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Publications on strategies of multinationals in CEE and competitive strategies of CEE firms.

Teaching on doing business in CEE in Austria, USA, Germany, Poland, Romania, Russia and Finland.

His primary research areas are marketing, strategies and organization for CEE.

Engines of growth in CEE: *Market-creating innovations and skilled people*



Arnold Schuh

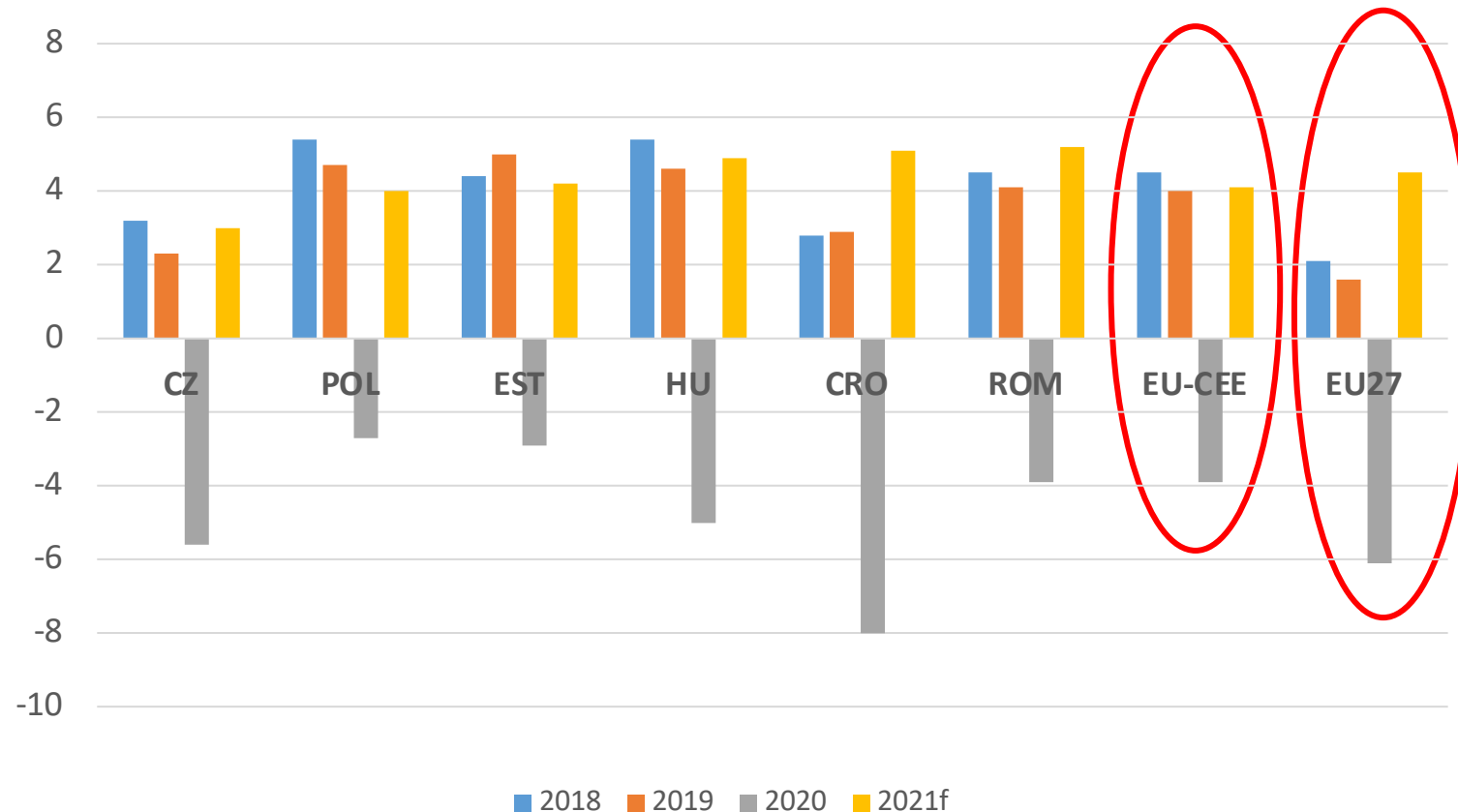
Director, Competence Center for EM & CEE

12. GROW EAST CONGRESS - 26 NOVEMBER 2021



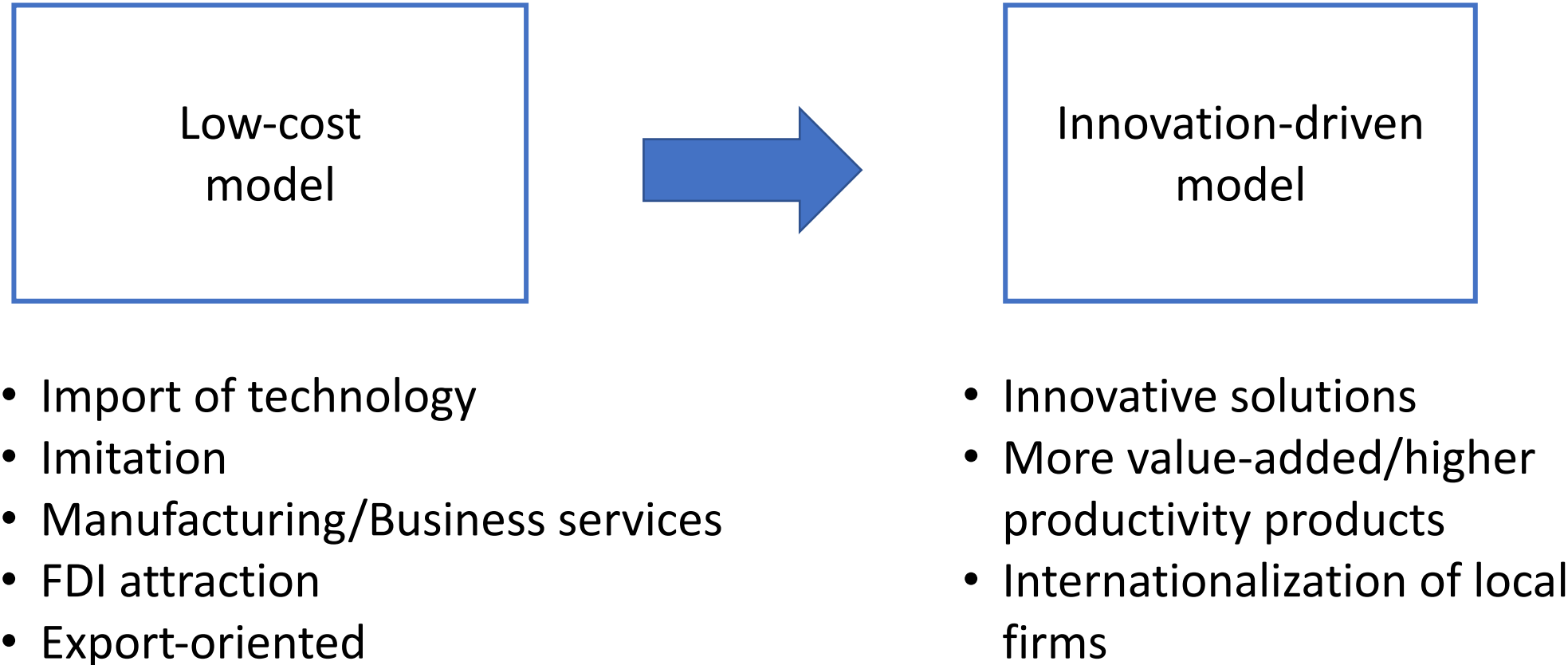
Pandemic interrupted a growth episode in CEE that started in 2015

Change in GDP 2018-2021
(in %; selected countries)

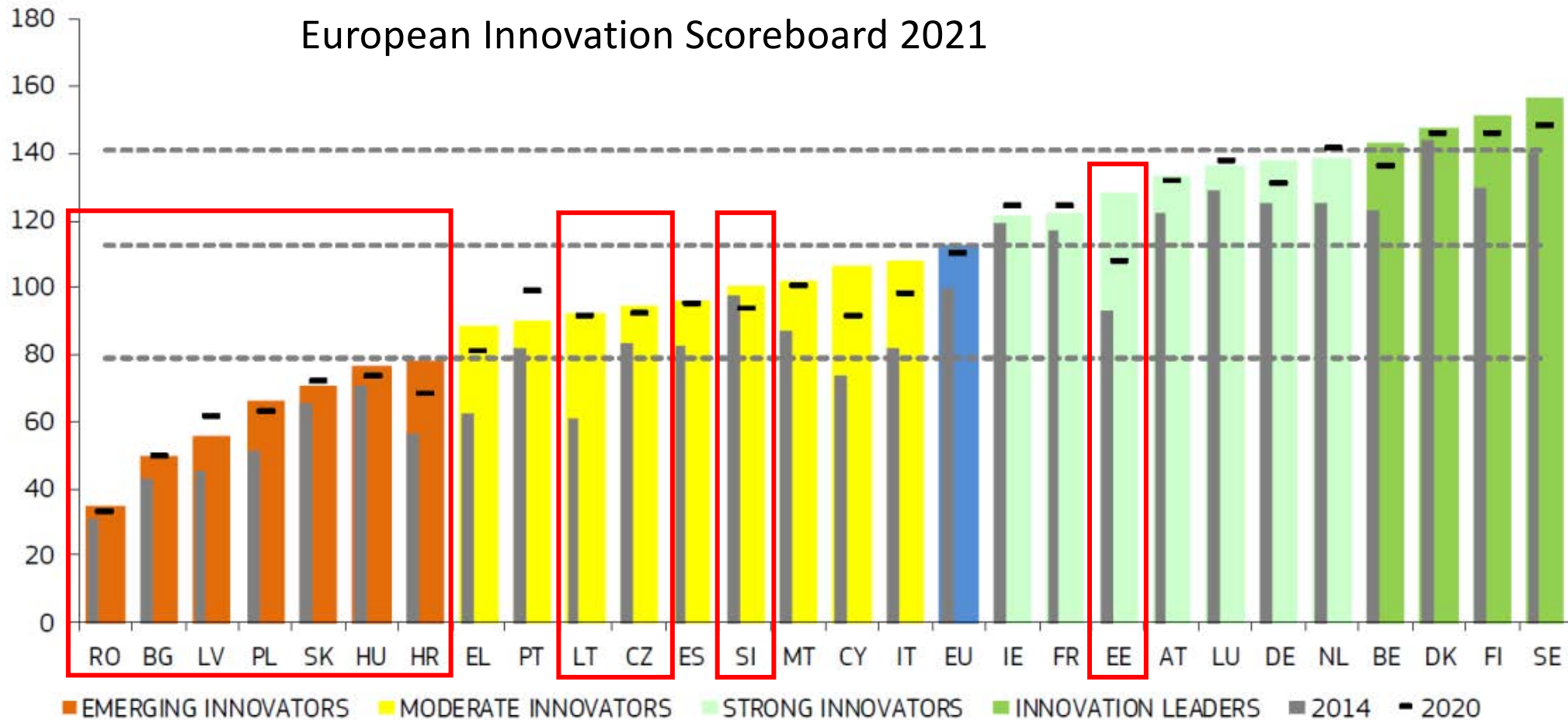


wiiw, June 2021

CEE's prosperity challenge: From a low-cost economic model to an innovation-driven one



EU-CEE countries are lagging in innovation performance – only Estonia stands out



[EIS 2021](#)

Estonia – the role model for CEE

- 1.3 mio. inhabitants
- 1,216 startups – **one per every 1,069 citizens!**
- Home of **unicorns**: Skype, Bolt & Wise

“By creating, having, and maintaining Skype in Tallinn, we gained a great insight into how to launch a great global product, and it created a feeling that we can create big things in a small place.”

Taavet Hinrikus, Skype's very first employee and now a serial entrepreneur



Software, e-commerce and pharma show revenue growth in the difficult year 2020



+310%

allegro

+54%



+12%



+126%

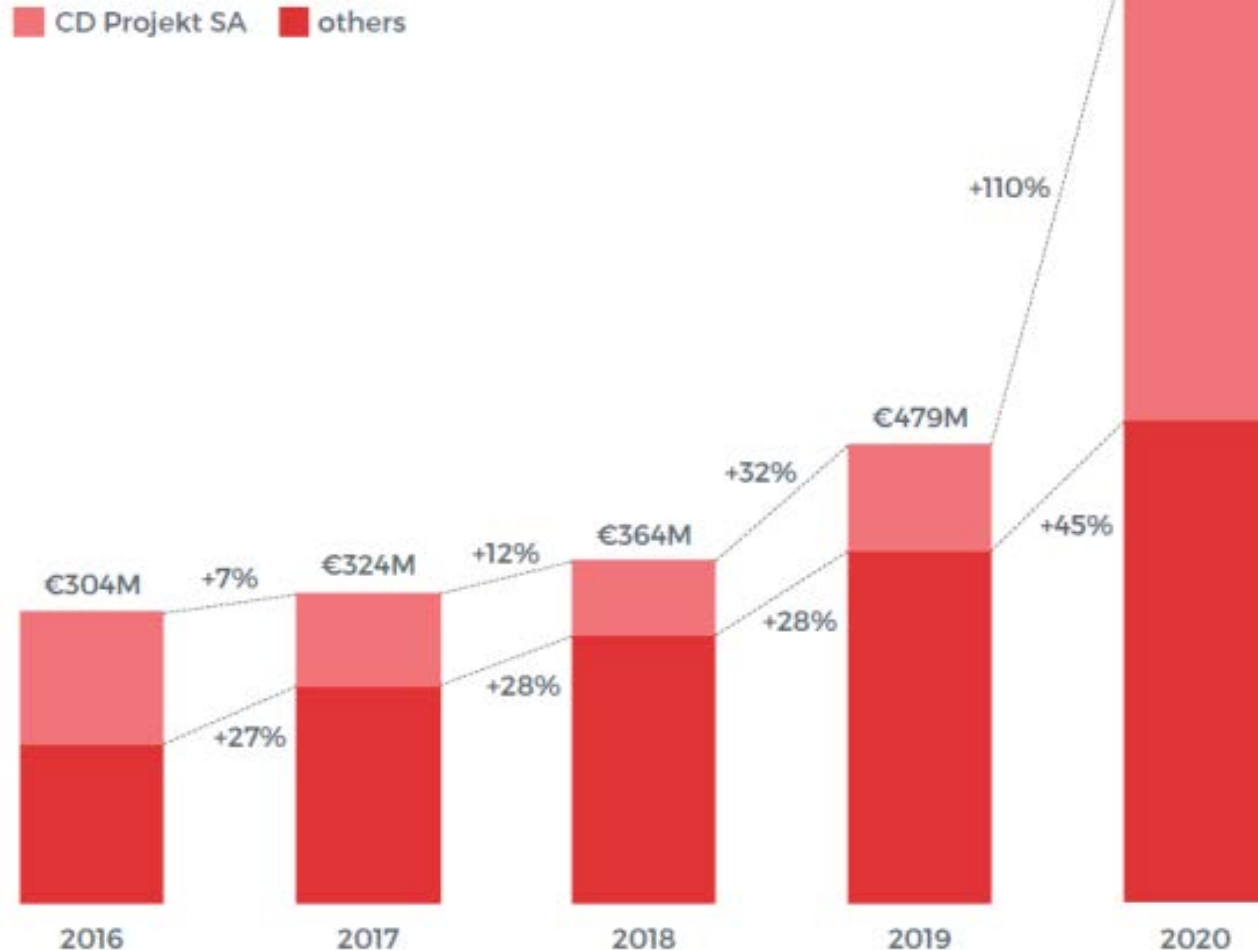


+24%



+3%

Polish video game production: a success story and winner of the pandemic



- € 1 bn. industry
- 470 game producers & publishers
- 64 firms listed at WSE
- 96% export ratio

What did winners right?

- Be in the **right industry**
- Keep **innovating**
- Embrace the **digital surge** (data, channels, promotion ...)
- Have an **agile** organization
- Rely on motivated & skilled **employees**
- Expand **laterally** to related business areas
- Enter new **foreign markets**



Aggressive expansion in the crisis

Wizz Air – low-cost carrier

Opening new bases, attempted to buy UK carrier easyJet + order for 100 airplanes



Allegro – e-shopping platform

Acquires Czech Mall Group + WE|DO to improve presence in Central Europe



Problems hindering successful cooperation in the biopharmaceutical industry in CEE

Lack of **qualified staff** to manage high-tech firms

Lack of **support** from govt. /regional authorities

Weak **cooperation** between business and academia

Lack of **funds** for developing innovation cooperation

Distrust hampers opening-up to cooperation

Puślecki, Trąpczyński & Staszków, 2021

New challenge: Labor and skill shortage is threatening economic recovery

The supply of **skilled workers** is becoming a problem in Poland
ING, 17.9.21

There are not enough **waiters**, automotive industry **workers** or **IT professionals** in Hungary!
dailynewshungary 9.9.21

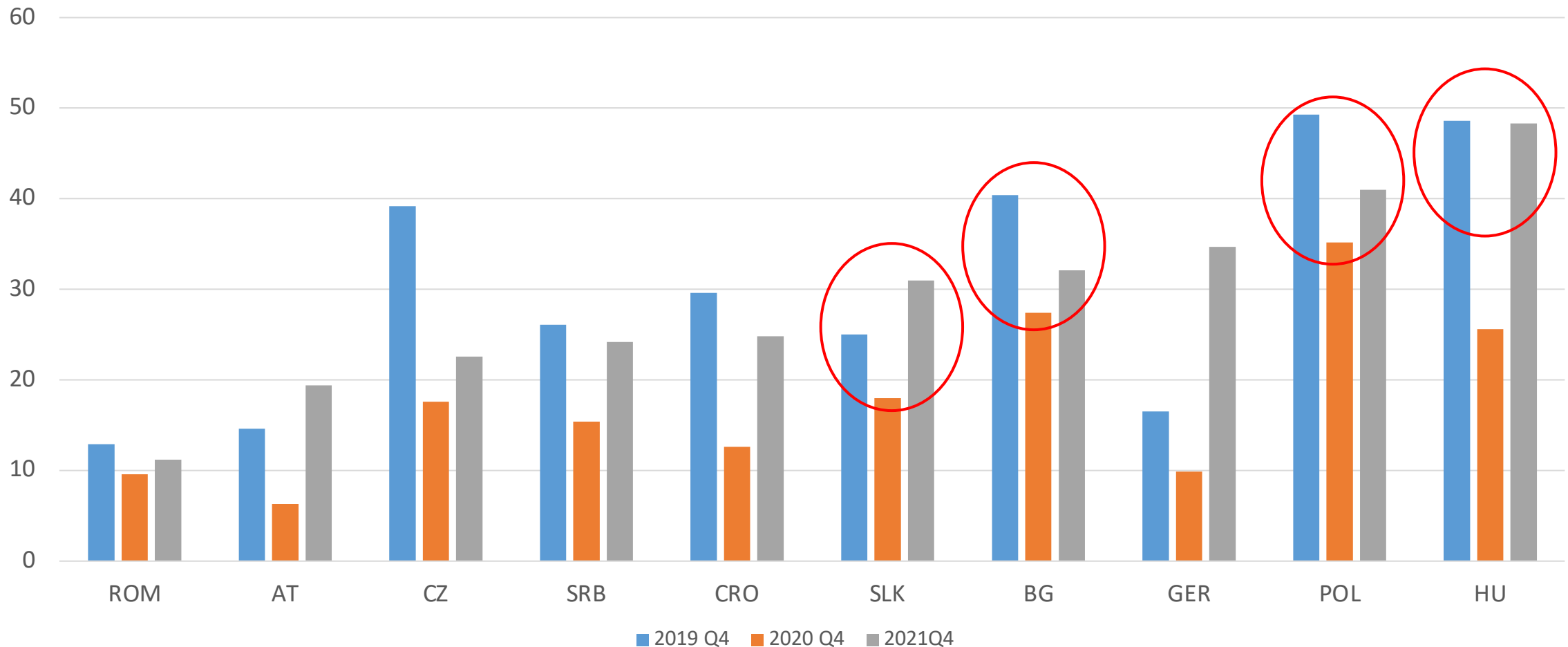
Acute shortage of **IT specialists**: “The badly set-up education system offers us an insufficient number of qualified graduates and if there are some, they leave to work abroad.”
spectator.sme.sk 13.10.21

Labor shortages are back to haunt **Czech economy**
DW, 23.6.21

More than 40% of manufacturers in HU and POL say that labor shortage curbs production

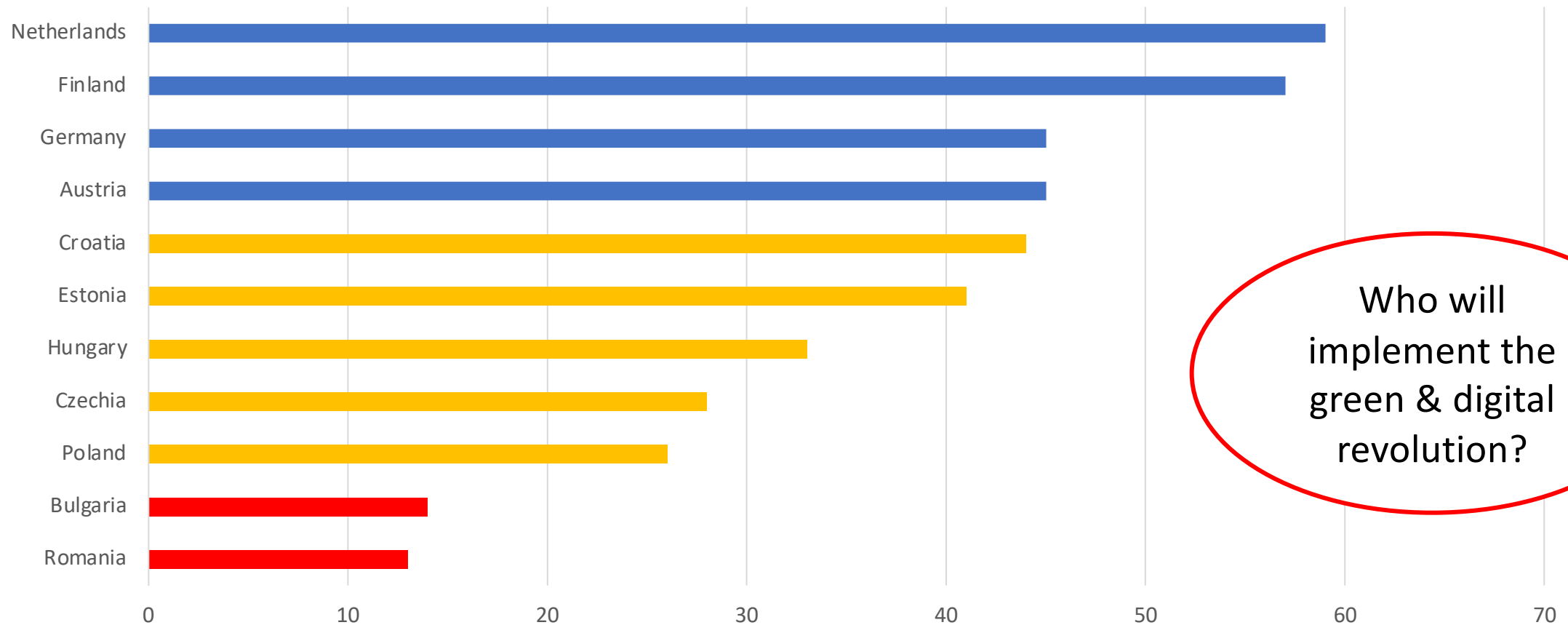
Labour as a limiting factor for production

(in % of businesses, Eurostat, 28.10.21)



... and the lack of digital skills threatens the necessary upgrading of the CEE economies

Share of „All in Employment“ with above basic digital skills (2019)



Who will
implement the
green & digital
revolution?

Future outlook: Develop skills base, target new industries and build innovation ecosystems

- Turn isolated initiatives into a **broader ecosystem** (video games, cyber security, autonomous driving)
- **Cooperate** better in the national innovation systems and across borders
- Promote „**home grown innovation**“
- Convince existing foreign **multinationals** to move R&D to CEE and attract FDI in future industries
- Target emerging business areas from the „**twin transformation**“
- Develop **skills** needed in an inclusive/green/digitalized/knowledge-based/globalized economy



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