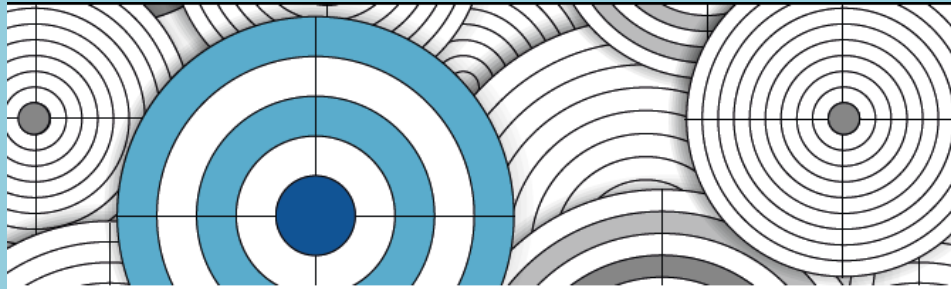


Session 3: Business environment and context for hidden champions to grow and sustain

Slovakia



Hidden Champions in CEE and Dynamically Changing Environments

Success lessons from 100 unknown market leaders from CEE, CIS and Turkey



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Where in the world?

Slovakia's business environment

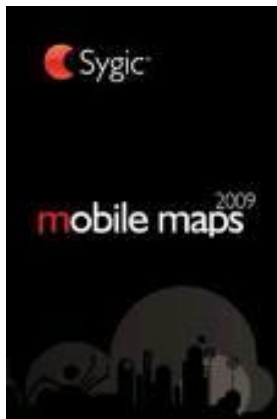
	1999	2009
Currency		EURO
GDP per capita (current US\$)	5.547	16.175
Long-term unemployment (% of total unemployment)	47,7	50,9
Foreign direct investment, net inflows (% of GDP)	1,2	-0,04
Exports of goods and services (current US\$, mio)	18.317	87.169
Exports of goods and services (% of GDP)	61,2	99,5
Merchandise exports (current US\$)	10,211	55,979
Merchandise exports to high-income economies (% of total merchandise exports)	93,03	87,85
Manufactures exports (% of merchandise exports)	84,9	86,9



Economy in transition

- **Two decades ago:** Centrally-planned, Soviet-style economy under strict communist regime
 - No private ownership of enterprises
 - Focus on heavy industries & agriculture
- **Nowadays:**
 - Schengen
 - EURO
 - Flat tax and other reforms
 - Foreign direct investment (automobile industry)
 - Hidden Champions...?

Researched Companies



Hidden Champion	Market leadership in...	Revenues 2010	Revenues 2000	Employees 2010
Eset	Internet security. 1 st in the world to introduce proactive security, clever programming and ongoing innovation, leader in CEE countries, more than 100 mil. users globally.	137 mil €	0.55 mil €	340 in Slovakia
ACE enterprise	Integration and optimization of information systems (e.g. SAP). Highly customizable technology, quick delivery (in hours), low costs.	1 mil €	NA	30
Sygić	GPS navigation software for mobile devices. Flexible organizational structure, fast decisions, quick innovations ahead of competition. Versatile software for many platforms. No. 2 in CEE, more than 1 mil. Users.	6.2 mil €	NA	70
Spinea	High-precision bearing reducers. Machinery industry customers. Unique design, patents, R&D investments, quality, qualified employees. No. 2 in CEE, no. 3 in WE.	22 mil €	2 mil €	300
Drevodomy Rajec	Log houses. Uniqueness of the product, constant innovations (added value), wide lifespan product (100 years), top quality and reputation. 20 years of experience and know-how.	4-5 mil €	0.5 mil €	75
Grand power	Pistols. High-quality weapons exported to e.g. USA, Russia, EU. International patents, innovations – barrel-locking mechanism and significantly diminished recoil.	2.9 mil €	NA	47
Kvety.sk	Flowers – internet sale and delivery. High-end offerings, exclusivity, customizable requirements. Keeps costs down by renting plantations. High level of trust. Started to expand abroad only recently.	1.3 mil €	NA	25

Key Research Findings

- All hidden champions are very young companies (established after the year 1989)
- Not family-owned
- HC from capital-heavy industries vs. HC's niche without significant investments (IT)
- Well-educated and motivated workforce
- High-quality products
- Great customer service
- Focus on innovation
- Strong personality of the leader



Case Study Drevodomy Rajec

- The biggest European producer of log houses (by number of houses built)
- Competitive advantage:
 - Know-how: expanding on the know-how of past market leaders
 - Continuous education and dedication of the workforce
 - Quality standards; uniqueness of the product
 - Customer dedication
- Entrepreneurial leader



Questions for the Discussion



- What allows for a 'hidden champion' to emerge? What **external and internal factors** foster successful **development** of a 'hidden champion'? What are the secrets of successful strategic growth?
- How can the growth be **sustained**? What are the particular **transitions** and stages of growth have you noticed - and how can "hidden champions of CEE" pass through each stage successfully?
- What new **trends** in the business context - and the society at large - have you noticed - that influence ability of "hidden champions of CEE" to grow and develop? How can they assure sustainable growth?