

Partnership and Publicity in Planning of Regional Development after the Changing of Regime – Experiences of a Hungarian Enterprise

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Abstract

The framework of regional planning has changed in Europe at the end of the 1980s. It can be attached partly to the reform of the regional policy of the EU and partly to the growing importance of actors independent from state and central power.

In Hungary this global process together with the transformation crises of changing of regime have changed the system of regional planning to a great extent. More and more new actors independent from state emerged in the processes from the for profit and the non-profit sphere as well. The analysis of the latter was done by many authors, here we will present the change of planning process through the activity of an actor of the for-profit development-planning-advisory sector.

In theory an enterprise working in regional planning and development has to compete in a sector functioning according to the principles of “new economy”. We will highlight some aspects of this part of the economy and compare our experiences in Hungary with the expectations of the literature.

The enterprise was founded at the turn of the millennium, as a spin-off it emerged from a university environment. Through the change of its circle of clients the transformation of demands of the planning sphere can be followed. In the article we investigate the growth arch of the enterprise in number of contracts, changes of turnover, stock of means of production, labour force. In the analysis beside the mapping of the system of business connections we will examine the content of prepared plans and conceptions.

In the conclusion of the study a detailed report of Hungarian regional development and planning partnership of the last 10 years is outlined in connection with the experiences of the firm.

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1. Introduction

After so many decades of planned economy after 1990 the era of free market economy came to Hungary. For some years the word “to plan” meant something we have to be avoid. Additionally after the four decades of artificial social-ism individualism became the strongest paradigm among people, enterprises and even settlements. In the middle of the 1990s signs of a spatial crisis became evident as the central and western part of the country became more developed and other part became regions lagging behind to a greater extent. Spatial planning was something we had to re-invent and used in every spatial level. The law on regional development in 1996 meant the beginning of a long institutionalization process. Over and above our own experiences requirements of the EU access needed the adoption of some new methods and approaches.

In addition to local and central authorities, administrative organizations, NGOs and quaNGOs for-profit organizations play a crucial role in the regional development of Hungary. Among them we may find affiliated companies of foreign firms and Hungarian ones as well. This sector needs special skills from actors, such as flexibility, openness and innovative approach. In this market small and even micro enterprises can find their niche and can be successful for longer periods.

In our paper we are going to examine the case study of the Geolin Co. The situation is special because it was founded and is still owned by the there authors. In spite of our personal involvement we are trying to be objective in our analysis.

We are going to place the company in an economic map using such buzzwords as “New economy”, “creative economy” and “spin-off” as lighthouses. In the next part we will present a short description about the activity of the firm in the last decade In parallel we will mention the main changes in the system of the Hungarian system of regional development.

The secondary data used by our research are from the related Hungarian and international literature. Our primary data are from the accounting of the company, such as number of contracts, sales returns, the geographic distribution of our partners. In our analysis we divided the investigated period into four sub-periods according to the relevant institutional or financial changes. In addition to statistical analysis in every period we are going to emphasize the most important experiences of us in planning (new methods or programmes) and in partnership (the activity of certain actors).

Through this research we try to highlight some aspects of the life of small-sized spin-off companies and some – sometimes embarrassing – characters of the Hungarian regional development system. Maybe our experiences can help other young professionals of development to start their own company and to avoid some mistakes.

2. A Company of “The Four Unlimited”: An attempt to identify ourselves

The Geolin Co. was founded by four young men (three geographers and one medic-informatic) being around their graduation in 2001. According to the Hungarian corporate law the enterprise is an “Unlimited Corporation” (Commandit-Gesellschaft in German and société en commandite in French). It was founded with a minimal seed money (according to the Hungarian law it can be only 1 HUF), but the founders must take full responsibility for its actions. The list of activities enlisted in its foundation charter was 12 page long, besides the two main components (social research and informatics) we entered in any type of commercial activities, party organization, agricultural activities, pasta making and even funeral services. In retrospect to the activities, successes and failures of last decade we try to position our firm along a spectra of economy.

The term “new economy” is broadly used by different authors, its understanding varies according to different scientific approaches. One is the macro-economic model which emphasizes that traditional economic laws fail, the contribution of ICT sector contributes to economic growth to an increasing extent. On the other hand some authors express that the main factor is the growing of ICT user sectors and not the growth in the manufacturing of ICT products and services. (Van Ark. et al. 2002)

When we founded the firm in 2001 there was an optimistic hope for new economy’s boom in the near future in Central Europe and in Hungary. The second half of the name of the company “LIN” mirrors the plan of one of the founders who was a talented computer programme developer to build a successful IT enterprise with the utilization of free source-code software (Linux). (Figure 1)

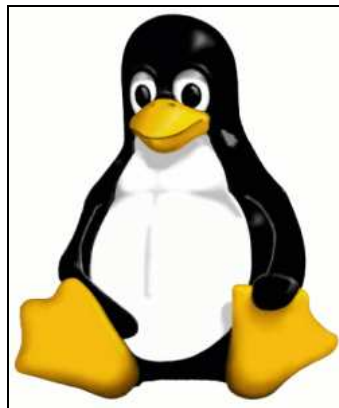


Figure 1 An IT dream of the early Geolin (Source: bbit.hu/userfiles/linux.png)

There were ideas to link “GEO” with “LIN” through the development of free-source code software applications for spatial development (GIS, databases, project management software). Some months later these hopes failed and this man has left the company a bit later.

According to micro-economic understandings of the “new economy” it is a new business model and can be characterized by the integration of thinking and acting in order to exploit available skills to solve problems as fast as possible. Another attributes are: team work, continuous innovation, flexible responsibility relationships and a less hierarchical structure. (Barsi B. H. 2007)

Our company can be characterized the above mentioned attributes: individual projects are rare, we try to build in innovations into our everyday practice and we have no hierarchical structure – the “managing director” position is symbolic.

According to Carayannis-Sagi (2000) the “new economy” can be characterized by 10 basic attributes:

Material – bits can be formed easier than atoms

Space – distance disappears, the limit is only the speed of light

Time – is narrowing, collapses

People – ideas and creativity instead of mass production

Growth – is moved by human co-operation

Value – because of the “network-effect” the richer platform the more valuable individual

Efficiency – mediators of information replace other mediators

Market – consumers motivate demand and decide prices

Transactions – specific by units, demand-based sells

Impulse – everything is accessible everywhere

This list for the first glance seems familiar for a firm working in the Hungarian regional and rural development sector: as we create bits and documents, confront ourselves with tight deadlines of tenders, people and creativity in spatial planning, demand-driven market (new government cycle new types of plans). On the other hand space is a tricky point, as our activity concentrates on a restricted area where our connection capital is concentrated. In spite of specific demands of different clients we could use tested planning methods and sometimes clichés.

In addition to “new economy” the phrase “creative economy” is something can cover the activities of our company.

“In the Creative Economy, the most important intellectual property isn't software or music or movies. It's the stuff inside employees' heads.” (Coy P. 2000)

According to Kovács Z. (2009) creative economy can be described with small-scale enterprises, high rate of flexibility, knowledge-intensive activities, high information-content, consumer-oriented function, the growing importance of international networks and a spatial concentration. This list also seems to be suitable for the description of our activities, the majority of attributes are typical for us. But the importance of international networks can only indirectly be experienced by our company. During our activities we worked for, co-operated with actors of foreign countries (but until 2009 only neighbouring countries!) but these connections remained occasional. Literature states a spatial concentration of creative economy in bigger cities (in Hungary mainly in the capital Budapest or in university centres). In principle our company's premise is a small town Püspökladány and only branch sites are/were situated in other settlements. In Budapest we had a branch site only for some months in the first period.

The third buzzword that is used to describe small companies active in the advisory sector is “spin-off”. In the literature many articles concern with spin-off companies, but we can not find one exact, generally accepted definition. (Autio, E. 1997, Nixon T. D. - Roenfeldt R. L. - Sicherman N. W. 2000, Fontes, M. 2005, Lerner, J. 2005) Experts interpret the spin-off phrase broadly, in general they mean spin-off companies as a knowledge-based and high-tech firms that origin their intellectual capital from a university or a public financed research institution. Companies founded by bigger firms for an intellectual subcontractor role can be interpreted as spin-off ones. Spin-off is an enterprise where knowledge and experiences

obtained in a parent institution are utilized. Connections can be formal (technology or licence purchase) or informal as well. (Buzás N. 2004)

According to the OECD interpretation a spin-off company based on public finance background must have at least one character of these ones (Kleinheincz F. 2001):

- Any new company founded by a public financed institution or a public servant of a university
- Any new company getting its technological background from a university or from another public financed research institution in the framework of a licence process
- Any new company in what a university or another national research laboratory is taking part with a part of capital
- Any new company founded by a public financed research institution

The first character is indisputably true for the Geolin Co. so we may mark ourselves a spin-off company.

The picture is multicoloured taking the origin of seed fund of spin-off companies into consideration. The connection of spin-off companies and the parent company can be different. In the simplest case any long-term connection ceases if a public servant founds a company and leaves the parent institution. The connection can be limited to a single transaction of licence-buying, but it can be a permanent one if the parent institution makes available its laboratory or provides incubation facilities and business services for the spin-off company. The most permanent connection can be if the parent company gives financial support or gets share in the new firm. (Buzás N. 2004)

In our case connection to the parent “company” (University of Debrecen) partly ceased to exist partly remained informal.

Literature points out that the life-cycle of spin-off companies often differs from the others’ one. They usually remain smaller and fast growing or product-orientation is not their feature. Some researches state that their staff number remains under 50 employees. Their rate of survival is often better than that of other new technology-intensive companies. (Kleinheincz F. 2001) Researches state that there is a big difference between the North American and the European spin-offs as the former ones become production-oriented more probably and the latter ones a simple advisor companies (“research boutique”). (Buzás N. 2004)

Our enterprise is almost 10 years old, so it can be classified a “mature” one in Hungary. Our size remained micro all the time and we are entirely advisors so we are a real “research boutique”.

Table 1 and 2 show two possible national classification systems. According to the French one our main activities can be categorized as “management”. In the British one perhaps the general advisory category fits for us. These activities are not the most frequent ones among spin-off companies.

In case of an indirect spin-off, former employees of the academic sphere found a new knowledge-based enterprise without any formal utilization of their former employer. (Figure 6)

The Geolin Co. can be classified an indirect spin-off with a small difference as current members of the company are still public servants of a university or a college. Our contribution to the progress of our institutions is indirect as our external experiences are used in teaching. As we see economic connections remained strong watching the activity fields in the number of contracts. On the other hand it is evident from the figure that development planning is the most important activity, education is only in the third place. (Figure 2, 3, 4, 5)

The enormous growth of sales returns in 2003-2004 can be explained by the advantageous changes in the Hungarian tax system of companies.⁴

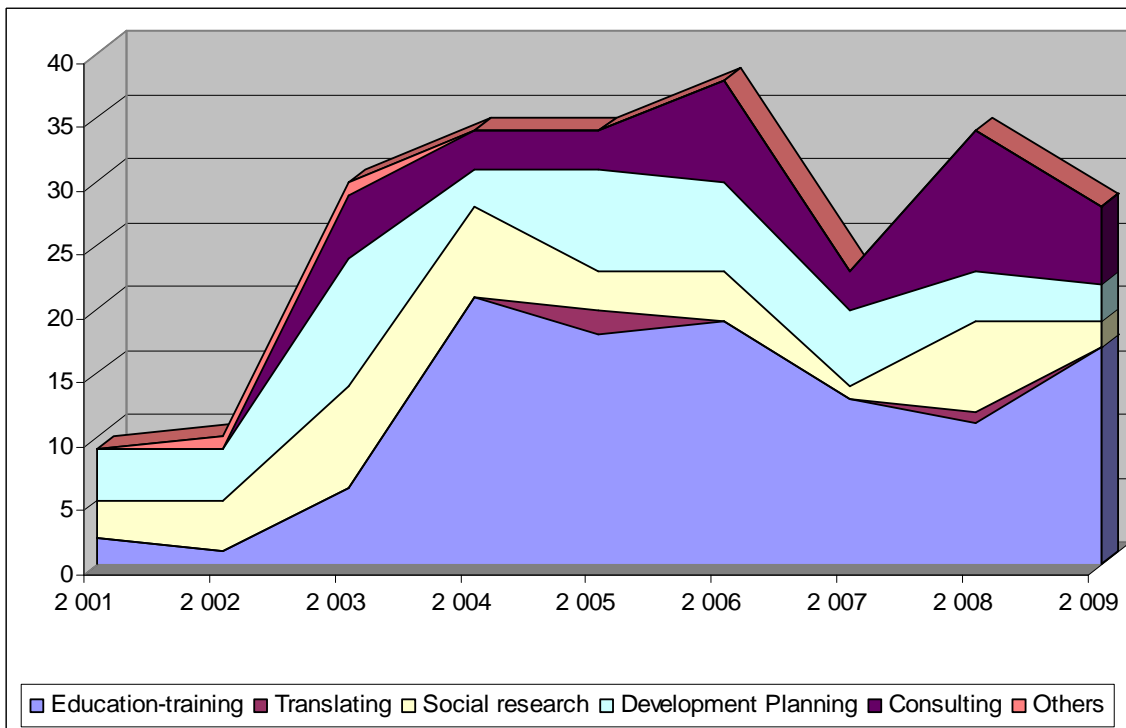


Figure 2 The share of different subjects, activity fields in number of contracts (pcs) (own edition)

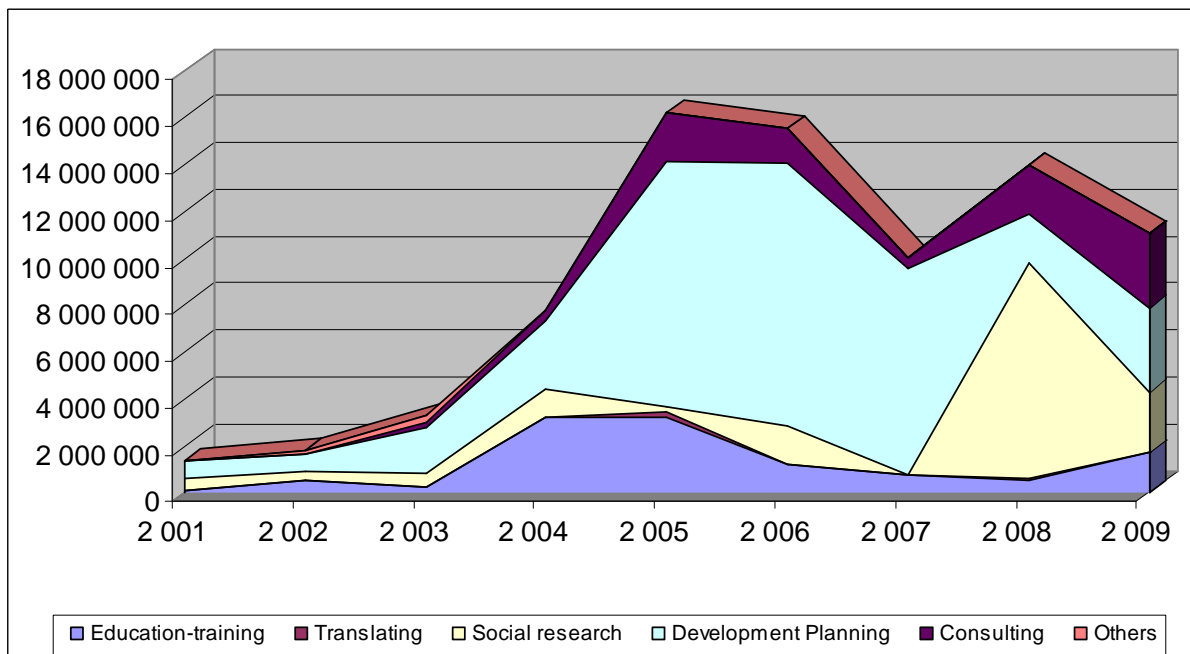


Figure 3 The share of different subjects, activity fields in sales returns (HUFs) (own edition)

⁴ Since 2003 we tax according to the Simplified Enterprise tax (EVA in Hungarian).

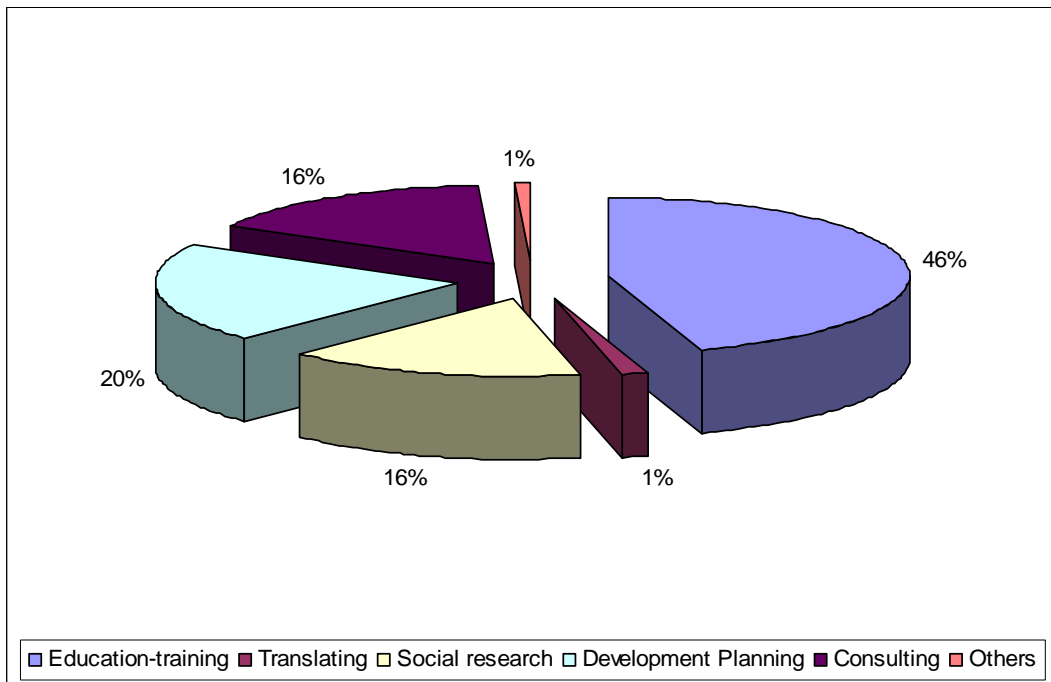


Figure 4 The share of different subjects, activity fields in number of contracts 2001-2009 (HUFs) (own edition)

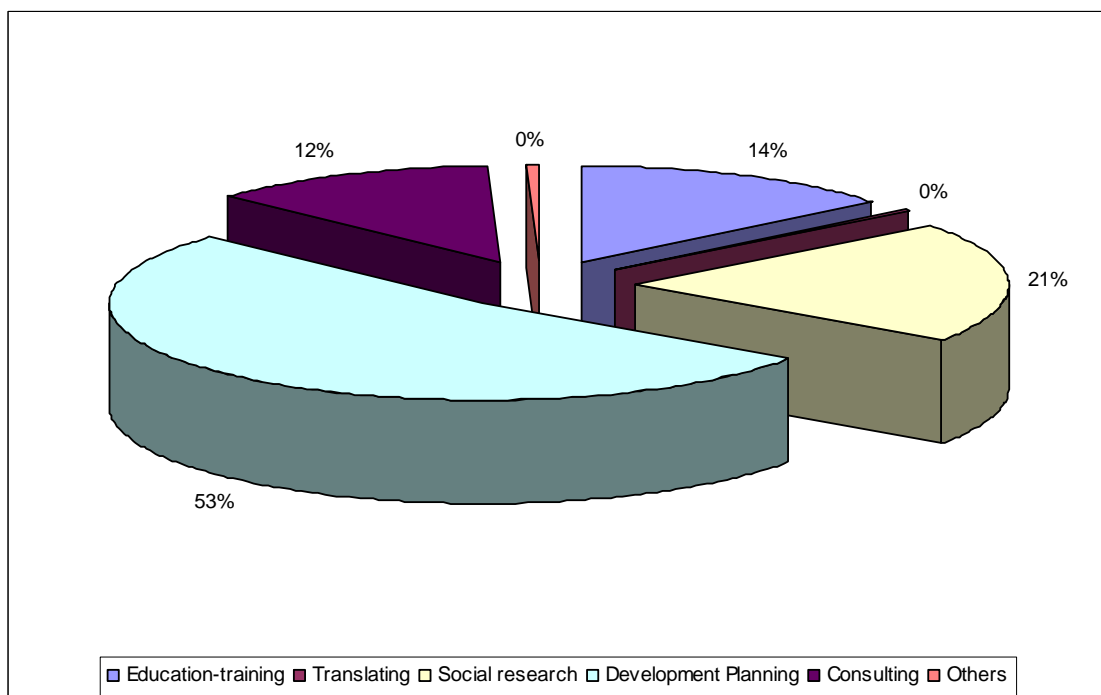


Figure 5 The share of different subjects, activity fields in sales returns 2001-2009 (HUFs) (own edition)

The majority of spin-off entrepreneurs are young and that is why they must fight against the lack of appreciation of their new company and the lack of their own reputation. These factors can influence the activity of their company negatively as the lack of business experiences and management skills. A solution can be such persons who can guarantee for the company in the first transitional period until the spin-off company can establish itself in the market. (Buzás N.

2004) In our case these inter-personal connections were crucial in the first period, but remained important until now.

Table 1 Distribution of spin-off companies formed from French CNRS institutions according to economic branches (Source: Kleinheincz F. 2001)

Branch	%
Informatics	25 %
Health	20 %
Instruments industry	8 %
New materials	7 %
Electronics	7 %
Environmental issues	6 %
Chemical industries	5 %
Acoustics, optics	5 %
Management	5 %
ITC services	4 %
Energy	4 %
Other	4 %
Totally	100 %

Table 2 Distribution of spin-off companies based on British institutions of higher education according to scientific branches (Source: Kleinheincz F. 2001)

Scientific branches	%
Engineering	20 %
Biotechnology	19 %
Life sciences	9 %
Medical sciences	5 %
Software	11 %
Chemistry, physics	11 %
General advisory	10 %
Other	15 %
Total	100 %

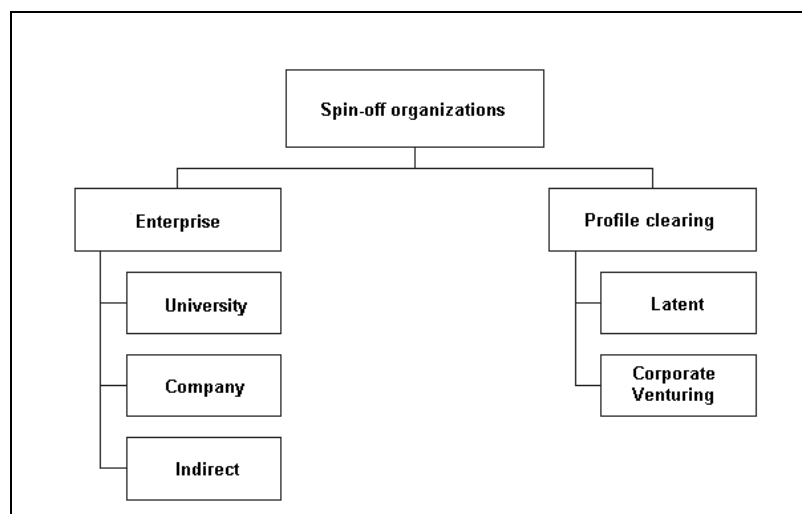


Figure 6 A possible classification of spin-off companies (Source: Buzás N. 2004)

According to another approach university-related spin-off firms are classified by their activities in the knowledge transfer. The aim of some companies is to promote scientific discoveries and to help their introduction to the market. Some enterprises are founded to improve the utilization of certain already existing technologies and knowledge that was used less before. In the third category we may find university-related spin-off companies working to be mediators between industry and universities to recognize the needs of markets and to drive academic research towards that direction (Fontes M. 2005). This last function can be seen in the case of our company as well.

To summarize this chapter we can state that Geolin Co. is an “almost indirect” spin-off company somewhere the realms of “new economy” and “creative economy”.

3. The experiences of the company in partnership and planning in regional development

We can distinguish certain periods in the history of the Hungarian regional development after 1990. As our enterprise was founded in 2001, the first some years seem to be unnecessary to write about. But we can not forget that the founders started their education as university students at the beginning of the 1990s so the first impressions from the world of regional development are from the early years. In case of a spin-off company based on individual or a small-group knowledge these first impressions must be crucial.

3.1. Regional development in the period between the changes of regimes and 1996

The implementation of regional development objectives is primarily dependent on whether the actions and resources of the actors involved can be coordinated as well as on whether the considerations of the regional policy in legislation, allocation or even in specific decisions impacting economic and infrastructure can be put forward (Dávid L. – Jancsik A. – Rátz T., 2007). From this point of view, the national level is of primary importance as the ‘rules’ of development are defined by the national administration (Bujdosó Z., 2009). Their institutions have been present in the Hungarian national development policy virtually since the changes of regimes as such tasks have been fulfilled by the parliament as legislator and the government as executive body. The first phase of regional policy can be identified as the period between the changes of regimes and 1996, i.e. the elaboration of the law on regional development (Tóth J., 1996). The institutional frame of regional development has undergone a number of changes in the past nearly 2 decades; with the sector belonging to practically to 8 ministries in 20 years. Along with firm state governance, with the establishment of County Development Councils after 1994, the role played by counties in developments was considered to be decisive (Süli-Zakar I., 1994). However, these institutions have never become the primary addressees of regional development, as settlements played a more important role. Some connection was established by the network of republic delegates representing the apparatus of de-concentrated institutions.

Among the institutions of regional development in Hungary, non-profit-oriented organisations are represented since almost the beginning. Their primary task is, joint to the national and regional institutions, to ensure legal correctness, transparency and the use of funds. Of all institutions, VÁTI Hungarian Public Nonprofit Limited Liability Company for Regional Development and Town Planning is considered to be prominent.

The time when private sector could join in to regional development activities is also estimated to be after the changes of regimes, although with a rather reduced relevance. Their role was restricted to participate in investments; a number of investments implemented as financed by their own resources, complemented by governmental funding, and by private capital aiming at obtaining profit are associated with the early 1990s. They also aimed at participating in the renewal and development processes. Regional development tasks at that time, in addition to the above, were represented by the elaboration of plans hardly suitable for today’s planning methodology, with only some enterprises capable of joining in. The private sector was also represented by banks and monetary institutions (especially the Hungarian Development Bank) supporting the financing of regional development.

3.2. Institutionalisation of regional development

The institutionalisation of regional development started on the ground of Law No. 21 .of 1996 (Kozma G., 1998). This regulation, resultant from long-going compromises institutionalised the previously lacking cooperation and integration between the various levels and evoked new actors. As a consequence, the partnership-based National Development Council was established; it is still, even after its many years of functioning, unclear whether their primary task, due to their status and composition, includes intra-branch coordination or coordination between sectors and spatial levels. Moreover, the organisation of Regional Development Councils to be set up started in 1991 (Nagy Z.-Kuttor D. 2009). Both their composition and scope of tasks underwent continuous changes. The number of micro-regional actors has decreased whereas that of delegates by ministries and towns with county rights has increased, new members were witnessed with rights to vote or to deliver their opinion (Chairman of the Regional Tourist Committees, regional development and equality actors, etc.) as participants in this work. The role of county councils with the institutionalisation of regions has significantly dropped (Kovács T., 2003).

Supporting the work of the regional development councils, regional development agencies as well as the working organisations of territorial and county development agencies operating as non-profit organisations in spatial development appeared. As approaching the European Union accession, the task of regional development agencies was broadened by the elaboration of regional strategies and operational programmes (Pénzes, J. - Tagai, G. - Molnár, E. 2008). The appearance of institutions transacting pre-accession funds (PHARE, SAPARD, ISPA) available as a precondition of the country's European Union accession is important to mention. In relation to the three funds, decentralised bureaus primarily responsible for planning and tendering were established.

In the fields of national planning and management, although with low relevance, advocacy organisations of municipalities, as the Hungarian National Association of Local Authorities or the Hungarian Village Association, etc. also became existent. Related to regional and urban development, among them, the advocacy role of settlements and regions is the most relevant. In the advocacy as well as in the involvement and the strengthening of the private sector, chambers (Chamber of Commerce and Industry) and enterprise development foundations (e.g. Hungarian Foundation for Enterprise Promotion) played an important role.

The more active participation of the voluntary and community sectors in regional policy is also worth mentioning. They are usually project-based groups, social services or self-help groups usually working together with municipalities, vigorously in tasks related to backward groups and the region. Typically, their involvement into development took place afterwards. This period witnesses the further strengthening of the presence of economic entities as well. Decisively, by the appearance of planning, European Union and national decentralised resources, they could join in tender writing activities.

In this period Geolin Co. concentrated its activities around the city of Debrecen as the majority of its founders were working for the University of Debrecen. (Figure 7) Among our clients were enterprises, programme management units, universities (mainly our parent institution) and in a smaller number self-governments and NGOs. (Figure 8) In these years our annual sales returns were below 10 million HUFs and the bigger businesses were the ones with enterprises. (Figure 9) Social research and development planning were the most frequent topics of these years. In this early period of regional development of Hungary methodology of spatial planning was elementary. Regulations concerning spatial development plans contained directions towards the methods, duration and the interest groups that had to be asked. EU pre-accession aids were important as learning possibilities (SWOT analysis, LogFrame method etc.) for us and for our partners as well.

In this period for our company a great challenge was the development of the “Environmental Strategy of the North Great Plain Region (2002-2003)”. The regional development institutions were looking for their possible functions against county institutions. Environmental planning was the deal of county institutions so “partnership” meant a kind of struggle for positions. On the other hand NGOs, mainly “green” ones were really enthusiastic in joining the process.⁵

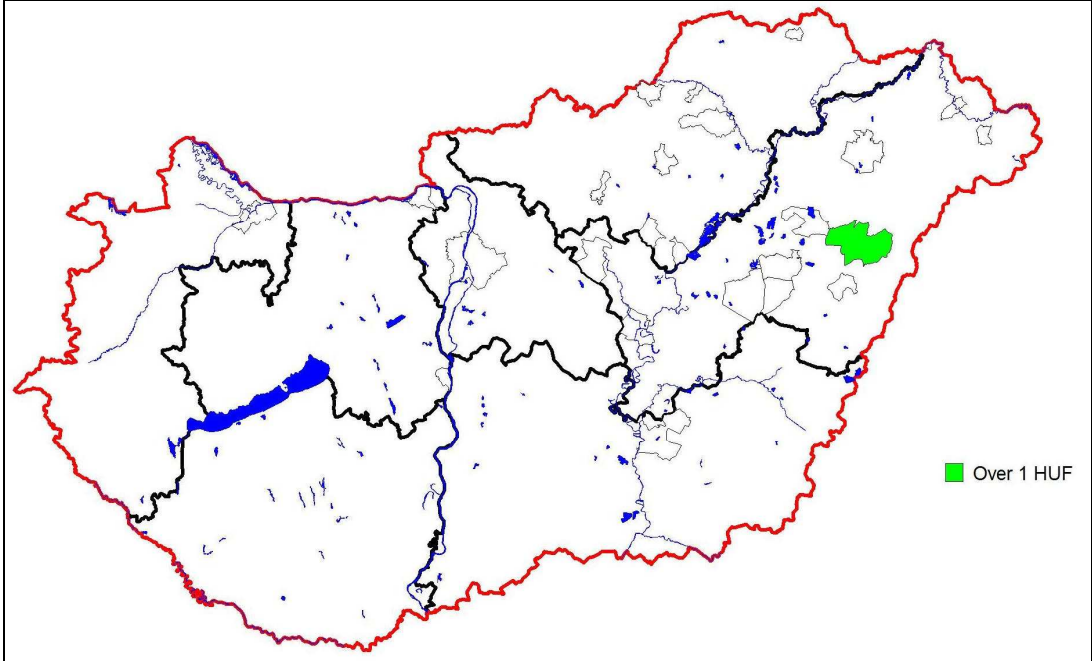


Figure 7 The spatial distribution of our business partners in 2001 (sales returns HUFs) (own edition)

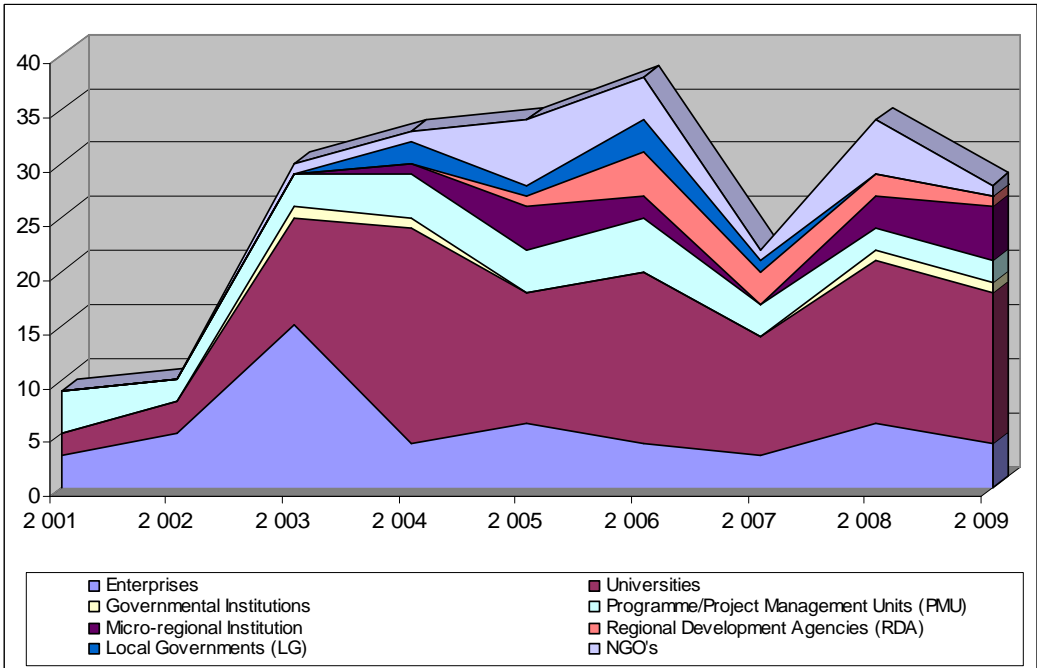


Figure 8 The yearly change of composition of contracts according to the type of clients (pcs) (own edition)

⁵ This project is missing from our accounting, because Geolin Co. was a subcontractor of another spin-off company (M+D Ltd.).

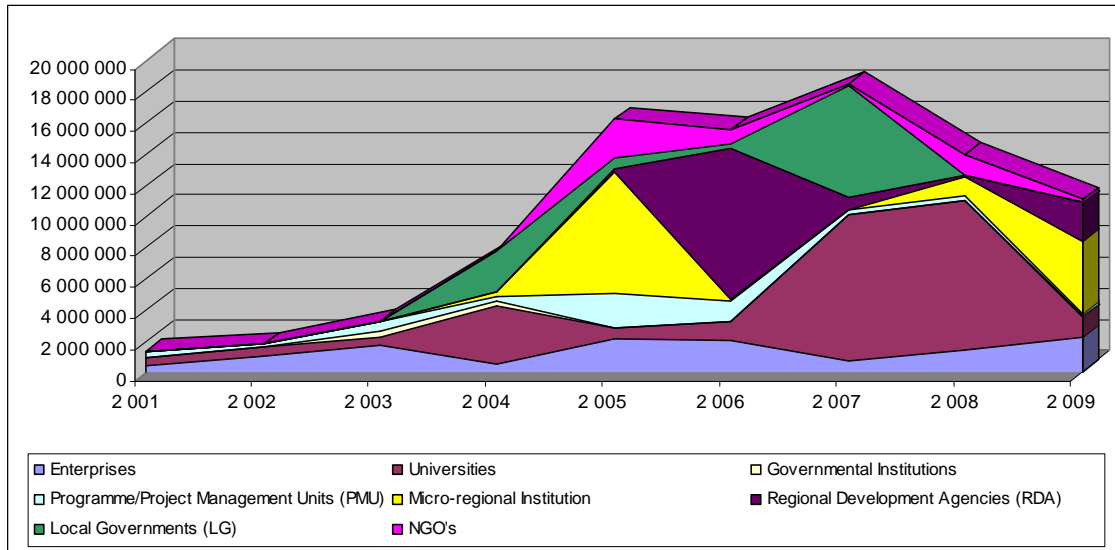


Figure 9 The distribution of sales returns according to the types of partners (HUFs)

3.3. Regional development after the European Union accession

After 2004, as a result of the changes in law and the country's EU accession, further alterations took place in the tasks of institutions involved in regional development. The National Development Agency fulfilling important regional development tasks on the national level was established by the government from the National Development Bureau and organisations managing the implementation of the National Development Plan in order to provide a more effective and transparent institutional frame facilitating the effective use of European Union funding (Dávid L. et.al., 2009). In connection to the Operational Programmes of the National Development Plan, further non-profit organisations appeared mainly as intermediate bodies (primarily as public benefit organisations, non-profit ltd-s) as the supporting institutions of ministries or indirectly connected to them (ESF Public Benefit Organisation, OMAI (Fund Management Directorate of the Hungarian Ministry of Education) Ltd., etc.). Following the country's accession, European Union institutions have been playing a more active role in regional development related work especially in building multilateral partnerships (Nagy Z., 2008).

On the regional, level, the development councils have strengthened with mainly their role in the distribution of decentralised resources becoming more relevant, however the regional segment of the appearing European Union financial resources having also put to them (Patkós Cs., 2005). The regional development agencies' scope of duties have also undergone changes as their previously active participation in planning, development and programming is now more focused on management and the organisation of allocation. Many of their former activities have been marketised through public procurement and are now fulfilled by economic entities and enterprises. Despite this 'outsourcing' activity, as a consequence of the expansion in the scope of duties, the number of employees in the development agencies has significantly increased. (Marselek S. - Pummer L. 2004) The functioning of the county development agencies which, due to the distraction of tasks, themselves also carries out resource generating activities (e.g. tender consultancy, tender writing, etc.) is inverse. The strengthening of the micro-regional level was also indicated by the establishment of micro-regional councils in order to coordinate regional development tasks, to approve micro-regional development concept and to elaborate joint regional development programmes.

The completion of economic actors in the regional development in Hungary is also estimated to have taken place in the past decade. Their functioning is primarily related to planning, project management and public procurement tasks. The monitoring of previous plans and projects also demanded the involvement of the private sector. Their spreading and the strengthening of their role can be mainly deduced to the fact the expansion of the personnel of organisation under national or regional administration could not keep in step with the expanding tasks as well as a kind of competition was also initiated in the ‘market’ of regional development in order to fulfil the increasing number of tasks thus an increasing number of actors could join in the competition. (Baros Z. et al. 2008) In addition, the strengthening of the participation of civil organisations, although at present, only having consultancy or participatory rights, is continuously increasing. Among the civil organisations, the number of non-profit organisations involved in regional developments is continuously increasing with their share being 5.7% employing of 18.7% of all personnel in this field in 2007 (KSH, 2007). Recent years have entailed the *teaming up of civil organisations* operating in the given fields, i.e. the establishment of the so-called civil forum (Remenyik B., 2007).

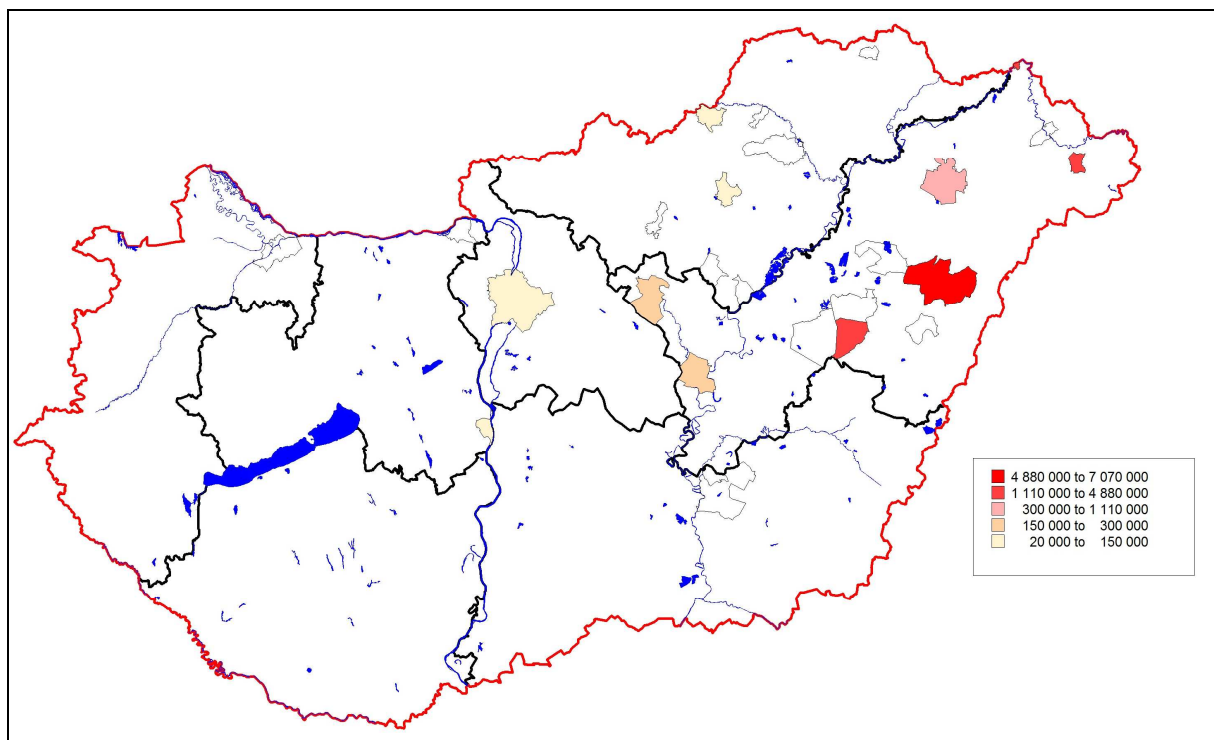


Figure 10 The spatial distribution of our business partners in 2005 (sales returns HUFs) (own edition)

The first half of the period was the era of the first Hungarian National Development Plan. The clients of the company were from a broader area. Mainly they were from the North Great Plain Region, but also from North Hungary, the capital and even from the Central Transdanubian Region. (Figure 10) The majority of sales returns still came from Debrecen. The majority of contracts were about education, but these ones were smaller. Most of the money came from development planning projects. According to the types of business partners in addition to the actors of the former period micro regions and regional development agencies appeared. In these years spatial (regional, county, micro regional and settlement) planning projects connected to the National Development Plan were frequent. According to our experiences formality of plan making and pseudo-partnership were usual. The timing of

planning process sometimes were guided by political interests (in case of political elections a spatial plan could be used as tool of campaign).

In 2004 the greatest challenge for us was the development of a tourism development strategy and plan for the City of Debrecen. The tourism sector in the second largest city of Hungary was going then for years. The local self-government and enterprises too wanted to direct future processes according to their interests. During dozens of interviews and many workshops we had to mediate between the two parts, but finally a document suitable for both sides was compiled.

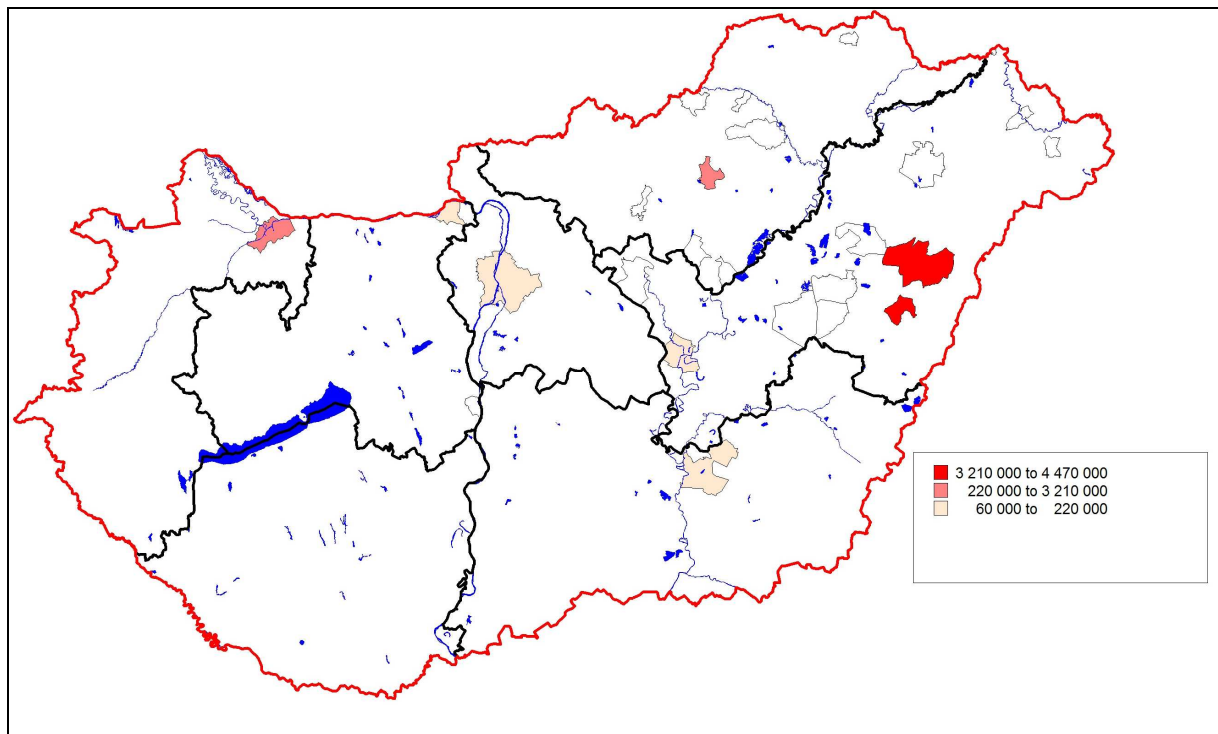


Figure 11 The spatial distribution of our business partners in 2009 (sales returns HUFs) (own edition)

Since 2007 the second Hungarian National Development Plan is going on. Planning process became more complex and more regulated on the one hand and the importance of real partnership grew. LEADER programme was introduced in Hungary in 2004 (LEADER+), its new approach of rural development (partnership, local planning and management etc.) was something fresh for us. Our company joined this rural development programme after 2006. We had to learn a brand new methodology of planning worked out by the experts of the Ministry of Agriculture and Rural Development. The other new thing about LEADER was the crucial importance of face-to-face connections with local actors (entrepreneurs, representatives of NGOs and the local government and the broader population as well).

The other new type of development planning documents was the Integrated Urban Development Strategy (IUDS). It is the base of EU co-financed urban development projects. In the elaboration process many types of social (NGOs, minorities, disabled people ec.) and economic (SMEs, multinational companies etc.) actors had to be asked. The elaboration of an IUDS was a must for bigger cities, but smaller ones also wanted to work on it. The methods which had to be used were determined by central regulations and many discussions with stakeholders had to be done.

The spatial distribution of our business partners became more diffused, but watching the sales returns it is still concentrated to Debrecen. (Figure 11)

To summarize this short decade we may state that our spin-off company is at home in the North Great Plain and the North Hungarian regions. Debrecen, the site of our parent university was always our most important market. (Figure 12) The majority of our sales returns came from universities, but micro-regions and regional development agencies are important as well, enterprises and local governments are in the third group of importance from this aspect. (Figure 13)

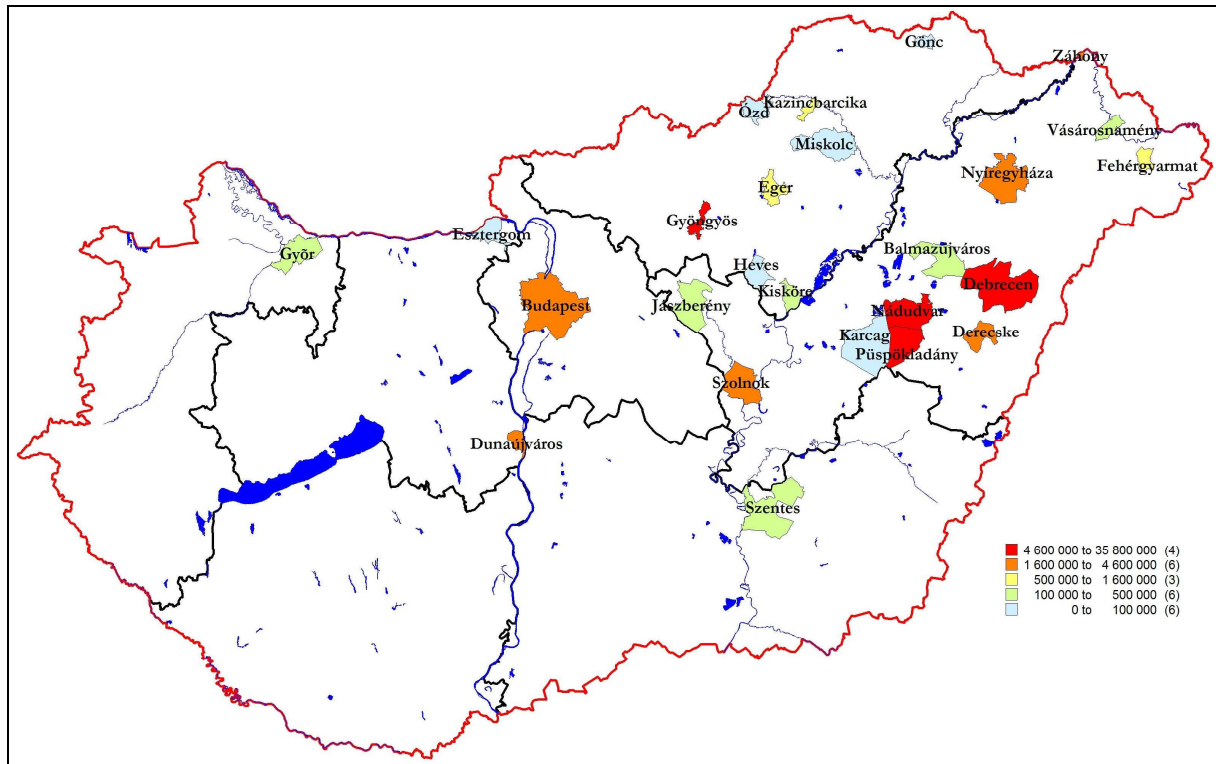


Figure 12 The spatial distribution of our business partners 2001-2009 (sales returns HUFs) (own edition)

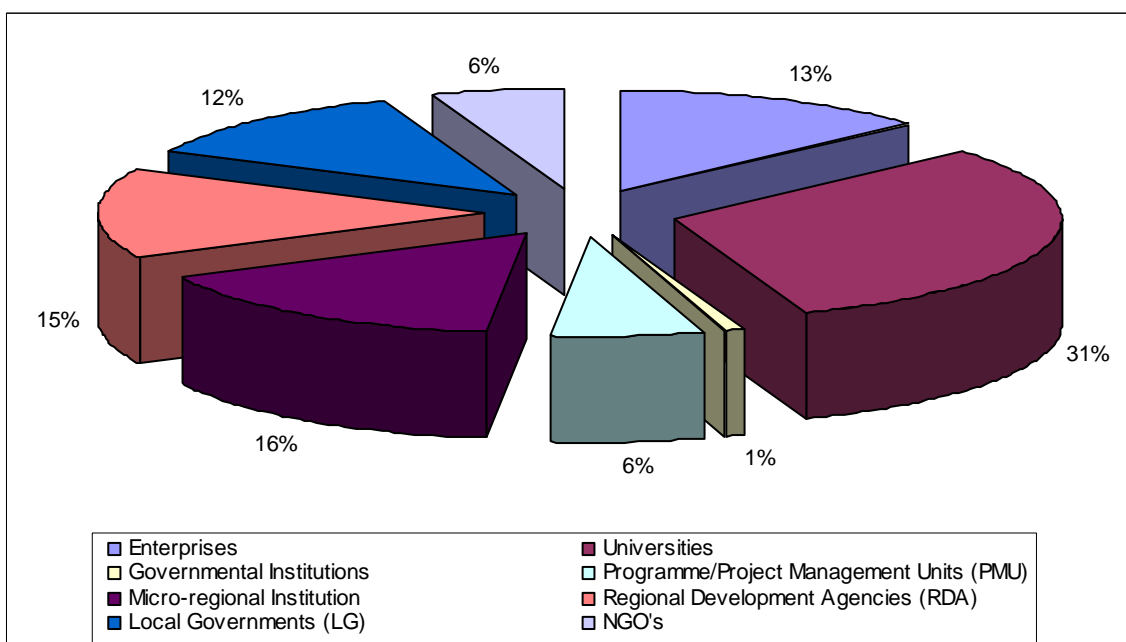


Figure 13 The composition of sales returns according to the types of partners 2001-2009

4. Conclusions

In our paper we showed that literature is not consistent in the explanation of “new economy” “creative economy” and “spin-off” company. There are many different definitions and many possible classifications. Hungarian literature is in general struggling behind mainstream theories. It is illuminating that we can not translate “spin-off” into Hungarian that is why we use the English term. Our company behaves itself as a real phenomenon as it can not be fixed exactly into any of the theories. Its spin-off nature may be the most certain according to the literature cited. For example interpersonal connections were and are still very important in our case. Its belonging to the “new economy” category is doubtful. Only if we interpret new economy in a broader sense can we comprise Geolin Co. into it. Creative economy is a word we can use for the majority of our activities. Certainly some aspects of a typical firm working in the creative sector can not be find in our own.

The progress of the company depends on external effects. The most important external factor for us is the ever changing system of the Hungarian regional development. Changes mean a must to adjust new circumstances and they are new opportunities to get a bigger market share. The first period of regional development ended in 1996 so our firm was not established yet, but the founders were socialized into the profession partly in that period. It can be characterized by the importance of national level and an incomplete set of methods.

In the institutionalisation phase legal, financial and methodological frames became more concrete. New actors evolved in this period, the importance of NGOs and enterprises grew as well as that of intermediate spatial levels (regions) did. A new era began when Hungary joined the EU and Community regulations were introduced into our system. EU money meant that Hungarian actors of regional development could apply for huge resources we have never seen before. Together with this the importance of bottom-up processes increased (at least in theory), and NGOs, micro regions and regions became more active.

Spatially in the early years the Geolin Co. concentrated its activity mainly to the city of Debrecen. The territorial diffusion of its activity was continuous, firstly to the neighbouring areas and after to more remote regions. Nevertheless we are still the “most powerful” in Debrecen watching the number of contracts or the amount of sales returns.

Our direct and formal connections towards other countries are not well-established. Until now Geolin Co. did not signed direct contracts with foreign partners. Our connections are indirect, we participate in international projects as subcontractors through another Hungarian organization.

It is worth to think about the further development possibilities of the company. It is important to get direct connections towards more enterprises and NGOs who represent the grass-root level. On the other hand international connections have to be organized more directly in order to keep and improve the market position.

As a spin-off company we can transfer our experiences to students of higher education so our parent institution can have indirect profit from our success.

5. Literature

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