



Invest
in Bavaria

Symposium of the
Virtual East-West Competence Network of Bavaria
on 22 November 2007 in Passau Media Center

Protocols of the Discussions at the Round Tables



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Table 1.) Potential uses of market analysis in Bavaria and CEE (1+2)

1. Introductions

In a short preliminary round all the participants of the round tables introduced themselves. Mr. Berislav Cizmek from CBBS Management Consulting & Business Building Company was kind enough to assume the role of presenter of the table. The participants of the round tables were very heterogeneous groups and the introductions were followed with great interest. Initial points of contact emerged with the discussions that were to follow.

2. Activities in Central and Eastern Europe (CEE)

The participants outlined their various activities in the CEE states and it became clear that market development was often tackled in very different ways, depending on the product and company involved. The different approaches to opening up the market in the CEE countries revealed considerable market potential for Bavarian companies.

3. Discussion of deficits in opening up the market

The following reasons for deficits were listed:

- Changeover from a planned to a free market economy
- The CEE states themselves have very different cultures, so that there is no single strategy for them all. It depends on the individual case in question.
- Quite often corruption is still the order of the day, when it comes to being allowed to successfully enter a market
- Lack of information about the bureaucratic rules and legal backgrounds
- Shortage of contact partners in the public administrations of the CEE states
- The language barrier in particular can have a massive slowing down effect
- Intercultural particularities are often neglected
- Building up confidence with locally based experts and executives is difficult
- For SMEs such efforts can often only be achieved by neglecting activities in the home country

4. Ways of entering the new markets

The following possibilities were discussed:

- In particular the route via the exchange of interns and students is considered expedient for acquiring regional staff with intercultural training at an early stage.
- Moreover, students of appropriate courses are to be brought into the company through closer collaboration with the universities. To this end, the know-how of the state institutions should be increased.
- Exchanges of local staff in the CEE states via expatriates would be a way of accomplishing knowledge transfer more quickly.
- Seeking managing directors in the target country, building up confidence and engaging staff.
- Use of regional trade fairs in CEE states to win customers.
- Entrepreneur trips for gaining advance information on the countries
- Drawing on the know-how of former employees of successful companies in the CEE states.



- The level of the relationship was felt to be particularly important. Building up a relationship in a spirit of mutual trust with partners in the CEE states takes a long time. The public sector can help with market entry by offering access to existing networks.
- Company information must specifically be placed at the disposal of the potential customers in the CEE states. The communication of product information and the brand is of central importance.
- Experienced sales staff from the target countries ought to be secured.

5. Conclusion – Results – Tasks

To sum up the two sessions, it can be said that the CEE states have considerable market potential and there are many very successful Bavarian companies. What is lacking is above all the communication of the successes and their presentation in the media, in order to convince even more companies, in particular small and medium-sized enterprises. The public sector can make a major contribution towards activating such companies by offering assistance through the existing networks and official contacts with the CEE states. But there are still some very large information deficits in this respect, which could be reduced even more by means of joint campaigns organized by the Bavarian State Government, the Counties and the universities.



Table 2.) Intercultural competence (1)

The leading question was what was meant by intercultural competence (IC). It was agreed that this was a social competence that involved the right way of dealing with people from other cultural circles and required certain adjustments to one's own behavior. However, some participants stressed that this process of adjustment had to come from both sides if it was to produce positive results. In particular, it was important – especially in the case of business contacts – to focus not exclusively on the technical level, but to simultaneously build up personal relations on both sides and also show interest in the other respective culture.

The extent to which IC could be learnt was also discussed. Some participants were rather sceptical in this respect and, for example in the context of relations between Czechs and Germans living in border areas, presumed that this was a very slow process that might take 1-2 generations. On the other hand, other participants thought that internships or even inter-company cooperation schemes in other respective cultural circles were good ways of learning and practising IC. It was, however, regretted that there were still great administrative obstacles to be overcome especially for “cross-border” internships. It was essential to reduce these barriers and an appropriate question was formulated for the panel.



Table 2.) Intercultural competence (2)

The opening question was whether and to what extent you can train IC. Referring to IC specifically in the Czech-German border area, several participants said that there were hardly any opportunities for this. Bavarian firms rather still use the favorable labor costs and support conditions in the Czech Republic as an extended workbench. In the other direction, there are only isolated instances of Czech firms establishing themselves in the Eastern Bavarian border area and they still frequently tend to meet with rejection by the local population there. Most likely are private contacts, e.g. visits to relatives or activities of sports clubs.

This finding gave rise to the question to the panel about what political approaches there were for promoting IC in the Bavarian-Czech border area. From this group of participants, reference was made to the EU Structural Fund Program “INTERREG Bavaria-Czech Republic”, which does not exclusively promote purely economic projects, but also, for example, a bilingual website of the District Government of the Upper Palatinate or cross-border cycle path systems. Moreover, the work of the Euregios also contributes to rapprochement and understanding. In addition, there are already some projects for the joint training of Bavarian and Czech young people, such as the “Tandem” project for instance, the coordination center for German-Czech youth exchange schemes.



Table 3.) What qualifications do East-West experts need? (1)

Theme

What is more important for an East-West expert: technical expertise or intercultural know-how?

What skills can be trained in postings to the East?

- Intercultural competence?
- The technical side?
- Soft skills?

“Bavarian Forest” project – Czech customers are considered but the potential is not exploited
→ Counter-example: health services for Russian patients in German hospitals!

Benefit

The HypoVereinsbank does a great deal of work with Eastern European customers.

→ Special programs drawn up for trainees, who are posted to Eastern Europe – for about 2 weeks – to develop a feel for the Eastern European culture.

Intercultural competence is extremely important especially in the border regions – potential is not always exploited there and customers speaking another language are not always considered.

Challenges

Recruitment of staff:

Candidates have a knowledge of Eastern European languages and intercultural competence, but do not want to be posted to Eastern Europe, as with their qualifications they prefer to work in Western Europe. (Example HypoVereinsbank)

Tourism:

For hotel guests from Eastern Europe it is very important to have a command of their language and to be familiar with their cultural standards. Intercultural competence and language skills of the experts should not be neglected in such projects, like for example in the Bavarian Forest and in particular in the border regions!



Table 3.) What qualifications do East-West experts need? (2)

Theme

Linguistic competence is very important, because in Central and Eastern Europe it is not always possible to communicate in English. A command of English and Central and Eastern European languages is nevertheless a basic prerequisite.

The Central and Eastern Europeans often have a better command of German than vice versa.

According to one female participant, it is difficult to acquire a knowledge of Central and Eastern European languages at the universities of applied sciences. Often, not even the advanced courses can be held because not enough course participants have registered. At the universities the range of courses offered is better.

Another important requirement is the willingness to actively spend a longer period in the foreign country.

The activities of Central and Eastern European investors in Germany are often overestimated, as many freelancers are included in the statistics.

A further problem is that too few junior members of staff want to go to Central and Eastern Europe. Central and Eastern Europeans, who have studied in Germany, often do not wish to go back there. The best candidates are, however, native speakers, who also have an affinity with the region.

Benefit

The language requirements are very high, because it is easy to strike the wrong note in a foreign language even if you know it very well.

Those, who meet the requirements in question, have good chances in consulting and in industry, especially when it comes to building up an international market presence. The more exotic the language skills, the greater the potential.

Example: In the hospitality sector in the German-Czech border region there are hardly any menus to be found in the Czech language. Tourist potential is being thrown away here, although on average Czech tourists spend almost exactly as much money in Germany as German tourists in the Czech Republic.

Successful examples of the use of other languages in offers in Germany are Turkish bank accounts at HypoVereinsbank or the international offices of Invest in Bavaria (in Japan, Russia, China, etc.), where interested persons are spoken to in their respective mother tongue.

Challenges

A Russian working student at Siemens described her experience that much more than a knowledge of languages was needed for professional success. Technical expertise was also required, for example business skills or a knowledge of IT.



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In SMEs (according to Dr. Elsner) linguistic and cultural competence is particularly important in addition to a basic understanding of economics, as these companies do not have their own foreign departments to cover such matters. Consultants are often too expensive for SMEs, so that such companies frequently do not receive any competent assistance at all. This can lead to blocking decisions on the internationalization strategy. The way out of this dilemma is then to join up with larger companies or to seek a partner abroad.

The experience of Markus Unterberger from Hill International personnel consultants was that in many cases large companies also had backlog demand for intercultural competences.

Dr. Elsner said that you had to think international. In Germany, this international focus was still lacking, which may be due to historical reasons.

Soft skills are increasingly in demand, as is entrepreneurial thinking. Engineers should also assume more individual responsibility.

Internships for German students in companies in Central and Eastern Europe are still hard to find.

Central and Eastern European graduates from German universities need a work permit once they have completed their studies in Germany. This bureaucratic red tape deters most employers.

In regions near the border (to the Czech Republic) too little Czech instruction is offered in German schools.



Table 4.) “Best Practice” successful expansion to Eastern Europe (1)

Theme

The Czech Republic is increasingly developing into a market for Bavarian companies. Labor costs in the Czech Republic are still about 1/4 -1/5 of the costs in Germany. This value has remained more or less stagnant over the past few years.

The willingness for cooperation between small and medium-sized Bavarian and Czech companies is steadily increasing.

On the German side, there are productivity advantages (in particular in job production).

Czech support funds are not available to SMEs (small and medium-sized enterprises).
→ In the Czech Republic it is mainly the large companies that receive funding

Benefit

The geographical proximity to the Czech Republic (Bavaria – West Bohemia) is an important locational advantage for Bavarian companies.

Foreign engagement (cooperation projects) by companies can help to secure jobs in Bavaria.

Challenges

The training system in the Czech Republic must be improved (no dual training system).

The shortage of skilled labor is a growing problem in the Czech Republic (among other reasons because skilled workers are moving away).



Table 4.) “Best Practice” successful expansion to Eastern Europe (2)

Theme

Important examples of successful expansion to Eastern Europe

1.) Mühlbauer Maschinenbau GmbH

The company has moved part of its production to the Czech Republic, but had problems with entering the Czech market, which could be solved though.

2.) Bayern Handwerk International (BHI)

BHI has established a branch office in Plzen. This representative office of the Bavarian skilled crafts helps Bavarian firms to set up a branch office in the Czech Republic and to enter the market.

→ Concrete cases are automotive component suppliers, window producers or building cleaning firms (the latter have all chosen the Czech Republic).

Benefit

Re 1.)

Labor cost comparison per employee:	CZ	→	€ 8 – 9
	D	→	approx. € 43

Productivity comparison of D with CZ:

- for prototype production 1:5
- for series production 1:1.5 to 2 > therefore relocation to CZ

Re 2.)

The Czech market is an attractive market on account of its lower labor costs. However, productivity is very low compared to Germany.

When expanding to the East, German companies prefer to choose sites, where other companies (sometimes even direct competitors) have already set up facilities.

Challenges

Re 1.)

Entry with high-quality products failed for the following reasons:

- inadequately qualified employees,
- long periods of vocational adjustment (up to 6 months in most cases),
- Czech training system too theoretical.

→ One solution was to set the period of adjustment before market entry (in this way gaps in the Czech training system can be compensated for).



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Re 2.)

Here too there was the problem of shortage of skilled labor.

→ Solutions:

- Czech university graduates are trained in the plant in Germany and then employed in the Czech Republic again after the period of vocational adjustment
- German skilled workers are used as “trainers” in the Czech Republic

As a general rule, staff motivation also has to be taken into account in human resources management – this is very important in the Czech Republic! Money is not the top priority here – additional “advantages” for employees count and should be offered: social insurance, collecting service, company nursery school, etc.



Table 5.) First steps towards business activities in Bavaria

Theme

Central and Eastern Europe is growing increasingly important for Bavaria. A clear sign of this trend is the constant rise in exhibitors and visitors from Central and Eastern Europe at international trade fairs (in particular from the Czech Republic, Poland and Russia).

Are there any countries or industry-related differences in the new businesses being set up in Bavaria?

In the real-estate sector in particular, not much experience has been gathered yet with investors from Central and Eastern Europe.

What specific problems do market entry present in Bavaria?

Benefit

Central and Eastern Europe is relatively inhomogeneous both economically and politically. In order to make it easier to enter the Bavarian market, greater attention must be paid to country-specific nuances (like the language for instance). One suggestion in the conceptual sphere would be to stop referring to Central and Eastern Europe, but to name the actual countries concerned.

The new businesses from Eastern Europe are generally not focused on particular industries, but a few sectors are emerging as being particularly in demand. These sectors are IT, logistics, “flight” technologies and food technologies.

An increasing number of small and medium-sized companies from Russia are currently engaged in Bavaria (according to Valentina Balakina).

Central contact agencies for questions about setting up companies in Bavaria are: Chambers of Commerce and Industry, tax advisers and lawyers.

Challenges

General problems encountered by Eastern European companies on market entry are the size and structure of the market, assessing relevant and irrelevant fields of business and/or activity as well as the mentality and the language.

In Russia there are particular problems with the mentality and legal system and the special significance of the language.

It is not always possible to find suitable staff locally.



Table 6.) Funding the internationalization of companies

Theme:

- Support opportunities of public institutions in Germany
- Possible EU-local support measures in Central and Eastern Europe
- List of banks in Central and Eastern Europe

Challenges:

Security conditions of local banks in Central and Eastern Europe



Table 7.) Research cooperation schemes – Technology transfer (1+2)

Theme

What risks does T-S (Technology and Science) transfer pose?

What partners come into question?

How do I find the right partners?

Does technology transfer mean jobs transfer?

Benefit

Potential:

The great potential in the sector qualifications could be used much more effectively by having good schools/universities. Substantial investments would be needed.

→ Russia in particular offers enormous potential here because of the proximity to raw materials with relatively high economic growth.

T-S transfers are made easier by cultural similarities (e.g. with Russia), or made more difficult by the absence of such similarities (e.g. China).

Many Eastern and Central European scientists publish too little in English → language barriers

Lucrative, in particular commercially relevant, research is often excluded from cooperation schemes. In many cases, this reduces the effectiveness, speed and quality of the research.

As a high-tech location, Germany (and/or Bavaria) is often used as a means of stabilizing the enterprise. Simple work is, however, frequently referred to the “extended workbench” of Eastern Europe.

18 researchers in Budapest are currently having financial difficulties with the implementation of patents. Financing morale in the technology sector must be further improved!

Challenges

Russia urgently needs T-S cooperation projects, in order to catch up and exploit potential.

It is essential to protect small and medium-sized companies against economic espionage and/or patent infringements, as this often hinders cooperation.

Company start-ups too often fail because of cultural obstacles and/or differences in mentality.



Table 8.) Cross-border training – professional qualifications (1+2)

Theme / Benefit

Objectives:

- Certified training for both sides taking account of factors impeding vocational training.
- Dual vocational training / Modularization:
Pilot project in the commercial sector as well as in the industrial/technical sector. In the latter case, execution of the project is more difficult. But a commercial center is being set up in 2008/2009. Higher costs, because for example expensive machines and equipment are needed. → Czech certificate + certificate from CCI in collaboration with the DIHK (Association of German Chambers and Industry).

Challenges

Well-trained skilled staff are harder to find in Eastern European countries (e.g. Czech Republic, Poland, Hungary). Training standards are much lower than in Germany.
→ The reason for this is to a large extent the absence of a dual vocational training system (was abolished in CZ in 1992!).

It is rather university education that is sponsored, vocational training is often neglected.

Problem with titles (final qualifications).

What titles should be offered to ensure that the training nevertheless remains attractive? At present the focus is on engineers, who have little professional practice though, but only good theoretical knowledge. Fully trained potential employees can often not find any work despite having a title, although there is a shortage of skilled labor.

It is also a problem finding trainees or school graduates in all areas who are willing to do an apprenticeship in small businesses for example. Suitable pilot projects are still in progress in the vicinity of Prague.

Many think that large companies “drain” the best-qualified staff, but much depends of the management style of the company in question. Well-managed companies have fewer difficulties with acquiring staff.

→ Company contacts are important (networks/universities/vocational schools).



List of participants

Title	First name	Surname	Company	Function
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