



The 9th Grow East Congress in Retrospective: „Nationalismus vs. Globalization: What are the Consequences for CEE?“

The Competence Center for Emerging Markets & CEE at WU Vienna, the Think Tank NEUSICHT and Advantage Austria, the international arm of the Austrian Federal Economic Chamber, organized the 9th Grow East Congress on 10th April 2018. This year the Congress centred around three main topics: the political and macro-economic view on the congress theme in general, the consequences of this dilemma for corporate strategies and business models in CEE, and the current management challenges resulting from shortages of skilled labor in CEE.

After the opening statement of Michael Schenz, Chief Innovation Officer of Advantage Austria, it was up to **Leszek Balcerowicz**, Professor at the Warsaw School of Economics, to start the Congress with his keynote speech on „**Globalization and its Critics**“. Leszek Balcerowicz was the Finance Minister and Deputy Prime Minister who initiated in 1989 the successful economic reforms in Poland that are still known as the „**Balcerowicz Plan**“ today. As a representative of a liberal market concept, he considers the globalization as a positive phenomenon. The change from a closed and centrally planned to a market-based, capitalistic economy has resulted in unprecedented economic growth in developing and emerging countries and reduced the **global poverty rate from 42% in 1981 to 11% in 2013**. The current nationalistic rhetoric primarily targets the losers of globalization in the developed economies, blames capitalism for any economic crises, and believes that barriers can stop globalization.

“**You cannot stop globalization, but you may well stop nationalism**” – With this opening statement, **Anton Pelinka**, Professor of Political Science at the Central European University in Budapest, opened the panel on “**Nationalism vs. Globalization: the economic development and consequences for CEE?**” that was moderated by Phillip Nell, Professor at WU-Vienna and Head of the Competence Center for Emerging Markets & CEE. Pelinka took the audience on a tour from the nationalistic movements in the 19th century to the project of the European Union today. The **EU as post-nationalistic project is without alternative in Europe** from his point of view. When commenting on the nationalistic tendencies in Hungary and Poland, he emphasized that EU member states have to follow the principles of a **pluralistic democracy**, which is based on fair elections, free media, the rule of law and a market-based economy. As the expansion of the EU is slowly ending, the **deepening of the EU** is now the order of the day.

Zoltan Bakay, Senior Researcher at Erste Group Bank AG, presented the advancement of the CEE-countries to economic prosperity. While the catching-up to West European levels happened at different speeds, the **per capita income has reached today a level of 55-86% of the EU average**. However, **nominal wages at a level of 37% of the EU average** are still a cause for frustration and emigration from CEE.

Max Kindler from the Rail Cargo Group focused in his speech „**Chinese presence and investments in the region**“ on a new player in the region, namely China. Under the “**New Silk Road**” initiative China is creating and further developing economic and logistic corridors on sea and land between Asia and Europe. The CEE

countries are regarded as **attractive markets and entry points** into the EU. For Rail Cargo Group, the 2nd largest European player in the rail freight business with a strong presence in CEE, this initiative offers a huge growth potential in the China-Europe freight traffic.

The 2nd panel „**Nationalism vs. Globalization: Business models for CEE**“ moderated by **Manfred Berger**, Co-organizer of the Congress and Founder of the Think Tank NEUSICHT, addressed the question how companies adapt their strategies and business models to cope with nationalistic tendencies in a globalized and increasingly digitalized business world. **Peter Szoboslay**, Founder and Managing Partner of the Hammer-Agency/Streamline, presented in his keynote the development of an integrated communication concept for the international retailer TESCO Group in the Visegrad countries. Meeting the deadlines was only possible with a **highly motivated staff who turned into a 24/7-mode for 2 weeks** to achieve the required results.

Petr Krayzel, former FMCG Director at the Czech Mall Group, shared his insights in the **e-commerce business in CEE** with the audience. This market is extremely fragmented and therefore neglected by global players. The Czech Republic alone counts 41.000 e-shops, the highest number of e-shops per capita in the EU. Fierce competition has led to a permanent upgrading of the services of the e-commerce retailers and fueled their international expansions. Leading firms like Alza.cz (present in 21 countries), the Mall Group (7 countries) and Notino (23 countries) are good examples, how **digitalization** - often used as a driver of globalization – **creates space for localization**. The localization of websites in combination with smart logistic solutions are key success factors of these regional players.

Birgit Rechberger-Krammer, CEO of Henkel CEE, addressed in her keynote the **regionalization of brands** as a middle course between globalization and localization. Due to different needs and usage patterns in CEE households, adaptations to market conditions are often a success factor. At the same time, the realization of synergies in product development, marketing, production and supply chain are necessary to stay competitive. The Henkel CEE portfolio consists of **completely harmonized “global brands”, partly harmonized “transitional brands”** and **“local brands”**. There is a clear tendency towards standardized global brands, but products with a regional or local heritage are highly appreciated by some customer segments again. The **“brand cluster approach”** shall ensure that these “transitional brands”, which typically follow a “value-for-money” positioning, share a minimum level of standardization. With this balanced approach, Henkel tries to cater to national needs, stay relevant for the consumers and, at the same time, be competitive against other global and aggressive local players.

The 3rd panel discussion on **“Where has the workforce gone? Recruiting and qualifying employees in CEE”** discussed a new phenomenon in CEE, namely the **shortage of skilled workforce and talents**. **Arnold Schuh**, Co-organizer and Director of the Competence Center for Emerging Markets & CEE, started the session with an overview on **“Human resources as key to growth in CEE”**. He highlighted the current economic boom in the region that is mirrored in an average economic growth rate of 4% - that is 1.5 percentage points higher than the EU average. The well-running economies pushed the unemployment rates in some countries to the lowest levels since the fall of the Iron Curtain. Skilled trades, engineers and truck-drivers are the most sought-after occupations. **Wage increases of more than 10% in export-oriented sectors** are no exception anymore. With an eye to the declining working population in CEE, this shortage of qualified workforce will even worsen in the future. This leads to the question how the **CEE-countries can maintain their high economic growth rates** and how foreign investors with **“low-cost business models”** will respond to the situation.

Günther Tengel, Managing Partner of Amrop Jenewein Vienna and Chairman of Amrop CEE forecast in his keynote an **intensified war for talents** in the region. The brain drain of the past had already negatively affected the economic and social development in the CEE countries. The ongoing digitalization of all

business processes and the increased use of artificial intelligence will also influence the talent market. **Candidates will have to ask themselves in which corporate cultures they would like to work.** Digital, innovative companies offer a different work environment and incentives for talents than efficiency-driven “Big Corporates”, which have grown through continuous mergers and acquisitions, or companies, where CSR and values such as trust and sustainability rule.

Oktaý Erciyaz, CEO of the Trenkwalder Group AG, highlighted the shift of the CEE labor markets to „**candidate markets**“, where those looking for jobs are in the driving seat. The shortage of qualified workforce in CEE has been caused by the huge income difference to Western Europe that propels emigration and brain drain. Foreign investors are only slowly accepting the fact, that they have to offer **higher wages in CEE** and that they have to respond better to the needs of the candidates. A long-term strategy and improved cooperation between all major stakeholders such as governments, educational institutions, companies and personal service providers in the countries is needed. To improve the „**employability**“ of candidates the existing gap between the curricula in the educational systems and the demands of the market have to be narrowed. For instance, **foreign language skills should be promoted** as they increase the employability of candidates significantly. Trenkwalder is already recruiting in some sectors **30-40% of the candidates outside of the host country.**

Melina Schneider, Head of the Taskforce for Internationalization of Vocational Education & Training at the WKO, addressed in her keynote „**Austria’s dual education as a role model for CEE?**“ the question how to reduce the skills mismatch. She stressed the importance of dual education for the competitiveness and the economic development, especially in the industrial sector. Dual education combines for the apprentice work in the training company with a part-time vocational school education. It ensures that the apprentices get the relevant qualifications for specific occupations, what increases their chances on the job market. **Countries with a dual education system have a lower youth unemployment rate than countries with a general education.** WKO has started dual education programs in six CEE countries and has so far produced 1.200 graduates in 17 different professions.

For the presentations please visit:

<https://www.groweast.eu/de/review/grow-east-review-2018/speakers-2018>

Contact the organizers:

Ass.Prof. Dr. Arnold Schuh, WU Wien: arnold.schuh@wu.ac.at

Dr. Manfred F. Berger, Neusicht: office@berger-m.at