

The Master Class CEE

Competence Center for Emerging Markets & CEE at WU



Doing business in uncertain times in Central and Eastern Europe

Research Report

June 2023

Authors

In this project, students with diverse academic backgrounds worked under the guidance of Program Director Ass. Prof. Dr. Arnold Schuh

Antretter Vivian

Capuder Ana

Coviliac Anastasia

Dell Riccardo

Foff Albert Roman

Haunsberger Marcel

Hüniken Gerrit

Jurcic Luka

Kagan Alexander

Karabeg Lena

Klopf Annika

Kovalchuk Oleksandra

Krupčiaková Lucia

Lang Lidia

Liszt Matthias

Maurerova Monika

Mittal Paras

Pribula Veronika

Pulling Lukas

Temel Aynur

Varro Zsofia

Weszelits Erich

Wolodko Piotr

Zukalova Hana

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Executive Summary 1/2

High inflation and volatile energy prices dominate the list of challenges businesses face in CEE today

The **response of Western multinational companies** to the multiple recent crises in Central and Eastern Europe (CEE) was the topic of the project seminar of the Master Class 2022-23 at the Competence Center for Emerging Markets & CEE at WU. Twentyfour students from eight WU master's programs worked under the guidance of Program Director Arnold Schuh from November 2022 to June 2023 on this project.

The aim of the study was to analyze the **major impacts of the recent crises** on companies operating in Central and Eastern Europe, their **crisis management** and the repercussions on the **attractiveness of the region** for foreign investors. Data collection was based on **desk research** (academic literature review, reports, statistics etc.) and „**firsthand insights**“. Latter included field trips to Warsaw and Bucharest, company visits, guest lectures („Insight Talks“) and semi-structured interviews with representatives of fifteen companies active in CEE.

Five major crises with a huge impact on companies in the region were identified: Soaring energy prices, high inflation, Putin's war in Ukraine, COVID-19 related supply chain issues and labour shortages. While the COVID-19 crisis marks the starting point of the turbulences with lockdowns and supply chain disruptions, the Russian invasion of Ukraine triggered a number of shortages and price increases in energy and commodity sectors that needed quick, costly and often creative solutions. Currently, the high and **persistent inflation** as well as the volatile and **high energy prices** are regarded as the biggest challenges for management. Companies seem to have found ways to cope with war- and sanctions-induced effects on their businesses in Ukraine and Russia. Labor and talent shortages rank lower in comparison. However, interviewees from the construction and mechanical engineering industry mention that they strongly suffer from the tight labour market.

Executive Summary 2/2

Poland and the Czech Republic are the most attractive markets. More flexibility, clear communication, risk management and entrepreneurship are main crisis management tools

Agility, **intensified communication** and **risk management** are mentioned as effective crisis management strategies. Surprisingly, one third of the interviewed firms had no special crisis management tools in place. **Supplier diversification**, **substitution** of input materials, **price increases** and formation of **strategic partnerships** are used to address inflation and supply chain issues. Improvement of IT infrastructure, better coordination of production and implementation of crisis trainings contribute to efficiency improvements and resilience building.

Overall, the **attractiveness of CEE** is rated among foreign firms as „**good**“ (average score of 7/10). **Growth** is still the main motive for expanding to and operating in CEE followed by manufacturing and sourcing. CEE as a location for R&D centers is gaining in importance. **Poland** and the **Czech Republic** are the most attractive markets for foreign companies. The views on Hungary and Romania are diverging among the interviewees: the good business outlook is often tarnished by economic and political challenges. The „**rebuilding Ukraine**“ vision makes the war-torn country a promising future investment target. In the Balkans, neither further investments nor divestments are planned. Regarding Russia, the willingness to withdraw and divest is given although a decline of just 8% in Austrian exports to Russia in 2022 tells a different story.

A **checklist** for effective crisis management is concluding the report. Flexibility in adjusting to the new situation, intense and clear communication within the organization, the empowering of local teams and good old risk management are on top of the list. In contrast to the past, we see more „**innovating out**“ of the crisis approaches – when the new way of thinking is to always expect the unexpected then innovation is the best answer. **Intra-** and **entrepreneurship** are needed more than in „normal times“.

Agenda

This report is split into four sections



Introduction & Methodology

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Introduction & Methodology

Current situation in the CEE region

Recent newspaper articles show some of the challenges such as wars, inflation and energy prices that affect the region

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Ukraine at war: one year on

The conflict continues



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Energy Was Scarce in Europe Last Year. Credit Could Be Next.

Early evidence points to a return to growth in the eurozone this year, but it could be short-lived as rising rates gradually filter through to the real economy

By [Stephen Wilmot](#)

Updated Jan. 24, 2023 10:08 am ET

WORLD

Ukraine War to Take Sharp Economic Toll in Eastern Europe

High energy costs burden countries reliant on energy-intensive factories

By [Paul Hannon](#) | Follow

Feb. 16, 2023 4:36 am ET

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Leaders | Still aloft

Inflation will be harder to bring down than markets think

Investors are betting on good times. The likelier prospect is turbulence



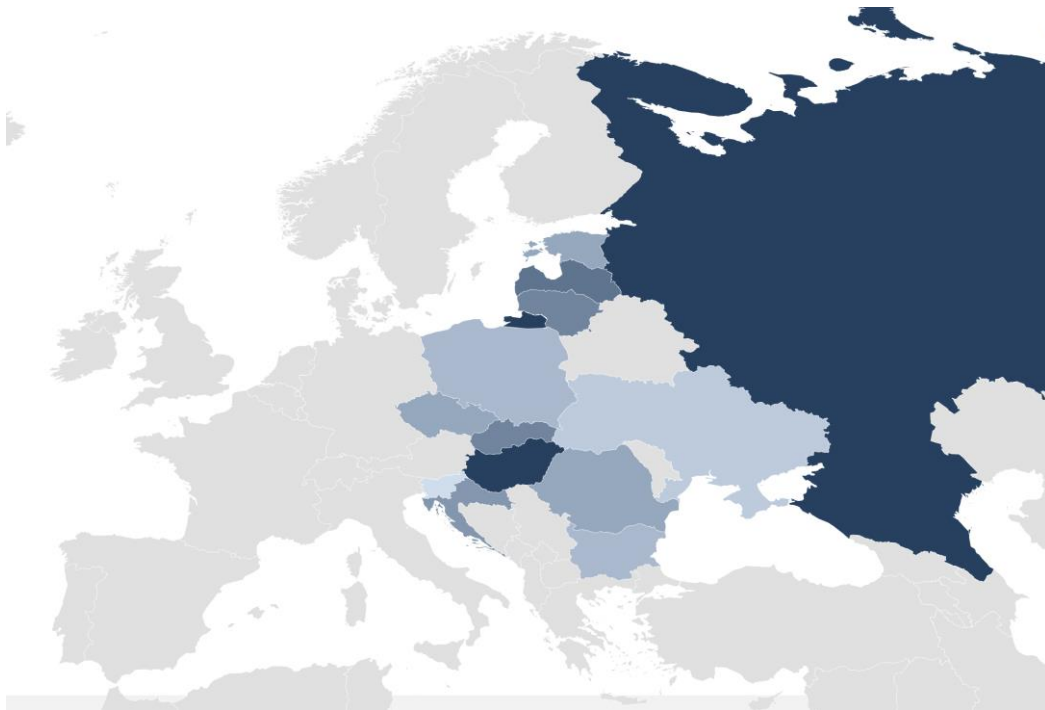
Andrea Uboldi

Feb 16th 2023 | Share

Relevance of this report

Due to multiple recent crises MNCs are looking for strategies to manage these uncertain times and keep to their businesses on course

Focus region



EU-CEE 11 + Ukraine + Russia



Multiple Crises



Aim of this report

We aim to answer multiple questions regarding the effects of the crises, the response strategies of multinational firms (MNC) and the overall attractiveness of as well as the outlook on CEE

1

What are the **effects** of the multiple crises and, especially, the **war in Ukraine** and the **sanctions** against Russia on the economies of the region?

2

How are **Western multinational firms** active in the region affected?

3

How do the multinationals **respond** to this multitude of challenges? Are they withdrawing from countries in the region, continuing operations or even expanding in selected countries?

4

What is the **mid-term outlook** for the CEE region given the manifold effects on economies, supply chains and markets?

5

What does this mean for the **attractiveness of the CEE region** for foreign investors?

Methodology

To find relevant answers we collected and analyzed both secondary and primary data



Literature review

- **> 50 papers** were **identified and evaluated** by using a structured keyword searching approach
- **Systematic analysis** was used to extract relevant insights



Field trips & company visits

- **Field trips** to **Warsaw** in March 2023 and **Bucharest** in May 2023
- Company visits were conducted to **OMV Petrom, BCR, InterCars, UiPath, Advantage Austria + partner universities (SGH, ASE)**



Semi-structured interviews

- **15 interviews** were **conducted** with executives of MNCs active in CEE
- **Questionnaire** was prepared to complement **previous literature findings**

Activities	Nov 2022	Dec 2022	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	Jun 2023
Research, Grow East Congress 2022 + „Insight Talks“	█							
Literature review	█							
Company visits during field trips and in Vienna		█						
Semi-structured interviews				█				

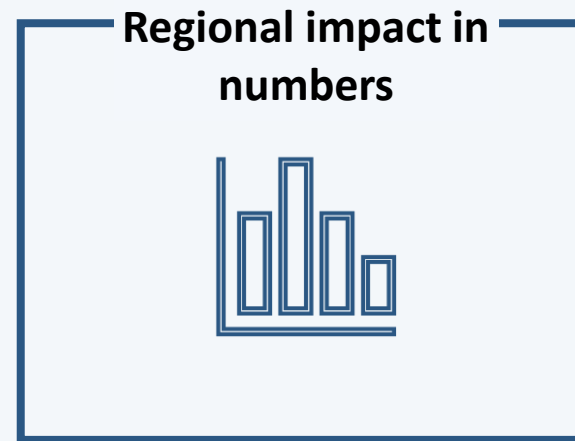


Literature review



Literature review

Our literature review is divided into three main parts



MNC = Multinational companies

Literature review

Five major recent crises were identified that affect businesses in the CEE region

War in Ukraine



Energy prices



COVID-19 & supply chain



Labor shortage



Economic decline & inflation



⚔ War in Ukraine

Russia's Invasion of Ukraine presented Europe with a multitude of complex economic / social / political challenges of great magnitude

Causes



Pro-EU Ukrainian government intensifies **historic conflict of Russia and Ukraine**



Russia **annexed Crimea in 2014** while supporting paramilitary takeovers in the Donbas



Independence of Luhansk and Donetsk is recognized by Russia in 2022

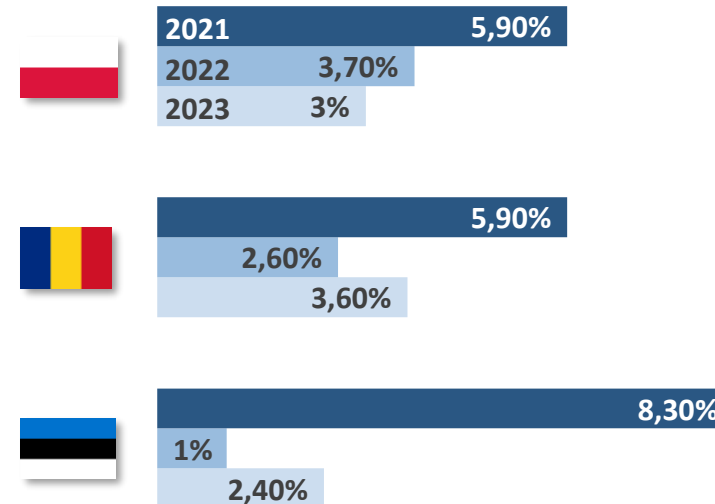


Full scale invasion of Ukraine by Russian forces in February 2022

Effects

- **Energy and food price spike** due to high dependence on imports
- **Economic outlook** is **dampened**
- Social systems in neighboring/EU countries under pressure from **refugee crisis**

Selected CEE countries – GDP Forecast (03/2022)



Implications



Urgent **need for alternative sources** for energy/food sector



Soaring inflation is negatively affecting low-income households



Crisis increased **geopolitical challenges** in Central and Eastern Europe



Humanitarian crisis strained Central and Eastern European countries



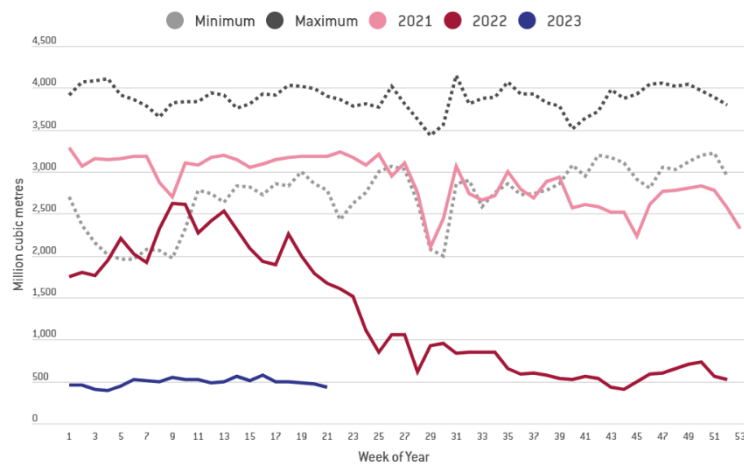
Rebuilding of Ukraine presents economic opportunities

High dependency on Russian gas and shortages in supply caused spikes in the natural gas prices in Europe

Causes

- Significant part of **CEE gas imports relied on Russia** in the past
- Due to the war in Ukraine, Russia **limited the gas supply** in Europe
- In comparison to 2021, the amount of gas supplied from Russia has **fallen significantly by 80%**

EU27 natural gas imports from Russia



Effects

Volatile gas prices

Gas prices peaked in August 2022



The CEE governments responded differently to rising prices: e.g., Poland and Hungary limited increases with tax cuts and support for companies, Czechia and Slovakia provided moderate support focused on the energy companies

Implications

Micro-perspective

- **Adapt product portfolio** to customers with reduced purchasing power
- **Innovate** to bring new products and services to the market
- **Decarbonise** own operations

Macro-perspective

- The slower **transition to zero/low carbon energy** solutions in CEE than in Western EU is an opportunity for the use of the newest and most efficient technology in the adoption phase
- **The geography of the region** offers various options to gain renewable energy: Hungary - geothermal; Poland, Baltic - wave and tidal energy; Baltic, Poland, Czechia - wind; Bulgaria, Romania - solar

COVID-19 & supply chain

The COVID-19 pandemic opened new opportunities for the CEE region, nearshoring and reallocation of service departments are identified trends

Causes



The CEE region was already experiencing **large price increases** due to supply chain disruptions **caused by COVID-19**



The impact of the **war in Ukraine** has significantly **worsened and prolonged** already **existing supply chain issues**



Start of a **strategical redesign of supply chain in terms of resilience**, agility and responsiveness in CEE

Effects

- **Blocked exports**, increased prices on energy and fertilizers led to **significant price increases** for **food commodities** due to COVID-19 and war
- New business opportunities in CEE as a result of the uncertainties, **lockdowns and government measures** seen in **Asia**
- **Automotive sector** affected: which accounts for a significant degree of industrial productions for many CEE countries
- **Lower labor costs, cheaper office space, good transport routes** and countries with EU memberships attract such firms

Implications



Nearshoring of Western firms
The region **offers** many **opportunities** for companies from **Western Europe**



Nearshoring of Western firms
The region **offers** many **opportunities** for companies from **Western Europe**



Infrastructure projects
New railway projects in Hungary, Serbia & Slovakia

Labor shortage

Despite low unemployment, the region suffers from skilled labor shortage

Causes



CEE salaries are **below half** of some of the Western countries

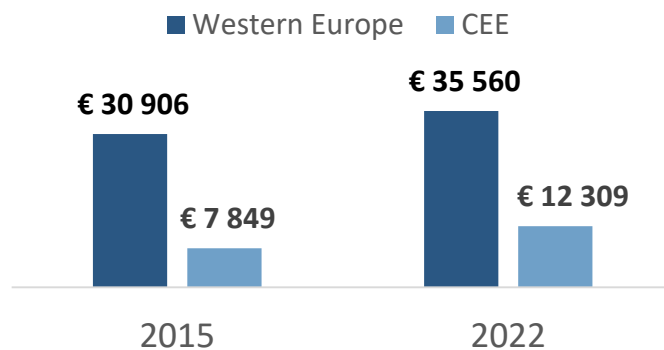


More than half of emigrants are **young and highly educated** causing **brain drain**



Weak education systems further **worsen** the problem

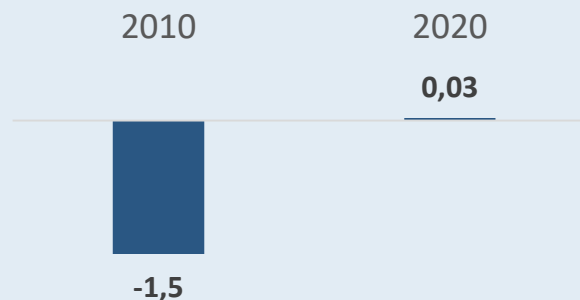
Average annual net earnings



Effects

- Strong **net negative emigration** from CEE between 1990-2022, although **recently slowed** down
- Some countries lost **15-25%** of population, most recently **Ukraine due to war**

Average net migration in CEE (%)



Implications



Training

Engage in **extensive training** and **organizational learning** for CEE workers



Education

Focus on fostering stronger **secondary and tertiary education** related to market demands



Reduce the gap

Minimize the salary gap to attract top employees

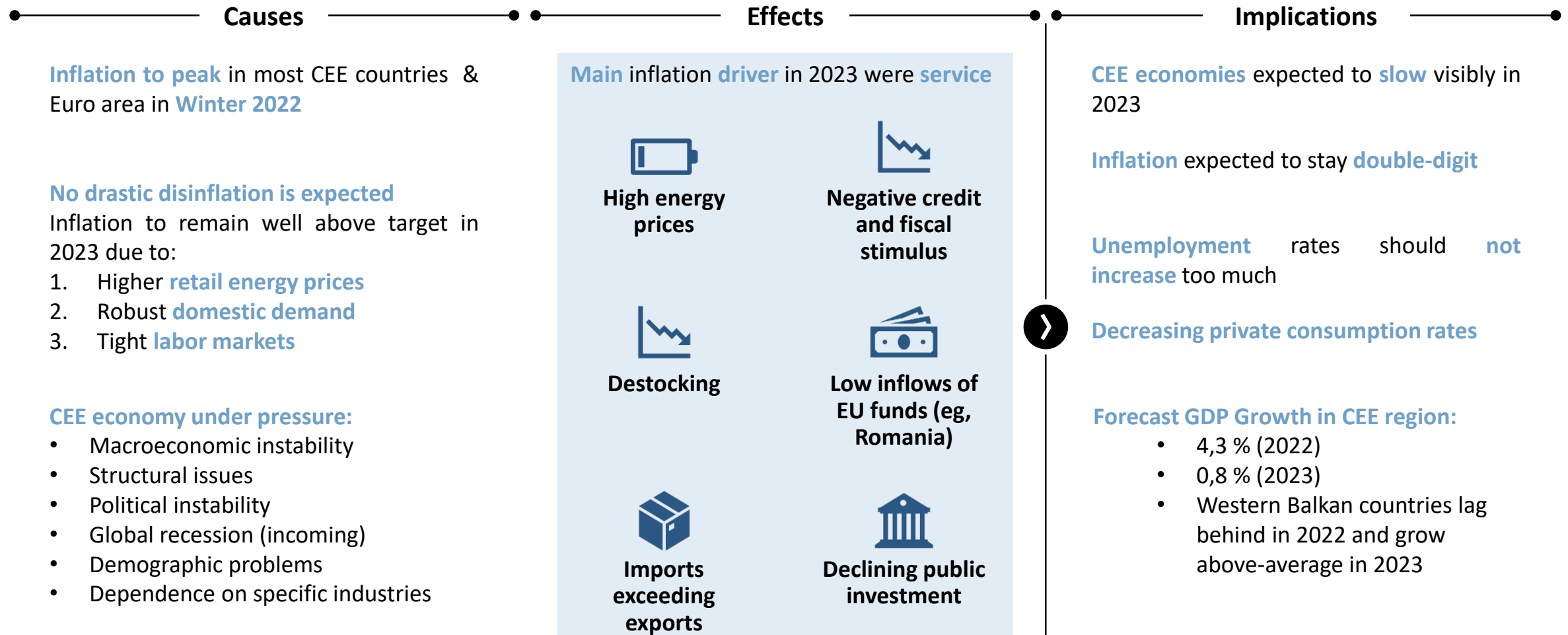


Support migrants

Further **support Ukrainian emigrants** in the local offices

Economic decline & inflation

Resilience and adaptation: sustaining stability and stimulating growth in challenging CEE economies



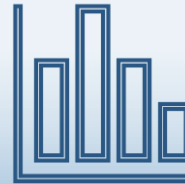
Literature review

Our literature review is divided into three main parts

**Five major
crises**



**Regional impact in
numbers**



**MNCs in
Russia**

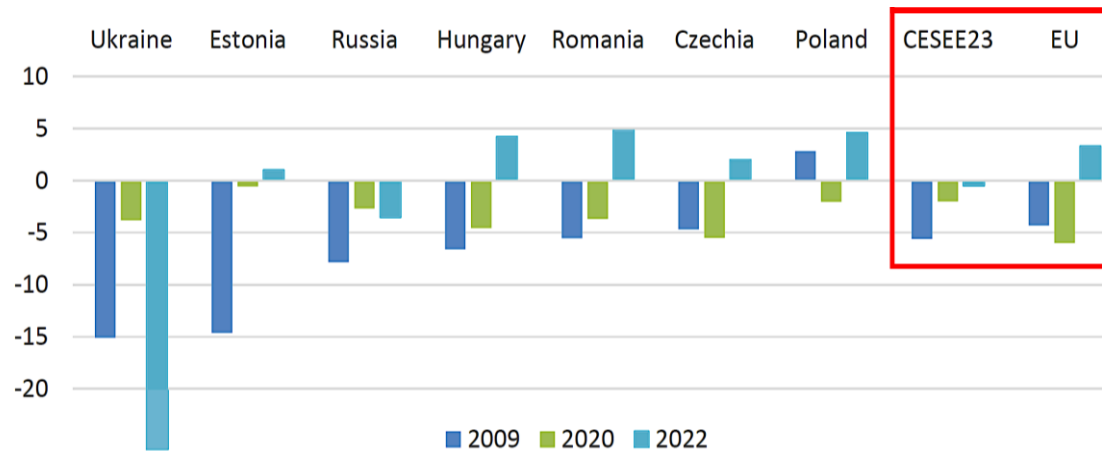


MNC = Multinational companies

Regional impact in numbers (1/2): GDP

The global financial crisis of 2009 has had the biggest impact on the CEE region so far, followed by the Covid-19 crisis and the Ukraine war

Change of GDP in 3 years of crisis in CEE (in %)



Global financial crisis

- During the global financial crisis of 2008-2009, the CEE region faced significant **challenges**
- Many countries saw a **sharp decline in the GDP, FDI, and credit ratings**
- Several CEE countries experienced **severe recessions, high unemployment rates, and fiscal pressures**



COVID-19 crisis

- **Disruptions** in global supply chains, **reduced trade**, and **decreased foreign demand for goods and services**
- Measures resulted in **high inflation**



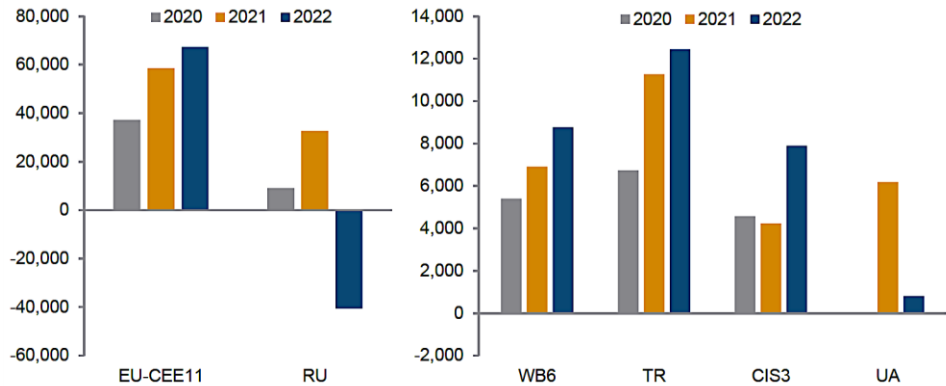
Ukraine war

- Significant **geopolitical and economic consequences** for the CEE region
- Disruption of **trade flows** and **affected energy security**
- Impacted **investor confidence** and **slowed down foreign direct investment** in some CEE countries

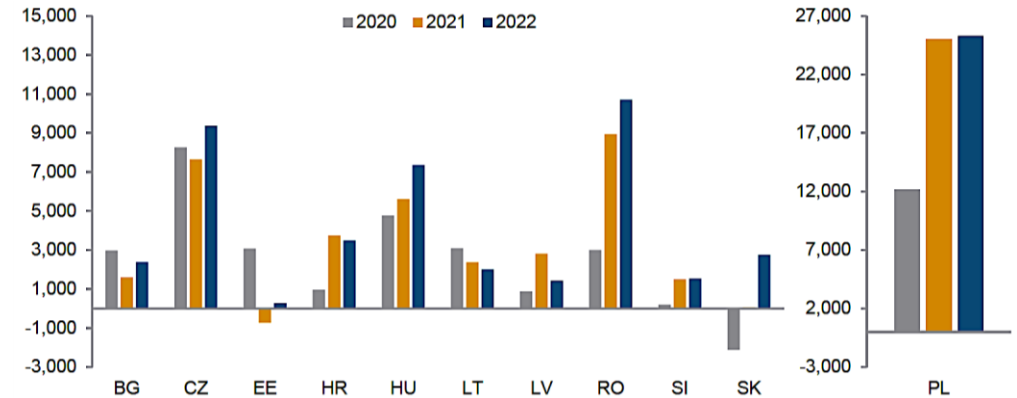
Regional impact in numbers (2/2): FDI

Global FDI declined after the onset of Russia's war in Ukraine, but CEE region shows resilience

FDI inflows in the main regions of CESEE in 2020-2022, EUR m



FDI inflows in EU-CEE countries in 2020-2022, EUR m



- Global foreign direct investment (FDI) inflows experienced a sharp decline in 2022 – by 24% year on year
- Contrary to the global trends, FDI activity in the CEE region was mostly on the rise, apart from in Ukraine and Russia

- With the exceptions of Croatia, Latvia and Lithuania, all the countries in EU-CEE recorded positive year-on-year growth in FDI inflows in 2022
- Romania's performance is particularly striking, it outpaced Czechia in terms of the value of FDI inflows and became the second-largest destination of FDI flows in the sub-region, after Poland

CIS3 comprises Belarus, Kazakhstan and Moldova.

Literature review

Our literature review is divided into three main parts

**Five major
crises**



**Regional impact in
numbers**



**MNCs in
Russia**



MNC = Multinational companies

Presence of MNCs in Russia

Russia was a key target market for western investments, now firms leave Russia

Developments due to the conflict



- After **plummeting by 70% in 2020** due to the COVID-19 pandemic, FDI flows to Russia **rebounded** by 267% **in 2021**, reaching USD 38.2 billion
- In the first half of 2022 **negative FDI flows** to Russia reached USD 24.3 billion



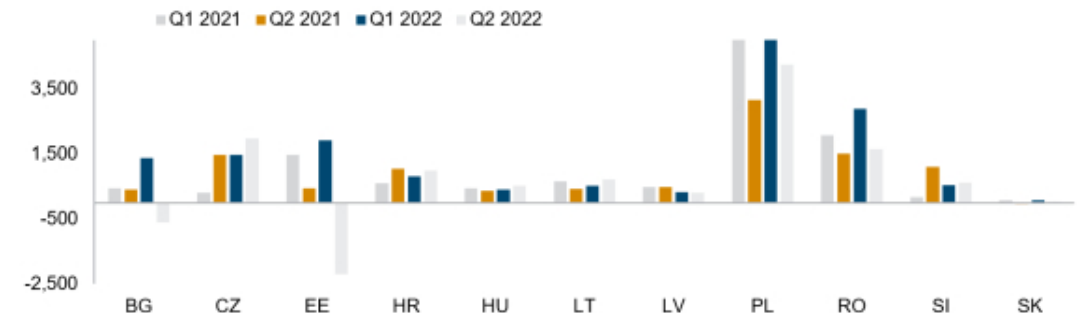
- Between 2000-2016, **changes in Russia's political risk influenced MNC's' exit decisions**, resulting in over 50% exits in the construction sector, about 30% in the service sector, and 27% in manufacturing. In all sectors, exits outnumbered entries



- From 2014 to 2022, a significant number of MNEs, including 173 of the world's largest 500, exited Russia. The Russian market represented a small fraction of their total revenues, but **institutional expenses in the sanctioned market were substantial**

Putin's war shifted FDI structure

- **Relocation** of businesses from Russia and Ukraine to safer locations in the EU led to a **growth of FDI inflows** in five CEE countries (Cz, Hu, Lith, Pol, Rom) in Q2 2022.
- Some parts of the CESEE region may be able to benefit from the accelerated **green transition** and the **relocation** of companies away from the war zone.



Responses by MNCs to crises

Navigating the Russian business landscape: Strategic approaches for sustained operations and adaptation



Digging in

- Where other see crisis these companies **see opportunity, continuing business** as usual in Russia
- Examples: Alibaba, Benetton, RBI



Buying time

- Companies **postponing future planned investment**/business development while continuing current business
- Examples: Red Bull, Nestle, P&G



Scaling back and suspension

- Companies **temporarily cutting** most or all of **their operations** while keeping options open to return
- Examples: Allianz, Caterpillar, Microsoft, Philip Morris



Withdrawal

- Companies that **totally halted** Russian Business
- Examples: Henkel, Mondi, BASF, BP, Netflix, Strabag



Firsthand Insights



Firsthand insights

Our firsthand insights chapter is divided into two main parts

**Field trips &
company visits**



**Interviews of
executives**



Conferences & panel discussions

In the last two semesters we attended multiple events that helped us gain deeper insights.

Grow East Congress 2022



- **12 speakers from CEE** companies participated in the discussion
- **Stagflation** threatens economic growth next year
- Pricing policy, cost control, and supply security are the **major concerns** of companies
- Co-organizer Manfred Berger highlighted that organisations have to **balance short-term** challenges and **long-term** goals

Insight Talks



Lessons for **navigating an uncertain future**:

- **Entrepreneurship is needed** more than in “normal times”
- Diversify sources and markets to **mitigate external shocks**
- Foster **collaboration and transparency** across functions and supply chains
- Balance thoughtful decision-making **with swift action in a changing** crisis context.
- **Communicate** clearly

Panel Discussion



Key learnings from the panel discussion organized by the MC CEE Alumni and the CEE Circle at WU:

- Crises **create opportunities** for entrepreneurship
- **Resilience** is built through effective **risk management**;
- Large industrial companies must adhere to classic management principles and **practise effective risk management**

Field trips (1/2): Warsaw

Poland is the largest CEE economy affected by the war in neighbouring Ukraine. It still attracts investment, has multiple successful startups, and drives the Visegrád market



Key learnings

- The **largest economy** in CEE with a vast talent pool of 40 million people
- Has a **strong industrial base** and a **rapidly expanding service sector**
- The **war in Ukraine** significantly impacts the Polish economy
- **Inward investment** to Poland **remains strong** and **Western firms view Poland as a springboard to the Ukrainian market**
- Austrian firms are interested in partnering with Poland, especially in **green transformation projects**
- Poland has **successful startups**, including unicorns like Booksy, DocPlanner, and Brainly
- The **Warsaw Stock Exchange** is dynamic and home to thriving Polish companies like Allegro, CD Projekt, CCC, LPP, and Inter Cars
- **Visegrád market**, which has 64 million population, the **fastest-growing GDP**, and 555 universities, is a **driving force in CEE**

Field trips (2/2): Bucharest

Romania is a fast-growing EU economy with major infrastructure investments, strong Austrian business presence, abundant natural gas, and an impressive GDP growth

Key learnings

- Romania is one of the **fastest-growing** economies in the EU, with **substantial infrastructure investments** expected through the EU Recovery and Resilience Initiative (2021-27 EU budget = EUR 100 billion)
 - **6th most important market at the EU level**, considering the population size
 - **3,900 companies** with Austrian capital operate in Romania
- Has significant **natural gas resources**, and a **large portion of domestic consumption** is supplied by local companies
 - Recent **gas discoveries in the deep waters of the Black Sea**, which is a great potential for the country's energy sector
 - Despite multiple external shocks in 2022, the Romanian economy displayed **resilience**, achieving a real GDP growth of 4.7% (compared to 5.8% in 2021 and -3.7% in 2020)



Company visits

The four partners of the Master Class CEE invited us to their company and gave us insightful information about their business in CEE



- Insightful discussions about the **challenges, opportunities and future of banks** with the Head of Group Data Management and Head of Information Management AT



- GBS+ and a success story of the **Henkel Group in CEE**
- Presentation of two business processes: **Supply Chain + Controlling**



- Excursion to the 20th floor of the **VIG Ringturm**
- Immersing into details of the industry through the **insurance business game**



- **Behind-the-scenes tour**
- Discussions on various industry topics, including **AI-powered ChatGPT, responsible paper recycling, and sustainable chains**



Firsthand insights

Our firsthand insights chapter is divided into two main parts

**Field trips &
company visits**



**Interviews of
executives**



Interviews: overview

Comprehensive semi-structured interviews were conducted on multinational companies' views on the CEE region

1

Aim: learn actual crisis management approaches and complement the literature findings with firsthand experiences

2

Set-up: Online / on-site 20-45 minutes interviews

3

Target Group:

- Heads of CEE operations/sales, managing directors of CEE subsidiaries
- Multinational company > 250 employees, HQ in Europe or CEE, active in > 2 CEE countries

4

Questionnaire based on previous findings **addressing the following topics:** multiple crises in CEE – war in Ukraine, energy price, COVID-19 and supply chain, labor shortage and economic decline; crisis management: approaches and tools; outlook for CEE-opportunities and threats in the region

Interviews: sample of companies

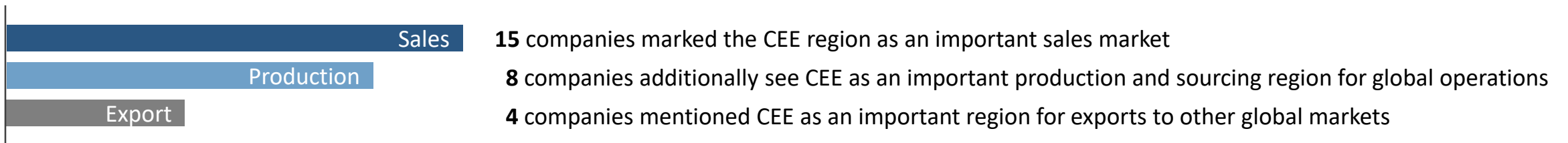
Our research project consists of 15 interviews with executives and top-management representatives of companies with operations in CEE, covering multiple industries

15 companies were interviewed covering the whole CEE region with particular focus on Austria, Poland, Czechia & Hungary

9 industries were covered by the scope of interviewed companies







 Apparel Retail	 Real Estate	 Construction	 Mechanical Engineering	 Automotive
 Pulp & Paper Production	 Insurance	 Accessories	 Banking & Financial Services	

Scope of Business Operations in CEE: B2C and B2B business are almost equally represented in our set of interviewed companies.



Results: recent challenges of MNCs

Inflation and rising energy prices dominate the challenges businesses face in the CEE

Crisis	Level of impact	Description
 Economic decline & inflation	Strong	<ul style="list-style-type: none"> • Decreasing purchasing power • Difficult to make business predictions • Hindered access to new customers • Fall of demand, lower sales
 Energy prices	Strong	<ul style="list-style-type: none"> • Tremendous effect on the operations of companies • Higher spending • High costs of production and raw materials • Extremely high shipment costs
 COVID-19 & supply chain	Medium	<ul style="list-style-type: none"> • Needed to reconsider the business model, operations and work environment • Supply chain interruptions, closed borders, limited supplies • Post-COVID economy boom (pushed by governments)
 War in Ukraine	Medium	<ul style="list-style-type: none"> • No substantial impact on the CEE market in the long term (no significant effect on demand or sales) • Limited investment opportunities in Ukraine (American investors also insecure about the CEE because of its proximity to Ukraine) • Effect of the workforce – Ukrainian men returning home to defend their country • Withdrawal from the Russian market, high uncertainty
 Labor shortage	Weak	<ul style="list-style-type: none"> • Skilled laborers leaving to better-paying countries • Pressure on current employers to increase wages <div style="display: flex; align-items: center; margin-left: 20px;"> } <div style="display: flex; align-items: center;">  <div style="margin-left: 5px;"> Especially in construction industry and mechanical engineering </div> </div> </div>

Results: preparedness for the crises

Inflation and rising energy prices are the only impacts to which businesses in CEE were partially prepared



● Inflation & Energy prices ●

- **Rising inflation was expected** and preparations were made
- Once the war in Ukraine started, most companies also **expected rises in energy prices** and prepared for those, too (e.g. by buying futures and enacting energy saving plans)



● COVID-19 & supply chains ●

- COVID-19 came as a shock that **no company was properly prepared** for
- Some could react due to **resilient structures or established online communication tools**
- Supply Chain disruptions resulted in inability to respond to demand, as no alternatives were readily available



● War in Ukraine ●

- The War was a completely **unexpected scenario**, for which no company was properly prepared
- Even with established crisis management procedures and handbooks, the scale of the conflict made it nearly impossible to prepare for



Companies were prepared for financial aspects of the crises, but the shocks from COVID-19 and the war were mostly unexpected and required significant agility to successfully navigate

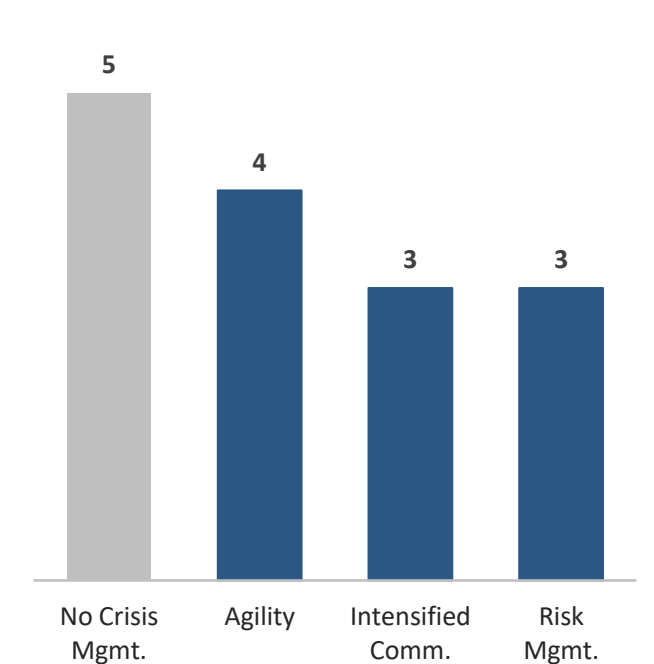
Results: approach to crisis management

Firms are responding to crises with various strategies ranging from improving communication and collaboration to making strategic investments and changes

Company specific strategies (list of strategies mentioned in the interviews)

Ad-hoc investment	A	Downsizing	R
Spreading production over 24 hours	A	Exporting to new markets	R
Local problem solving, best-practice sharing	A	Cost Management	R
Fast decision making, agility in contracts	A	Adapted to more online business	R
Collaboration with local partners	C	Thorough analysis of sales performance	R
Global information exchange	C	Improvement of crisis management tools	R

No. of companies with similar strategies among the companies interviewed



Similar strategies

A = Agility

C = Intensified communication

R = Risk management

Only 10 of 15 interviewed companies have specific crisis management tools in place. Some companies follow multiple strategies while others only mentioned one strategy



Intensified communication, agility in decision making and risk management were the key aspect of the crisis management. Company specific strategies adopted also demonstrate the diverse tactics employed to handle crises

Results: specific crisis management strategies

Companies adopted strategic measures as a response to increasing inflation and supply chain disruptions, operational measures targeted efficiency



Predominantly strategic measures

To respond to the challenges created by the multiple crises, companies **implemented strategic** rather than operational **measures**



Strategic measures influenced prices and supply chains

COVID-19 crisis and the war in Ukraine have caused **high inflation and supply chain disruptions**. The adopted measures are targeting these consequences



Operational measures targeted efficiency and utilization

Apart from directly improving crisis management, companies adopted **measures meant to increase their production and work capacities**, adjusting to the new realities



Adjustment of company strategy for the **upcoming 3-5 years**

Supplier diversification, material substitution, change in market strategies, formation of strategic partnerships

Improvement of IT infrastructure, production coordination, volume allocation, **crisis trainings**

Companies faced with multiple crises have adopted mostly strategic measures addressing price increases and supply chain disruptions. On an operational level, companies improved their IT structure, optimized production and implemented crisis trainings

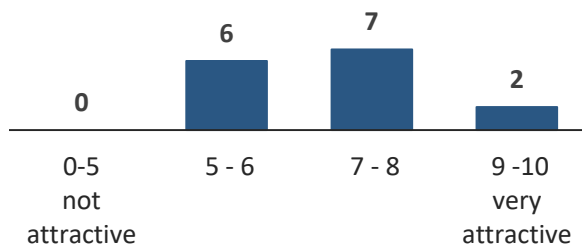
Results: outlook & attractiveness of CEE

Although the CEE is mostly considered as a region for growth or innovation, there are differences between the performance of particular countries in the region

CEE is considered as a region for

1. Growth → **“Growth”** was mentioned the most among our interviewees as the primary attribute
2. Manufacturing
3. Sourcing
4. Innovation → **“Innovation”** is becoming increasingly important with more and more R&D shifted to CEE in the upcoming years

Attractiveness-Index of CEE



Most companies rank CEE as a fairly attractive region

Performance of particular CEE countries

Countries doing well*	
Poland Czechia	Both countries have a large home market with many innovation centers and good macro environments (e.g., 45% debt of GDP)
Hungary Romania	Diverging responses. Some interviewees highlight the promising business outlook , some highlight the economic and political challenges
Ukraine	“Ukraine is particularly interesting once the war is over and capital flows into the country for rebuilding” (<i>industrial engineering industry</i>)
Balkans	Assets are kept stable. No divestment nor investment
Russia	Divestment, if possible
Countries doing worse*	

*market conditions and market outlook

Firsthand insights summary

Despite the challenges in CEE, the region has illustrated its resilience and still features an attractive market outlook

1



Inflation and energy prices have the highest impact among all major crises which businesses face in CEE

2



The **war in Ukraine is less of an issue than previously assumed**. In fact, it is considered a particular opportunity once the war is over and large capital inflows for rebuilding are expected

3



Poland and Czechia are the leading markets in CEE. Large market volume, good macro-economic conditions, but also tough competition

4



CEE is **predominantly considered as a region for growth** as Western EU markets are already quite saturated. But **innovation is also becoming increasingly important** with more and more R&D centres planned

5



Companies implemented particularly strategic measures, rather than operational in response to the crises. Supplier diversification, material substitution, and strategic partnerships are the most often mentioned measures



Conclusion



Discussion

In our primary and secondary research we identified five major crises. The next challenge is to form our knowledge into actionable advice

Multiple Crises



Interview quotes

“CEE is becoming increasingly interesting for innovation and R&D.”
(Mechanical Engineering)

„We remain committed to finding workable solutions and exploring opportunities to expand our presence in the CEE market.“
(Accessories)

“Many western markets are already quite saturated. CEE, however, still features decent growth potential!”
(Apparel Retail Business)

“Uncertainty is everywhere – especially with rising interest rates.”
(Real Estate)

Checklist for Effective Crisis Management in MNCs (1/2)

When the new way of thinking is to always expect the unexpected, a checklist for MNC crisis management is needed



Agility

Make timely decisions, implement flexible strategies, and adjust operations to minimize the impact of the crisis and restore normalcy as swiftly as possible.



Local problem solving & best practice sharing

Empowering local teams to identify and analyze local crisis issues, develop appropriate solutions, and implement crisis management strategies. Best practices should then be disseminated within the organization.



Strong communication

Establish effective communication channels to ensure timely and accurate dissemination of information during a crisis.



Risk management

Create a plan that outlines roles, responsibilities, and protocols for various crisis scenarios. It should be regularly reviewed, updated, and communicated to key stakeholders.



Business continuity plan

Develop and regularly update business continuity plans to ensure the organization can continue essential operations during and after a crisis. This includes data backup, alternative supply chain options, and redundancy measures.



Checklist for Effective Crisis Management in MNCs (2/2)

When the new way of thinking is to always expect the unexpected, a checklist for MNC crisis management is needed



Strong relationships with external partners

Partnerships can provide support and resources during a crisis.



Short-term contracts

The goal is to be able to react to market changes more quickly.



Entrepreneurship

This could include investing in R&D, collaborating with startups and local businesses, or identifying new markets for diversification.



Innovating out of the crises

To innovate out of a crisis, MNCs could foster an innovative culture by implementing agile methods, embracing emerging technologies and social innovation, but also by focusing on intrapreneurship.



Learn from past crises

Conduct post-crisis evaluations to analyze the effectiveness of the crisis management plan and identify areas for improvement. Incorporate lessons learned into future crisis management strategies.



Key take-aways

High level concepts we learned in the last 8 months.

- 1 The **COVID** pandemics was seen as a **starting point** of the chain of the recent crises by many companies

- 2 The markedly higher **inflation rates in CEE** than in the Western Europe and the **energy crises** induced by the war in Ukraine were seen as the **greatest challenge** for the interviewed companies

- 3 The **war**, has not only **affected individuals** but also **firms** active in Russia and Ukraine which had to search for adequate **reactions** but deciding on the one correct **uniform solution** has been a challenge

- 4 The **crises strengthened the ties and cooperation** within the EU and decreased the reliance on Russia for several CEE countries

- 5 The positive consequence of the multiple crises is the move of companies to **rethink and reinforce their resilience**

Innovation drives resilience

People are the most important asset during crisis

Communication is the key in reducing uncertainty

Difficult business decisions need to be made quickly



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Contact

Competence Center for Emerging Markets & CEE
WU – Vienna University of Economics and Business
Welthandelsplatz 1, Building D1
1020 Vienna, Austria

Ass.Prof. Dr. Arnold Schuh

Director

T +43-1-313 36-4608

arnold.schuh@wu.ac.at

<https://www.wu.ac.at/emcee>

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