11	9	1,794	1,731	1,466	1,487	1,729
Purchasing / Supply	14	14	14	14	12	10	12	11	8	8	1,789	1,725	1,462	1,485	1,722
Joint venture (firm abroad)	8	6	7	7	7	5	4	4	3	3	2,983	2,893	2,630	2,173	2,432

Source: INTERSTRATOS update

Table 3

Frequency of Pioneers and Organizers cooperating *with foreign partners at home* in the fields of extension of product-range by sectors

Sectors	Pioneers					Organizers					Total				
	Percent										N				
	1991	1992	1993	1994	1995	1991	1992	1993	1994	1995	1991	1992	1993	1994	1995
Textiles/clothing	18	15	15	11	18	20	19	17	8	18	367	327	283	316	320
Electronics	26	24	22	17	26	22	28	26	14	18	385	354	254	262	285
Food	21	19	13	14	19	19	15	15	12	7	343	377	270	286	339
Furniture making	15	10	14	11	11	10	10	11	9	9	364	319	303	294	332
Metal/machinery	23	18	24	18	22	21	15	15	11	13	496	478	413	420	487
Total	21	18	19	14	20	18	16	16	11	13	1,955	1,855	1,523	1,578	1,763

Source: INTERSTRATOS update

Table 4

Frequency of Pioneers and Organizers cooperating *with domestic partners abroad* in the field of sales by sectors

Sectors	Pioneers					Organizers					Total				
	Percent										N				
	1991	1992	1993	1994	1995	1991	1992	1993	1994	1995	1991	1992	1993	1994	1995
Textiles/clothing	12	8	11	13	10	12	10	9	7	13	339	315	266	302	312
Electronics	11	15	17	8	9	9	12	13	15	7	345	320	239	251	278
Food	10	10	12	11	11	13	16	9	12	7	289	322	261	254	329
Furniture making	13	14	16	13	11	8	11	10	15	9	329	297	283	264	314
Metal/machinery	18	15	12	11	14	10	13	15	12	12	466	441	395	397	474
Total	13	13	14	11	11	10	12	11	12	10	1,768	1,695	1,444	1,468	1,707

Source: INTERSTRATOS update

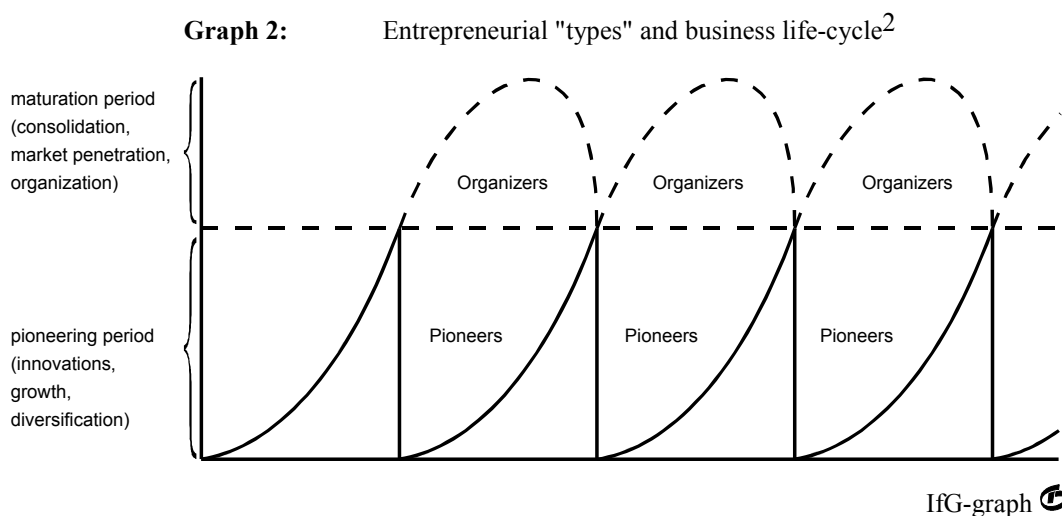
These results reveal that Organizers - especially in the smaller business segments - tend to be relatively more inclined towards cooperation as compared to Pioneers, as a reflection possibly also of distinct - perhaps critical - phases in the business life-cycle (textiles or electronics being cases in point).

Again more typical for the Organizers rather than the Pioneers seems to be greater caution on the whole in cases of cooperation with domestic partners abroad (as apparent in electronics, furniture making and also metal/machinery); the Pioneers quite obviously representing the more "daring" types.

In summarizing these findings, distinct attitudes towards cooperation and networking by types of entrepreneurs clearly can be observed relating to different strengths and weaknesses, again pointing at "the right man at the right time" with regard to different phases of business life-cycles.

Entrepreneurial behaviour in the context of business life-cycles

As to be demonstrated in depicting specific attitudes and strategic entrepreneurial behaviour, both the Organizers and the Pioneers obviously tend to respond by prudently weighing calculated risks against opportunities by way of cooperation and networking making use, thereby, of their respective strengths as being illustrated in the following Graph:



While implied hypotheses may partly be supported by relevant empirical findings (in depicting, e.g., a more pronounced "pioneering period" or a more "mature phase"), certain key indicators - such as growth, growing number of employees, rising turnover and sales or exports etc. - as related again to different entrepreneurial "attitudes" might provide a kind of yardstick to defray some of the underlying complexities.

III. CONCLUSIONS AND INFERENCES

Identifying entrepreneurial strengths and weaknesses on grounds of attitudinal indicators, as referred to above, can serve as an instrument for rationalizing underlying inclinations and related strategic orientations.

Once having identified, and being aware of, characteristic strengths and weaknesses, it would seem only rational to depict proper adaptive strategies out of a range of options as, e.g., different forms of networking (with potential "economies of scope" rather than just "scale").

This holds true not only for the manifold forms of interfirm cooperation (with domestic as well as foreign partners at home or abroad), but also for appropriate distribution and delegation of management tasks within firms which, in turn, may be linked to prevailing

¹ Cf. also Puempin, C./ Prange, S. (1991) and Reckhaus, H.D. (1994)

different phases of business life-cycles (be it more the "pioneering" or rather the consolidating "organization phase" as shown).

Interfirm division or sharing of functions - no matter whether at home or abroad (in both cases with domestic and/or foreign partners) - reflects, in principle, approaches similar to outsourcing, subcontracting or, for that matter, entering any form of specific business association; the crucial and performance oriented rationale, thereby, being always that somebody else might do better or more efficiently what oneself cannot achieve equally well or not at all.

Thus, in assuming that cooperation and networking strategies evidently do matter (as being depicted in the table below based on the respective INTERSTRATOS sample), pioneering strengths indeed may turn out more relevant as compared to organizational/administrative talents while keeping in mind relevant strategic limitations of both "types". Small businesses reflecting whichever type or profile, in the end, quite easily might be overchallenged by too forceful or dynamic a tendency towards internationalization after all.

Table 5

Entrepreneurs going for cooperation strategies*

	Total		up to 9 empl. (smallest)		100-499 empl. (biggest)	
	Pioneers	Organizers	Pioneers	Organizers	Pioneers	Organizers
At home	55	44	49	49	69	30
Abroad	20	10	7	4	38	13
With domestic partners	55	43	49	48	69	30
With foreign partners	22	12	8	5	39	15

*Multiple answers, therefore adding up to more than 100 % possible

Source: Institut fuer Gewerbe- und Handwerksforschung (IfG)

These results clearly underline that - in light of rediscovering the particular role of the entrepreneur - new fields of research emerge and need to be investigated further (such as more explicitly bringing out attitudinal linkages for determining distinct business strategies specifically related, e.g., to cooperation and networking). Empirical findings, as demonstrated here, may facilitate to rationally locate given entrepreneurial potentials as a particular challenge also - and not the least today's broadened European context - in quest of a future oriented and as such more specifically SME-conducive policy formulation.

Findings with respect to "adaptive" strategies, referring in particular again to small businesses, tend to reveal that entrepreneurs indeed make prudent use of a variety of outside consulting services. Quite interesting, thereby, in a generally competitive setting and environment that various (generally more "pioneering") forms of cooperation strategies seem to prevail over other possibilities to cope with, or compensate for, given weaknesses by way of intensified utilization of training facilities, sought after by about 50% of the

firms sampled (and of those again 30% in the smaller and smallest size classes). Cooperation and tendencies toward networking, on the whole, seem to emerge as a preferred form of small business strategy.

Graph 3: Matrix of an "adaptive" strategy mix

	Internal	External
Education/training	on the job	job related schooling/training, workshops/business services
Consultancy	Conducting firm-based feasibility-, marketing-studies as well as addressing managerial, accounting or controlling aspects, etc.	hiring specialized advice and services (tax consultants, legal advice, business associations etc.)
Business cooperation	family members staff	Domestic partners foreign partners

IfG-Graph 

In summing up, INTERSTRATOS results with respect, in particular, to patterns of SME cooperation and networking on the whole tend to re-emphasize findings being corroborated by research also otherwise, such as:

- A distinct tendency toward cooperative strategies, instead of micro-level "lonely fighter" attitudes, as increasingly discernible entrepreneurial adjustment patterns in response to given challenges and on-going internationalization pressures.
- A rational entrepreneurial behaviour - as against (lonely) competitive exposure on partly new and alien markets - to look for "strategic alliances" in form of cooperation and networking, thereby trying to capitalize on synergies and mutual strengths in market penetration.
- A search for strategies which in no way is to be viewed as contradicting essentially market oriented attitudes (or, for that matter, a more pronounced "pioneering" Schumpeterian notion) of entrepreneurship; instead, throwing a new and more subtle light on the realities of competitive patterns in a typically SME-related entrepreneurial environment, with "pioneering" tenets again in their own right.
- Such overall scenario and attitudes, finally and implicitly, clearly also point at the indispensable role of appropriate institutionalization as a kind of "natural" infrastructure for any efficient cooperation and networking related to SMEs; and this not only as a specific European observation, but as no doubt a globally relevant feature and requirement in general.

ANNEX
BEHAVIOURAL AND STRATEGIC ADJUSTMENT PATTERNS
IN FORMERLY CENTRAL/EASTERN EUROPEAN COUNTRIES
CASE STUDY RELATING TO HUNGARY*

Attitudes toward cooperation and opening of markets

Among the firms sampled, 16 enterprises (30.8 %) already cooperate with Austrian or other European Union partners, primarily in the fields of sales, purchasing and production; some also in research and development.

Enterprises without any cooperation (about two thirds) reportedly did not find "adequate partners" or were "not interested" to start with; legal barriers and language difficulties also played a role.

Yet, the majority of enterprises (over 60 %) generally felt to benefit from the opening to the "West" since the beginning of the 90ies. Only some 30 % more or less were indifferent vis a vis such developments and less than 10 % showed an outright negative attitude, as being depicted by selected branches in the following table.

Branches	Negative effects	Indifferent	Positive effects
Construction	33.3	0.0	66.7
Industry	0.0	40.0	60.0
Wholesale/ Retailing	33.3	0.0	66.7
Services	0.0	40.0	60.0
Total	8.3	29.2	62.5

Source: Westhungarian Institute of the Hungarian Academy of Science (NYUTI)

In analyzing the effects of potential EU enlargement by firm size, a largely positive assessment, especially by smaller enterprises, becomes obvious. This can be explained by recognizing new and enhanced opportunities combined with more favourable business conditions in general, having triggered a "wave" of business start-ups including an increased tendency toward engaging in cooperative arrangements and various forms of partnerships.

Remarkable, thereby, that medium-sized enterprises (with up to 100 employees) tend to stress rather the negative effects of the opening of borders primarily due to their still inferior competitive position given the new situation (especially in the producing sector).

* This Annex is to be seen as complementary to the foregoing INTERSTRATOS investigation proper, simply to illustrate increasingly discernible tendencies toward cooperation and strategic alliances in the formerly Central and Eastern European countries as well; data therefore are only partly compatible with the more comprehensive and separately developed INTERSTRATOS data set.

The underlying study was conducted by the Austrian Institute for Small Business Research in cooperation with the Hungarian Academy of Science with a view to conditions and attitudes toward EU enlargement.

Strategies under new market conditions and exposure

In assessing strategic responses and adjustment toward changing business and market conditions, including potential accession to the European Union, the following patterns emerged from the investigation.

Some 60 % of the enterprises sampled plan, and are aware of, necessary improvements in quality of products; an attitude to be observed practically throughout the sectors.

There also is a discernable tendency toward a more pronounced "service orientation", followed by product/market "specialization" and an enhanced export drive; developing "new products" also figures in this spectre (mentioned by about one fourth of enterprises) as well as looking for "new locations" abroad (about one fifth) as an extension of the home base.

Strategies with a view to streamlining production processes, reduction of costs and related aspects seemingly are of less immediate concern for necessary adjustment (even considering EU competitiveness over the longer term). Awareness and strategic positioning thereby, however, varies markedly by sectors.

In the construction sector service orientation, followed by specialization and quality improvement are of prime importance; enhanced export orientation, development of new products or locational aspects (also abroad) clearly figure less.

In industry proper, increased exports are considered of top importance (some 60 % of enterprises), also specialization (over 50 %), emphasis on service orientation as well as offering new products (over 40 %) figure relatively high; measures toward quality improvement and overall rationalization of production processes also are seen as quite relevant (about one third).

In wholesale/retailing quality improvement comes first (for two thirds of enterprises). For about one third, service orientation and establishing additional locations (primarily domestic) figure strategically; another roughly one third of enterprises are more or less indifferent vis a vis such new challenges and developments.

In the service sector more specifically, a certain complacency and indifference toward new strategic requirements seems to prevail (40 % of firms); for about two fifths quality improvement is important, while improvement of services or changes in location quite clearly figure less (roughly one fifth).

While keeping in mind certain limitations due to sample size and, thus, overall coverage of the survey, the following tables try to illustrate varying strategic postures differentiated by sectors.

Postures toward enlargement of markets by strategic objectives*
(Percent of sample, multiple answers possible)

Branches	Export orientation	Additional locations (domestic)	New/additional locations (abroad)	Cost reduction Rationalization
Construction	33.3	0.0	33.3	33.3
Industry	60.0	0.0	0.0	33.3
Wholesale/Retailing	0.0	33.3	0.0	0.0
Services	0.0	0.0	20.0	0.0
Total (weighted)*	27.61	19.04	21.90	9.51

Branches	Specialization	Service orientation	Quality improvement	New products/services	Strategic indifference
Construction	66.7	100.0	66.7	33.3	0.0
Industry	55.6	44.4	33.3	44.4	0.0
Wholesale/Retailing	0.0	33.3	66.7	0.0	33.3
Services	0.0	20.0	40.0	0.0	40.0
Total (weighted)*	31.76	56.81	58.10	25.39	10.47

* Including a few responses not directly attributable to defined branches.

Source: Westhungarian Institute of the Hungarian Academy of Science (NYUTI)

Expectations of entrepreneurs questioned tend to underline potential benefits and advantages resulting from future EU enlargement emphasizing, thereby, enhanced market potentials (over 80 %); a relative minority only is stressing rather more the difficulties going along with potential EU membership.

Assessing opportunities and risks*

Opportunities	Risks
Enlargement of markets and customer base (14)	Fiercer competitive environment (16)
Broadened and enhanced market access (6)	Decline in market share (6)
Reduction of trade barriers, cost advantages (6)	Lagging competitiveness (6)
Administrative streamlining (5)	Widening technological gap (3)
Enhanced growth prospects (2)	Increased price competition (2)
Balancing economic conditions and policies (2)	Upward pressure on basic materials prices (2)

* Numbers in brackets refer to firms reporting

On the whole, entrepreneurs clearly do expect advantages through market enlargement and, thus, from accession to the EU. This entails new risks combined with an enhanced attitude also toward specific forms of cooperation and strategic alliances in the context of ensuing exposure to in many ways new and, as yet, alien markets.

ANNEX 1

SMEs in Europe

92 % of all European enterprises have less than 10 employees

The Observatory report *SMEs in Europe 2003* reveals that there are 19.3 million enterprises in the European Economic Area (EEA) and Switzerland, providing employment for 140 million people. See Table 1.1. Some 92 % of these enterprises are micro (0-9 employees), 7 % are small (10-49), less than 1 % are medium-sized (50-249) and only 0.2 % are large enterprises (250+). Just over two thirds of all jobs are in SMEs, so almost one third of all jobs is provided by large enterprises. Within SMEs, the major share of employment is in micro enterprises, enterprises employing less than 10 employees (56 %).

Table 1.1: The basic facts about SMEs and large enterprises in Europe-19, 2003

		SME	Large	Total
Number of enterprises	(1 000)	19 270	40	19 310
Employment	(1 000)	97 420	42 300	139 710
Occupied persons per enterprise		5	1 052	7
Turnover per enterprise	Million €	0.9	319.0	1.6
Share of exports in turnover	%	12	23	17
Value added per occupied person	€ 1 000	55	120	75
Share of labour costs in value added	%	56	47	52

Source: Estimated by EIM Business & Policy Research; estimates based on Eurostat's Structural Business Statistics and Eurostat's SME Database. Also based on European Economy, Supplement A, May 2003 and OECD: Economic Outlook, No. 71, June 2003. Since a different source has been used, data presented is not directly comparable with data presented in earlier reports of the Observatory of European SMEs. Details by country are included in Annex I.

The average European SME employs 5 people

On average, an enterprise in Europe - including all very large enterprises - provides employment for 7 people; the average for SMEs is only 5 people. Countries differ significantly with respect to the scale of their enterprises. For example, the average number of occupied persons per enterprise varies between 2 in Greece, and 12 in The Netherlands.

About half of all enterprises have no employees at all, thus providing employment and income to the self employed and family workers only.

Employment in SMEs increased

Medium-term developments (1988-2003; see Figure 1.1) show that - despite fluctuations over time - in SMEs (and in particular in micro and small enterprises) employment increased, whereas in Large Scale Enterprises (LSE) employment decreased. This is remarkable as real turnover and value added growth have been smaller in SMEs than in LSEs. So, large enterprises increased their production more and sold more products and services than SMEs. Nevertheless employment growth was larger in SMEs than in LSEs, because labour productivity grew faster in LSEs: large enterprises became more efficient than SMEs, (especially micro enterprises). To a large extent this difference can be explained by the fact that SMEs are over-represented in sectors with low productivity growth, like retail trade.

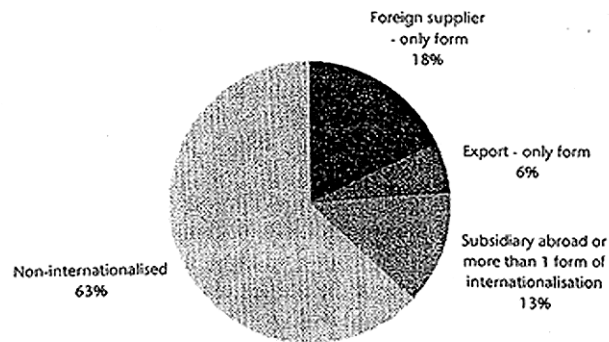
Table 1.2: Roles of SMEs in Accessing and Candidate Countries and Europe-19

	SME				LSE	Total
	Micro	Small	Medium-sized	Total		
Accession countries (2001)						
Enterprises	1 000	5 670	230	50	5 950	10
Occupied persons	1 000	10 210	4 970	5 350	20 530	10 150
Occupied persons/enterprise		2	22	107	3	919
Size-class dominance						Small/Medium-sized
Europe-19 (2003)						
Enterprises	1 000	17 820	1 260	180	19 270	40
Occupied persons	1 000	55 040	24 280	18 100	97 420	42 300
Occupied persons/enterprise		3	19	98	5	1 052
Size-class dominance						Micro

Source: Estimated by EIM Business & Policy Research; based on Eurostat's Structural Business Statistics and Eurostat's SME Database; also based on European Economy, Supplement A, May 2003, and OECD: Economic Outlook, No. 71, June 2003, and information from EIGR partners.

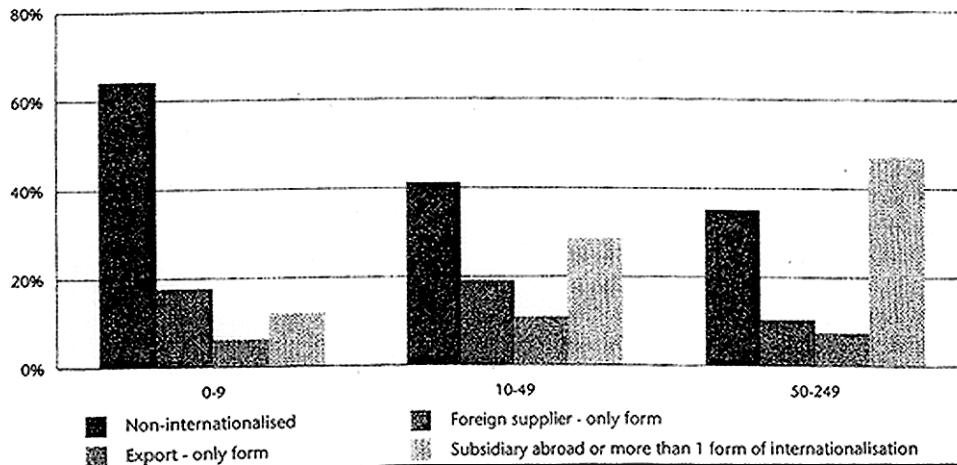
Internationalisation of SMEs

The prevalence of different forms of internationalisation among SMEs



Source: ENSR Enterprise Survey, 2003.

Internationalisation of SMEs, by size of enterprise



Source: ENSR Enterprise Survey, 2003.

ANNEX 3

STRATOS und INTERSTRATOS**--Projekt design --**

STRATOS	INTERSTRATOS
• Akronyme für	
Strategic Orientation of Small European Businesses	Internationalisation of Strategic Orientations of European Small and Medium Enterprises
• Teilnehmende Länder	
Belgien	Belgien
Deutschland	Finnland
Finnland	Großbritannien
Frankreich	Niederlande
Großbritannien	Norwegen
Niederlande	Österreich
Österreich	Schweden
Schweiz	Schweiz
• Ausgewählte Branchen	
Textil/Bekleidung	Textil/Bekleidung
Elektronik	Elektronik
Nahrung/Genußmittel	Nahrung/Genußmittel
	Metall/Maschinen
	Holzverarbeitung
• Schichtung der Stichprobe	
Zufallsstichprobe mit 5 Größenklassen, nach Anzahl der Beschäftigten (Vollzeitäquivalente): 1-9, 10-19, 20-49, 50-99, 100-499	
• Befragungsart/Stichprobengröße	
individuelle Tiefeninterviews (ca. 1.250 Unternehmer/Manager)	Fragebogenversendung (Sample mit ca. 3000 ausgewerteten Rückmeldungen)
• Datenbank (Fragebogen)	
ca. 600 Variablen (davon 85 über unternehmerische Verhaltensweisen, Werte und Einstellungen)	ca. 200 Variablen (davon 12 über unternehmerische Verhaltensweisen, Werte und Einstellungen), faktoranalytisch aufbereitet
• Methodologisches Vorgehen	
Cross-section Analyse	Longitudinalanalyse (mit betriebsgrößenspezifisch differenzierten Panels/Kohorten und interativen cross-sections)
Relevanz der Differenzierung gemessen anhand Chi-Square Tests, Art der Verteilung durch Standardabweichung	
• Mittels Clusteranalyse identifizierte Unternehmertypen	
2 Grundtypen: „Pioniere“, „Organisatoren“; 2 abgeleitete Typen: „Allrounder“, „Routiniers“	2 Grundtypen: „Pioniere“ und „Organisatoren“
FASTCLUS-Verfahren/SAS Programm	
EDV gestützte, international abestimmte und vergleichende Datenbank, Institut für Gewerbe- und Handwerksforschung, Wien	

Quelle: INTERSTRATOS update (vgl. ergänzend auch Anm. 3)

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Професор Ханс Пихлер:

Ханс Пихлер е професор по международна икономика в Университета по икономика и бизнес администрация, Виена, Австрия; преподавател в Харвардския университет.

Професор Пихлер заема следните длъжности:

председател на Австрийския институт за изследване на МСП, зам. председател на Австрийската фондация за развитие (OeFSE), вицепрезидент на Европейския институт за стандартизация и инвестиционни проучвания (EUSIS); изследовател в Центъра за Европейски изследвания към Университета в Харвард;

член на УС на: Съвместния австрийски и латино американски институт (LAI), Асоциация Шумпетер във Виена, Оеко-форум, Австрия, Европейския съвет по дребен бизнес (ECSB), Института за бизнес етика и предприемаческа култура във Виена, Австрия; член на Надзорния съвет на: Афро-азиатския институт (AAI), Ърнст енд Янг (Ernst & Young), Виена, Асоциация за регионални икономически въпроси, Мюнхен, Американския биографически институт (ABI), Негеве Институт за стратегии и мир и Международния център за развитие и подпомагане на МСП (NISPED/InCep-SME), Израел; Института за сътрудничество и проекти за развитие (ICEP), Виена;

професионално членство в: Recontres de St-Gall, Швейцария, Австрийската икономическа асоциация, Международния съвет по дребен бизнес (ICSB, бивш президент), Европейския съвет по дребен бизнес (ECSB, бивш зам. президент), Австрийското общество за история на бизнеса; Асоциация на австрийските професори, Виена.

Редактор/член на редакционна колегия на: списание „Предприемачество и дребен бизнес“ (Отава), WASME нюзлетър (Ню Делхи), списание „Управление на дребния бизнес“ (САЩ), Нюзлетър „Изследване на МСП“, Австрия.

Научни достижения: има публикувани книги и множество статии по международна икономика, международни финанси, кредитна политика, стратегии за развитие; лидерство, предприемачески ценности и предприемаческо поведение, малки и средни стопански структури.