



Europe needs more hidden champions

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Ladies and gentlemen,

I would like to share my thoughts on the topic of “hidden champions” by elaborating on three points:

1. The important role of “Austrian hidden champions” in Austria’s economy
2. “Austrian hidden champions” in Central and South East Europe
3. The potential for even more “European hidden champions” through a credible European perspective for the countries of South East Europe.

1. Austria’s economy and the role of “hidden champions”

Since 1995, the Austrian economy has experienced two positive “big bangs” which have helped to catapult Austria among the most prosperous nations in the world: Our own EU accession in 1995, and the “big” EU enlargement rounds in 2004 and 2007.

Since the early nineties, Austrian Trade Foreign Direct Investment in Central and South Eastern Europe have multiplied. Through an extraordinary expansionist drive as pioneers in risky times, spearheaded by banks and insurance companies, the retail sector, and corporate services, followed by a variety of industries – such as petroleum, chemical or food industries, Austrian businesses and thereby Austria as a country have profited more than any other western European country from the EU enlargement. Austrian Foreign Direct Investment in CEE has grown from 400 million € in 1990 to 51,1 billion € until 2007! Although other countries are catching up, Austria is still the biggest investor in Slovenia, Bosnia & Herzegovina, Croatia, Romania and Bulgaria. Austria and its companies have been at the forefront of helping these countries and their industries in their quest to reach EU environmental and other standards, the companies thus gained a huge amount of experience through this involvement.

More than ever, the last months and weeks have forced many European countries to think about their strengths and assets with which they might be able to mitigate external economic or financial shocks. Austria is a fairly small country and has relatively few natural resources. Our small home market has, early on, led our entrepreneurs along the path towards strong specialization and export orientation. Moreover, we have realized that our main asset is our

people and their qualification, as well as their sense of innovation and entrepreneurship. Fortunately, the Austrian economy is powered by a large number of very high-performing industrial and service companies with highly trained specialized staff which provide the resilient backbone of our still excellent export performance.

In these economically testing times, Austria's economy is helped by Hidden Champions. Many Austrian enterprises meet the main criteria for being a Hidden Champion: a number of them are world market leader or part of the top three in the global market, they earn annual revenues of below 4 billion US Dollars, they attain a minimum turnover of 30 million €, and yet they are subject to a low level of public awareness. In addition, they are mainly Austrian-owned, often based in small towns, are often family-owned and cultivate a very close relationship with their customers.

They are further characterized by continuously strong growth, the pursuit of market leadership as super niche players, a strong dependence on core markets, a high degree of specialization and perfection. Austria excels in very innovative and dynamic SMEs which are often market leaders with their products. Yet, you will hardly find them listed on any stock exchange and they will strongly guard their core competencies from curiosity and copycats: self-sufficiency is to a large degree the buzzword.

Most of Austria's Hidden Champions have started as Small and Medium-Sized Enterprises. Mostly, they have quickly progressed and become bigger, without losing their original strengths. The field of SMEs is, so to speak, the incubation ground of Hidden Champions. A few figures can demonstrate their importance and value added: In 2006 the 306.400 Austrian SMEs made up 99,7 per cent of trade and industry as a whole and employed 1.312.600 people (out of 8 Mio. Austrians). 90 per cent of the SMEs employed fewer than 10 people, but these micro-enterprises employed 27 per cent of all employees.

But complacency is misplaced: any sort of health check or stress test among our Hidden Champions would probably show that the Austrian Government could do more to foster the right environment and spirit which stokes the creation, expansion and well-being of these enterprises as pioneers of economic excellence. Also, our education system is currently being intensively discussed. There also remains room for structural improvements and a stronger involvement of the private sector in our research efforts as well, although we are fast approaching the EU target of 3 percent of GDP spending for Research and Development.

There is no doubt, though, that our dual apprenticeship or vocational training model as well as our "Fachhochschulen" (Universities of Applied Sciences; Technical Colleges) are success stories much praised and copied by other countries. In addition, SMEs are the main vocational trainers in Austria.

2. Austrian "hidden champions" in Central and South East Europe

Nowhere can Austrian Hidden Champions find better opportunities than in CEE and SEE. As I have mentioned, Austrian firms of all sizes have been the first to strongly invest and seize business opportunities on a large scale in this region.

Let me mention a few outstanding Austrian Hidden Champions which have excelled domestically and globally in very special niches.

- A company working on plastic packaging solutions; founded in 1955 by 2 brothers in Vorarlberg, in 1956 they created the first plastic bottle, in the 1960s they started to build plants all over the world (Germany, South America), in 1990 they started expanding to Hungary, Czech Republic, Poland and Russia; in 2007 the 100th plant

was opened in China. In 2011: 134 subsidiaries in 37 countries, with approx. 12.000 employees. – From a hidden to a real champion.

- The market-leading manufacturer of large-format glued laminated timber elements, which meanwhile are used worldwide under a brand name as structural wall, ceiling and roofing elements. – E.g. the highest residential building made of wood in London. After several years of research in cooperation with Graz University of Technology, the current production site was opened in 1999 in Styria, and has been continuously expanded. Meanwhile around 130 employees.
- Founded in 1953, a producer of special machinery for wood processing, specialized agricultural machinery and ski refining and servicing. The very successful company which is based in Upper Austria, has done considerable pioneering and innovation work in ski production and development, manufacturing specialized machinery for cutting very thin layers of wood. Employees: 438 (603 worldwide); Turnover: 81,1 million €.)
- A machine factory situated in a structurally weak area of Bosnia is a very good example of how the establishment of a functioning company by a committed family of entrepreneurs can form the driving force for a whole district. In 2004 the family from Vorarlberg bought the ruin of the state-run machine factory and not only turned it into a prosperous enterprise, but also, realising that only the institutional embedding of a long-range policy of quality-upgrading would enhance competition, the employment situation and the availability of a qualified workforce, invested in quality management and certifications. Thus, even in times of crisis, they could acquire new customers.
- In Kosovo, an Austrian bank - which is obviously not a “hidden” champion but a project worth mentioning - supports the socially and economically highly valuable project of a processing plant for vegetables, run by war widows. They make excellent products which are sold in local shops– by now the demand exceeds the supply by far. In a male-dominated society, such a project gives the women independence and ensures their livelihood.

Ladies, and gentlemen,

The Austrian Federal Ministry for European and International Affairs sees it as one of its duties to help and promote Austrian enterprises abroad, acting as a facilitator in the broadest sense, and opening doors, wherever and in whichever way possible. We have adapted our network of diplomatic representations: rather small embassies but we cover all of CEE and SEE, and are now moving towards the Southern Caucasus and Central Asia (recently opened Baku). Our embassies stand at the disposal of all Austrian entrepreneurs which might need their assistance. We believe that this creates a win-win situation not only for Austria but also for the host country.

3. The potential for more “European hidden champions” through a credible European perspective for the countries of South East Europe.

Austria’s close involvement in this region is very obvious given our close historical, cultural, political, economic, human as much as emotional ties. Last week I undertook a week-long tour throughout the region from Skopje via Pristina to Tirana. Once again, I have been reassured of our policy approach in many aspects.

From the outset Austria’s foreign policy has been in full support of the countries of South East Europe on their path towards Europe. It is our firm belief and clear commitment that the

European project will only be completed once all the countries in South East Europe have become full members of the European Union.

The successful conclusion of the accession talks with Croatia shows that a credible EU perspective continues to be the best incentive for reforms in the region. We are convinced that this “accession success story” gives a positive signal to all countries of South East Europe.

We – the Austrian government – would also like to see further steps of EU integration in the upcoming months, such as the candidate status for Serbia and the start of accession negotiations with Montenegro and Macedonia. We should neither accept an enlargement fatigue among EU member states and citizens nor a reform fatigue in the countries of the Western Balkans. The ongoing reforms are the best insurance for the people in the region on their way towards Europe and a guarantee for stability, growth and prosperity – and would thus create more European “hidden champions”!

However, we are well aware that despite significant progress key challenges remain, such as strengthening the rule of law, regional cooperation and reconciliation. In particular the fight against corruption and organized crime as well as the reform of the public administration are essential for the well-functioning of the state as much as for creating a positive business environment and attracting foreign investment. The keys for such an improvement are a reliable and efficient judicial system, as well as the reduction in bureaucracy, which hampers both domestic and international investors. A decisive fight against corruption is also necessary to deepen bilateral economic relations, which will definitely create a win-win scenario for both sides.

As the region is an important partner to Austria, we do not only rely on the private sector but also offer official practical support, in particular with the instrument of Twinning, where experts of EU Member States directly assist their colleagues in the administrative system of pre-accession countries. The Austrian Development Cooperation is equally involved in the region. The Austrian support aims at enhancing the efficiency, resource productivity, competitiveness and environmental performance of companies in the South East Europe, especially of small and medium enterprises.

Ladies and gentlemen, there is no doubt that there should be more “hidden champions” and more “European hidden champions”! At the same time I have to underline that chances are little to create “champions” or “hidden champions” in the business world as long as the proper legal and structural basis on state-level is underdeveloped.

In my view, the European integration perspective is the main driving force for difficult, but much needed reforms. – And our colleagues who are here from Central European Countries are well aware of that. But the impetus for reforms must come from all sides: the state level, the private sector and from civil society.

I am very impressed about the level of attendance at this conference, everybody here plays an important role in this crucial process. Conferences like this one are perfect opportunities to create networks, receive new information and exchange best practices. - Let us therefore work together to set European standards in as many countries as possible and to create more “hidden” and more “European” champions! - Thank you.