
Hidden Champions of Croatia

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Overview

Official name:	Republic of Croatia
Type of government:	Parliamentary Democratic Republic
Population in 2011:	4,403,000
Land area:	55,960 km ²

History

- 1918 Shortly before the end of the First World War in 1918, the Croatian Parliament severs relations with Austria-Hungary and The National Council of State decides to unite the country with the new Kingdom of Serbs, Croats and Slovenes.
- 1929 After a decade of unrest and political tension, the kingdom is renamed Yugoslavia, and the system of government is further centralized under a royal dictatorship.
- 1939 The Croatian Peasant Party negotiates a partial restoration of Croatian autonomy.
- 1941 Nazi Germany invades Yugoslavia. A union, named “Greater Croatia”, is formed, also comprising most of Bosnia and western Serbia.
- 1945 Croatia becomes one of the six constituent republics of the Yugoslav socialist federation.
- 1971 The early 1970s mark the beginning of a protest movement known as the “Croatian Spring”, where many students and activists demand greater civil liberties and greater autonomy for Croatia. Although the movement is

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- denounced as nationalism, in 1974 a new Yugoslav federal constitution meets some of the demands for Croatian autonomy.
- 1980 After the death of President Tito, the slow disintegration of Yugoslavia begins as individual republics assert their desire for independence.
- 1990 The collapse of communism in eastern and central Europe leads to rising support for parties with a nationalist programme and Croats vote in the country's first free elections in more than 50 years.
- 1991 Croatia declares its independence. By the end of the year, nearly one-third of Croatian territory is under Serb occupation and the Croatian War for Independence starts. Before the dissolution of Yugoslavia in 1991, Croatia was the second most prosperous and industrialized area (after Slovenia), with a per capita output exceeding Yugoslavia's average by more than 30 %. Economic infrastructure was directly affected by the war in Croatia and sustained massive damage, particularly in 1991 and 1992.
- 1995 Croat forces retake three out of four areas created by the UN and the war ends with the signing of the Dayton Agreement.
- 1996 Croatia joins the Council of Europe.
- 1998 Croatia resumes control over the fourth UN area, Eastern Slavonia.
- 2003 Croatia submits a formal application for EU membership.
- 2004 The EU agrees to start accession talks with Croatia in March 2005.
- 2008 The NATO summit in Bucharest invites Croatia to join the Alliance. The European Commission states that Croatia is likely to end accession talks by 2009 and become a member by 2011, but demands tougher action against corruption and organized crime.
- 2009 Croatia officially joins NATO. Slovenia lifts its block on Croatian EU membership talks after the two countries sign a deal allowing international mediators to resolve their border dispute.
- 2011 Croatia successfully completes EU accession negotiations, putting it on track to become the 28th member state. Croatia signs a EU accession treaty, paving the way for it to achieve full membership on July 1, 2013.
- 2012 Croatian voters back joining the European Union in a referendum by a margin of two to one. After the first instance court decision on a political and economic corruption scandal, a former prime minister is sentenced to 10 years in prison.

1 Introduction: Context

Croatia is a small but complex market. Its geography divides it into two distinct areas: the more affluent and tourism-oriented Dalmatian coastal region along the Adriatic Sea, and the rural inland Slavonian region, dominated by agricultural and industrial activities. The country's population of roughly 4.5 million is largely homogenous in terms of ethnicity, language and religion, but in the summer months its numbers are heavily increased by tourists from Europe and the rest of the world,

making it a global market for products and services. Croatia is a strong democracy with a market economy, but has significant state involvement in a number of industries, and carries a considerable public financial burden from its social welfare policies. Croatia is a developing economy and, despite progress in economic and administrative reforms, some problems remain. These include a judiciary plagued by case backlogs and a lack of expertise, a complex and sometimes non-transparent bureaucracy, and serious corruption issues, both real and perceived. The overall business and investment climate of the country is perceived to be difficult, and requires caution and patience of foreign companies and potential investors. The biggest investment opportunities in Croatia lie in the energy and infrastructure sectors. The new government has pledged to reduce barriers and foster development in key sectors, particularly tourism, energy, infrastructure, and irrigation/environment. Lacking its own financial and technology resources, Croatia heavily depends on foreign investments. Although the economic engine that comes with EU membership has been greatly diminished by the global credit crunch and the struggling euro, Croatia can expect to see some benefits when it becomes the EU's 28th member in 2013.

Once a member, Croatia will gain access to EU funding programs, including being a partner in the Union's budget. The budget—864 billion Euros from 2007 to 2013—covers expenditures in member states for sectors including agriculture, internal policies, administration and compensation.

Croatia has 1,244 islands of various sizes and almost 44 % of its mainland is covered with forests. It is a country rich in natural resources such as unpolluted fertile land, good climatic conditions, natural forest growth, biodiversity, and a plenitude of water resources. It is characterized by a natural and climatic diversity. Furthermore, the country is known for its innovations and innovators, such as Rudolf Steiner who invented organic farming and the Waldorf schools; Slavoljub Penkala, who invented the mechanical pen; Nikola Tesla, inventor of the alternating current generator, transformer and magnetic field; Faust Vrančić, who devised the first parachute; Ivan Lupis-Vukic, constructor of the first torpedo; Ivan (Juan) Vucetic, author of the most flawless system of fingerprint classification; and many others.

The Republic of Croatia is a small, transitional democratic parliamentary republic located in Central/Southeastern Europe. Among 47 European countries, Croatia is ranked 26th with respect to both population and surface. It has a total population of 4,403,000 people (World Bank 2013). The country is at the crossroads of Central Europe, the Pannonia Plain, the Balkans, and the Mediterranean Sea. Croatia has many peculiarities. The first is a diverse territory that includes plains, lakes, and rolling hills in the continental north and north-east (Central Croatia and Slavonia), densely wooded mountains (Lika and Gorski Kotar), and rocky coastlines along the Adriatic Sea (Istria, Northern Sea coast and Dalmatia). Second, the country has a diverse climate: continental in the north and east, Mediterranean along the coast, semi-highland and highland climate in the south-central region, temperate in Istria, and subtropical on the Palagruza archipelago. Four different regions (Dalmatia, Istria, Slavonia, and Zagorje) are characterized by differences in geography, traditional economy, food, folkloric tradition, and dialect. It is one of the most important

tourist destinations in the Mediterranean, well-known for its preserved natural resources (eight national parks), cultural and historical heritage (monuments under UNESCO protection), and proximity to many European capitals (Croatian Regions Office 2013).

In an economy traditionally based on agriculture and livestock, peasants comprised more than half of the Croatian population until the first years after World War II. Pre-1945, industrialization was slow and consisted mostly of textile mills, sawmills, brickyards, and food-processing plants. Rapid industrialization and diversification occurred after World War II. Decentralization came in 1965, allowing growth in certain sectors, such as the aforementioned prosperous tourist industry. Profits from the Croatian industry were used to develop poorer regions in the former Yugoslavia, leading to Croatia contributing much more to the Yugoslavian economy than it ever got back. This, coupled with austerity programs and hyperinflation in the 1980s, led to discontent in both Croatia and Slovenia and fuelled the independence movement. Before the dissolution of Yugoslavia, the Republic of Croatia, was the most prosperous and industrialized area after Slovenia, with a per capita output more than one-third above the Yugoslav average. By 1990, foreign remittances contributed two billion US dollars annually to the economy. Privatization under the new Croatian government had barely begun when the war broke out. As a result of the Croatian War of Independence, the economic infrastructure sustained massive damage during the period, particularly in 1991 and 1992 (Vranjican 2005). With the end of the war in 1995, tourism and Croatia's economy recovered moderately. However, corruption, cronyism, and a general lack of transparency stymied meaningful economic reform as well as the foreign investment that was needed. By the end of the 1990s, Croatia faced considerable economic problems such as the damage done to bridges, factories, power lines, buildings, and houses during the internecine fighting, the large refugee and displaced population, as well as the disruption of economic ties and mishandled privatization. Inflation and unemployment rose and the currency (kuna) fell, prompting the national bank to tighten fiscal policy.

In 2000 Croatia's economy turned the corner as tourism rebounded. It expanded in 2002, stimulated by a credit boom led by newly privatized and foreign-capitalized banks, some capital investment (most important in road construction), and gains from small and medium-sized private enterprises. By early 2005, the country's foreign debt declined in growth and was surpassed in size by the foreign debt of the banking sector, prompting further interventions by the National Bank. Western aid and investment, especially in the tourist and oil industries, was doing its part to help further develop the economy. In 2009, economic output was dominated by the service sector, which accounted for 64.4 % of GDP, followed by the industrial sector (27.5 % of GDP) and agriculture (5.09 % of GDP) (World Bank 2011). The industrial sector is dominated by shipbuilding, food processing, pharmaceuticals, and information technology, as well as biochemical and timber industries. Tourism is a notable source of income during the summer. Croatia was ranked the fourth most successful tourist destination in the world in 2010, owing to an expected 7 % increase in international tourist arrivals (ITB World Travel Trends Report 2010/2011). More information is available in Exhibit 1.

Exhibit 1 Core economic indicators for Croatia

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
GDP per capita (current US\$)	5,068	4,862	5,192	5,974	7,690	9,237	10,090	11,229	13,376	15,694	14,044	13,461	14,180
GDP per capita growth (annual %)	-2.19	6.75	3.33	4.88	5.37	4.15	4.21	4.98	5.15	2.13	-6.84	-1.16	0.24
Long-term unemployment (% of total unemployment)	53.40	53.40	55.90	63.40	59.30	53.60	58.40	60.10	61.50	63.00	56.20	44.40	n/a
Foreign direct investment, net inflows (% of GDP)	6.29	5.16	6.86	4.15	6.00	2.63	3.96	6.93	8.45	8.70	5.51	1.43	2.02
GDP (current US\$m)	23,078	21,518	23,052	26,525	34,143	41,004	44,821	49,855	59,336	69,586	62,203	59,472	62,493
Exports of goods and services (current \$USm)	8,430	8,970	10,011	10,856	14,534	17,604	18,982	21,359	25,090	29,271	22,766	23,407	26,110
Exports of goods and services (% of GDP)	36.53	41.69	43.43	40.93	42.57	42.93	42.35	42.84	42.28	42.06	36.60	39.36	41.78
Merchandise exports (current \$USm)	4,303.00	4,432.00	4,666.00	4,903.58	6,186.63	8,024.16	8,773.00	10,377.00	12,364.30	14,111.70	10,473.80	11,806.20	12,289.00
Merchandise exports to high-income economies (% of total merchandise exports)	73.31	74.17	72.12	70.78	74.45	70.58	69.97	71.79	68.00	66.66	68.19	68.23	n/a
Merchandise exports to developing economies in Europe & Central Asia (% of total merchandise exports)	16.86	17.93	19.35	22.41	22.12	23.47	24.23	17.72	25.83	27.44	26.56	23.37	n/a

(continued)

Exhibit 1 (continued)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Ores and metals exports (% of merchandise exports)	2.23	3.02	2.66	2.59	2.27	3.40	3.78	4.38	4.59	4.29	3.63	4.51	5.14
Agricultural raw materials exports (% of merchandise exports)	4.71	4.54	4.06	4.29	4.16	3.61	3.40	3.29	3.54	3.32	3.61	3.61	3.85
Food exports (% of merchandise exports)	9.50	8.89	9.78	11.12	12.16	9.02	10.46	11.36	10.46	9.76	12.79	11.31	11.38
Fuel exports (% of merchandise exports)	7.76	10.98	10.22	9.36	9.64	11.34	13.90	15.10	12.76	12.70	12.94	12.33	12.28
Manufactures exports (% of merchandise exports)	75.64	72.54	73.21	72.51	71.63	72.47	68.26	65.60	68.32	69.63	66.40	67.80	66.85
High-technology exports (% of manufactured exports)	8.28	8.68	10.25	12.15	12.25	13.02	11.40	9.85	8.21	8.35	9.76	9.15	n/a

Source: World Bank (2013)

Exhibit 2 Hidden champions from Croatia

Name	Short market leadership description	Revenues 2010 (€m)	Revenues 2000 (€m)	Employees 2010
Bodren	Leader in production high quality ice wines in the region and the only one with six gold, three silver and two bronze medals at Decanter in 4 years in a row	0.128	0	1
DOK-ING	Leading position in the world in production of mining remote controlled vehicles	26.3	0.55	117
Durante M2	Leading position in selling joint slabs in Western Europe		0	3

Source: Authors of the chapter

Croatia weathered the global financial crisis reasonably well, but still faces significant challenges largely due to its external imbalances and high foreign debt. This presents long-term problems for the financial sector because of the higher cost of borrowing to cover the current account deficit. The country is preparing for membership of the EU. In February 2005, the Stabilisation and Association Agreement with the EU officially came into force and by the end of 2009 Croatia had closed 17 EU accession chapters. The remaining 16 were completed by the end of the first half of 2010. In June 2011, the country successfully completed the EU accession negotiations, putting it on track to become the 28th member state in mid-2013.

Three companies will be presented in our Croatian Hidden Champions (HCs) chapter. First, DOK-ING Ltd., a company established during the Croatian Homeland War to manufacture a mine-clearance product that helped people at that time, but became much more over the following years. This case perfectly illustrates one of the principle characteristics of a HC: where others see a danger, a real champion sees an opportunity. Therefore DOK-ING is a real HC.

The second case, Bodren Ltd., involves a specialized sweet wine producer. Even though Croatia has a long history of producing wine, and around 700 different wines are made today, Bodren's produce is quite different from everything else and more daring than most of the wines ever produced in this country. This case is a typical example of the initial phase of a future champion, and is therefore placed in the category of potential HCs.

The third study, Durante M-kvadrat Ltd., is one of four specialized producers and distributors of joint free slabs, a product that could fundamentally change the construction industry across Europe. This case perfectly describes another characteristic of HCs: a champion builds new roads. Since the company has just started its business, it is classified as a start-up. These Croatian HCs are listed in the table above (Exhibit 2).

Although we are certain that there are more HCs (primarily involving software development, organic food and services) in Croatia, we may have failed to identify some of them whereas others preferred to remain hidden. Some of the companies that we interviewed turned out not to be champions in the end.

2 Three Case Studies

2.1 DOK-ING Ltd.

Overview

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Email: info@dok-ing.hr

Web: <http://www.dok-ing.hr>

Company Information

Industry:	Engineering and manufacture of remote controlled machinery
Year of establishment:	1991
Sales revenue in 2010:	€26.3 million
Sales revenue in 2000:	€550,000
Average number of employees in 2010:	117
Brain(s) behind the company:	Founder and owner Vjekoslav Majetić

2.1.1 Nature of Market Leadership

A world leader in the production of remotely controlled machinery for underground mining, and a global technological leader in the production of remotely controlled machines for use in specific conditions considered dangerous for humans (mine fields, fire disasters, etc.). Over the last 2 decades, the company has created a set of new market niches where this machinery can be used: mining industry, human-rescue operations, and more.

2.1.2 Nature of Competitive Advantage

The main source of the company's competitive advantage is its superior expert knowledge gained through continuous innovations in machines as a whole and their related features; for example, drive systems that operate on batteries. Newly developed technical solutions are patented. In some novel market niches that the company has created, such as the mining industry, there is still no competition.

2.1.3 Core Lessons Learned on the Path to Business Success

1. Continuously innovate and try to find new solutions in response to customer needs. Whether it is a big improvement or just a slight change from the previous model, it is always best to be one step ahead of your competition.
2. Patent all the solutions to be certain that they will be protected for some time, during which it is important to try to find better ones, This will protect your product from being copied and sold at a lower price.

3. A leader has to be a dreamer. Anything is possible; you just have to find a way to develop it and produce it.

2.1.4 DOK-ING Ltd: Hidden Champion

Among Croatian SMEs, DOK-ING Ltd. is definitely one of the most admired. It was founded in 1991, the same year that Croatia declared its independence. Like the country itself DOK-ING went through many ups and downs until it was recognized as a global leader in the production of unmanned multi-purpose vehicles. Interestingly, the company was initially started in order to sell, install, and service satellite television and video systems, and other technical devices used by the Croatian police. As the war in Croatia escalated, the owner was unsettled by the increasing prevalence of landmines being seeded throughout the country. During the Homeland War from 1991 to 1995, an estimated 2,000,000 mines covered almost 8 % of Croatia. Therefore, the owner of the company, Vjekoslav Majetić, wanted to protect those men who were working in dangerous environments, and enable safe operation in specific life-threatening jobs. This motivation determined the direction of further development of other machines whose common feature was, and still is, remote control. In 1996, to address the need for landmine management and removal, DOK-ING's owners began to research and develop a remotely controlled anti-mine vehicle (AMV) that could locate and detonate landmines. Since then, DOK-ING has improved the design and performance of its AMV, and introduced additional anti-mine, fire-fighting, and underground mining vehicles.

In the first 10 years, the company focused on the development of machinery for humanitarian demining and demining operations in Croatia after its Homeland War, but soon the product became recognized and growth in exports was rapid. Today they export 92 % of everything produced, creating 86 % of revenue from the top three customers outside Croatia. Their product requires the establishment of long and close relationships with customers who have an ongoing need for spare parts, maintenance, or adjustments to the product to suit the user. As a result of extensive investment in the company's technical solutions, customers receive products with a high level of technological and working capacity. Mr. Majetić emphasized that he had built the company around the ability to innovate and quickly respond to customer needs. Therefore the company invests every year around 20 % of their average income in research and development; at the moment it has nine registered patents and seven in the process of registration. DOK-ING Ltd. employs 117 highly motivated workers and is in its maturity phase.

Since its establishment, the company has produced numerous innovative products, such as the XD concept electric car, an explosive ordnance disposal (EOD) robot, a light flail mine clearance system MV-1, the MVD extra low profile dozer for the mining industry, a medium fire-fighting system JELKA-4, and a heavy fire-fighting system JELKA-10. The JELKA-10 is primarily applied in closed facilities and plants where there is a danger of chemicals, explosives, and radioactivity. Its coatings provide an adequate level of defence during action in areas of very high temperature. With these products, the company has acquired a leading market position, and in some areas, such as the mining industry, even a monopolistic one. DOK-ING has a

worldwide reputation since its products are used by a long list of international agencies: (1) armed forces (US, Sweden, Croatia, Ireland, Lithuania, Sri Lanka, Colombia, Australia, Libya and Nicaragua); (2) government agencies (Croatia's Mine Action Centre, Iraq's National Mine Action Authority, Azerbaijan's National Agency for Mine Action, and Sri Lanka's Ministry of National Building); (3) humanitarian organizations (Norwegian People's Aid, Swiss Foundation for Mine Action and United Nations World Food Programme); (4) commercial companies (Mechem Consultants, RONCO Consulting Corporation and REASeuro Worldwide); (5) Croatian private demining companies (DOK-ING Demining, DIZ-EKO, AVANGARD, Enigma, TITAN and ISTRAŽIVAČ); (6) the fire-fighting industry (Ministry of Russian Federation for Civil Defence, Emergencies and Elimination of Consequences of Natural Disaster); and (7) the mining industry (Anglo Platinum).

The MV-4 and its larger version, MV-10, are now the best-known demining machines and are used in over 25 countries. DOK-ING's demining machines are located on all continents, and the most important customers are the armed forces of several countries and NATO member states, international humanitarian organizations, and commercial companies.

One particular business venture was the beginning of something entirely new in the development of DOK-ING. It involved cooperation with business partners in South Africa on the development of a machine used to push ore in platinum and chromium mines, and it became the impetus for something novel: the development of a remotely controlled bulldozer for underground mining. The urge for constant development, the exceptional expertise and experience with manufacturing machines for special purposes, a belief in its own abilities, and the vision for future manufacturing techniques and technology, are additional reasons that this company has entered the challenging area of mining equipment development. The first machine for South Africa required a very low profile, which allowed a significant increase in profitability in the excavation of the ore. During work, the machine is very stable, with good performance characteristics, and is one of the best in its category. Today the company is investing a great deal of energy in the development of all "removal" machinery on a new technological platform. With these advanced tools and other equipment, its mining program represents the backbone of the company's production.

The new ULP bulldozer is just the beginning of a new generation of machines for underground mining. A major feature of this machine is the alternative power source for the drive system; in this case the drive works on battery cells. The significantly reduced height allows for much lower excavation profiles, which provides several benefits: a reduction of excavation waste by 25 %, an increased percentage of total platinum in the excavation, reduced energy costs, a significant reduction of investment in equipment, ventilation, air conditioning, and so forth. All of this results in increased profitability.

The adopted techniques and technologies have encouraged the development of new mining prototypes (a drill rig and a roof bolter) with similar characteristics, as well as the development of a new loader and a machine brush (sweeper), which will

complete a fleet of machines based on this new technology. This represents a detachment from conservative technology and the current generation of machines.

DOK-ING's innovations have a secure position in domestic and international markets and are a credit to the skilled and professional workforce. Above all, they are a great credit to its owner and founder, Vjekoslav Majetić, the originator of many of the innovations and technical solutions implemented in the company's products. For his work, Majetić has received many valuable awards at the regional, national, and international level.

Lately, the company has been involved in another project that has aroused great interest in the domestic and international markets. It has developed and presented a prototype for a new urban electric car, which, with its technical solutions, features, and modern equipment, attracts great attention. And it seems that this is just the beginning. Majetić and his team are constantly raising the bar and setting new challenges that take them to new spheres and towards products in all imaginable areas: air, water, or earth. It seems that there are no boundaries to the expansion of this company. Its employees generate new ideas every month, and they quickly become a reality.

So, what are the specific lessons that DOK-ING has brought to us? If you have an idea and committed leadership, anything is possible, no matter how unimaginable it might sound. You just have to find a way to motivate your people to develop and produce it. In short, this is a story about a talented individual who had a vision and was able to rally other talented people to realize it.

2.2 Bodren Ltd.

Overview

Address: Rusnica 64, 49231 Hum na Sutli, Croatia

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Email: bodren@kr.t-com.hr

Web: <http://www.uhdmo.hr/bodren/>

Company Information

Industry:	Wine production
Year of establishment:	1999
Sales revenues in 2010:	€128,000
Sales revenues in 2000:	n/a
Average number of employees in 2010:	1
Brain(s) behind the company:	Founder and owner Boris Drenški

2.2.1 Nature of Market Leadership

First in the region in sweet and ice wine production. This market consists of a group of opinion-makers and customers who have a profound and aesthetic taste in sweet wines that are difficult and risky to produce.

2.2.2 Nature of Competitive Advantage

The core of the competitive advantage for this company is the owner's constant strive to develop new tastes in wine, and his great attention to the high quality of his products. Their quality has been attested by six gold, three silver and two bronze Decanter medals (from 2008 to 2011), and a gold medal in Vienna (2009). Mr. Drenški's wine is among the top 10 for the Regional Trophy in Eastern and Southeast Europe in the category of sweet and organic/biodynamic wines.

2.2.3 Core Lessons Learned on the Path to Business Success

1. Never be fully satisfied with the product you have, and always strive to improve it. This argument is especially important if you produce luxury goods like sweet and ice wines. To establish, prove, and promote the quality of your product, go for international quality competitions; win awards and leverage them in your business.
2. Such awards will considerably increase the customers' willingness to pay; hence they allow you to charge higher prices.
3. Next, when the quality of the product is recognized, you will be able to penetrate the target market. Once the brand is established, it is better to produce smaller amounts of product of higher quality and manage your individual supply and demand curves.
4. The production process is the most important part. Pay maximum attention to the conditions that the product is produced in and the methods used.
5. Stay an entrepreneur with a strong vision and work hard to achieve it, while combining creativity, persistence, passion, achievement, commitment, and utter belief in the ideas that you have.

2.2.4 Bodren Ltd: Hidden Champion

An originally whimsical endeavour has turned into a success story. Our second champion produces something quite unusual for its region. Wine production was first seen here some 6,000 years ago. But it was not until 1857 that Louis Pasteur correctly described the science behind fermentation and wine production processes. Because crushed grapes contain all that is needed to create wine, ancient wine producers simply allowed nature to take its course. As time went on, people realized that by intervening at certain times, they could make a wine with more predictable characteristics. Bodren Ltd. is a small producer of ice and sweet white wines, located in Hum na Sutli, Rusnica in Zagorje region. Although this company is not a typical HC, it has the quality and characteristics needed to become one as it grows and develops its business model. The company was founded in 1999 and has only one full-time employee; family and friends usually help with the business. Bodren Ltd. is classified in the food industry and at the moment is in its growth stage.

Croatia is known for the quality of its wines and is divided into two distinct wine regions—continental and coastal—with Herdner¹² sub-regions (Hernder Estate Wines 2011). The continental region numbers about 300 wine-makers who operate with an official stamp of origin. Guests can taste their products in catering facilities, wine cellars, and along wine roads. Of course they can also buy their wines in stores. Although it is quite uncommon for Croatia, and this region as a whole, Mr. Drenški chose to produce ice wine, a particular type of sweet or dessert wine. Grapes that have frozen while still on the vine contain sugars and other dissolved solids that do not freeze as water turns to ice, resulting in a smaller amount of more concentrated and very sweet product. There is no universal definition for sweet wines, so the ones that Bodren currently produces are defined according to Croatian national law on wine. These wines are made in exceptional years; their special quality is achieved through special ripening, harvesting, and processing methods. They must be produced from grape varieties recommended for a particular sub-region or vineyard. In short, makers of sweet wines want their products to contain high levels of both sugar and alcohol; the latter being obtained from the former. There are several main types of sweet wines: late harvest, selection harvest, selection harvest berries, dried berries selected harvest, and ice wine. These are considered to be the highest quality wines. Ice wine is an aromatic wine with a distinct sweet-sour flavour traditionally obtained by harvesting and pressing grapes frozen at a temperature of at least -7°C . It contains at least 127° Oechsle (Ice Wine, 2011), which is a measure of the amount of sugar in the must. Fermentation lasts from 6 to 10 months. White varieties tend to be pale yellow or light gold in colour when they are young and can maderizee (acquire a deep amber-golden colour) as they age.

Canada and Germany are the world's largest producers of ice wines. The rest comes from Australia, Austria, Czech Republic, France, Hong Kong, Hungary, Israel, Italy, Luxembourg, New Zealand, Slovakia, Slovenia, Sweden, the United States, and now Croatia. Unrelated to the country of origin, every producer has its own distinguishing production that results in a different taste and characteristics of the wine. This enables clients to choose what suits them best. Due to the labour-intensive and risky production process, resulting in relatively small amounts of wine, ice wines are generally quite expensive. To produce 0.2 L of sweet wine it is necessary to harvest around 40 kg of grapes. Consequently, prices for this type of wine are rather high. Bodren charges around 35 euros for a 0.25 L bottle and around 45 Euros for a 0.4 L bottles. These prices are similar to those of the competition.

It is very interesting that before entering the business, Mr. Drenski had never produced wine. He had to read all available books on the production of sweet wines. He went to all wine fairs, communicated with those already in the branch, and created his own philosophy of doing something that nobody else in the region dared to do. As many other great stories, this one started as a hobby and Mr. Drenski never stopped working in a public company. In the beginning, he had 1,000 grape vines that he kept for ice harvest. His vineyards are about 300 m above sea level and are well exposed to sunlight. As a result, the grapes contain a high percentage of sugar. This was a very risky enterprise as no one knew if the conditions would be good

enough for a harvest. On top of everything, Mr. Drenski's region is stereotyped as producing low quality wines. Therefore, only someone with a strong vision could do what Mr. Drenski did. Even today, after winning many international awards, he thinks that he can do better and is never completely satisfied with what he has done. Now, with the help of family members and friends he cultivates around 2 ha of land, with 7,000 grape vines, in six locations. As all visionary entrepreneurs, he thinks about expansion and has taken some concrete steps. He has bought an additional 4 ha of land where he plans to plant 15,000–20,000 new grape vines. Mr. Drenski has further expansion plans but will stay within his exclusive limits: he will not undertake mass production, nor will he distribute to retail chains. His target markets are those opinion-makers and customers who have a profound and aesthetic taste for sweet wines. But as a growth strategy, an equally good option for him would be to find just one buyer that is large enough to buy the whole series yearly so that he can concentrate on what he does best: produce new varieties.

From 1999 to 2008 Bodren produced less than 2,000 bottles annually for undefined markets. Although the firm was established in 1999, 2008 can be considered the year when the company was really born. Since then it has blossomed. In 2008 Mr. Drenski signed up two categories of his wines (Rhine Riesling, harvest 2006; and Chardonnay, harvest 2005) for the Decanter World Wine Awards in London and won gold medals for both. Decanter is one of the world's most influential wine magazines, sold monthly in 97 countries. Decanter World Wine Awards was founded in 2004 and gained a reputation as one of the most respected and influential wine competitions. The international recognition of this wine grown in Hum na Sutli was preceded by a rating process lasting many months, during which scores were given by professionals from different backgrounds: oenology, hotel management, catering, dealers and consumers. This exceptional recognition has put the dessert wines from Croatian Zagorje into a small and distinguished group of the 12 best in the world. The recognition is even more valuable in light of the fact that the medals were won in an exceptionally strong international competition of 9,400 wines from around the world.

After the Decanter Awards, Bodren's production increased more than twice. Its market is still not formally structured and defined. Although everything produced is sold, Mr. Drenski invests a lot of energy in that process, and cannot concentrate on the production of new varieties. In 2009 he signed up again for the Decanter Awards, this time with four types of wine, and got all four gold medals in the price category of up to 35 lb sterling. That year the awarded wines were Château Bezanec Chardonnay, harvest 2007; Cóuve, harvest 2007; Pinot Gris harvest 2006; and Rhine Riesling, harvest 2007. This puts Mr. Drenski in the category of the most successful regional producers, and adds a global dimension to his business. Even in 2010, a year of crisis, Bodren set new standards in Croatian wine quality by experimenting with new varieties and combinations of them, and winning two silver medals and one bronze medal from Decanter. Furthermore, in 2011, for the fourth year in a row, Decanter awarded Bodren one gold medal, two silver medals, and one bronze medal for its wines. The gold medal went to a wine made from *pinot gris* and *pinot blanc*, a completely new variety protected under the name Bodren.

Mr. Drenski is aware that international recognition begins with a small first step on the ladder that leads to the profession's pinnacle. It is a journey, not a moment of success. Driven by passion, he has another challenge on his mind. This time he wants to produce red sweet wines. His new vines will be *merlot*, *cabernet sauvignon*, *zweigelt* and *pinot noir*. On top of that, he wants to redesign his bottles and market them in packaging never seen before in his industry. He wants to revolutionize the wine business in the region and show others that there is a way to success if you believe in your dreams. With 10 of its cultural traditions on UNESCO's heritage list, Croatia has the highest number of recognized intangible world heritages in all Europe. With Mr. Drenski's previous achievements and his future plans Bodren can soon become another authentic Croatian cultural heritage.

So what is the lesson that Bodren can teach us? This story is all about what inspires people to abandon certainty and pursue their vision through creativity, persistence, passion, achievement, commitment, utter belief in their ideas, and whatever else is needed in entrepreneurship. In short, this is a story about resonance between man, art and nature.

2.3 Durante M-Kvadrat Ltd.

Overview

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Company Information

Industry:	Manufacturing and service-trading cooperatives; Agents involved in the sale of various products (licenced for the production and selling of joint free slabs—contemporary floor systems without dilatations used in the construction industry)
Year of establishment:	2008
Sales revenue in 2010:	€800,000
Sales revenue in 2000:	n/a
Average number of employees in 2010:	3
Brain(s) behind the company:	Owner Marko Jelušić and partners Renata Jelušić and Branka Merdita

2.3.1 Nature of Market Leadership

This is the only licenced company for production and distribution of joint free slabs in Europe. Its market power has been increasing since its conception. The product is patented in Australia. There are only four licenced producers and sellers in different parts of the world, therefore there is no direct competition between them.

2.3.2 Nature of Competitive Advantage

Among the competing companies that have the licence for the production and distribution of joint free slabs in Europe, Durante M-Kvadrat is the only one with advance payment as a method for securing the company's capital in products and money in these turbulent times. This creates big financial savings for the investor. The company is building up a market reputation and a distinctive market position through quality awards. In particular, an Award for Excellence from the Concrete Institute of Australia in 2001, and a Choice Award from the American Concrete Institute in 2008, have confirmed the quality of the company's products.

2.3.3 Core Lessons Learned on the Path to Success

1. Believe in the product that you are selling. It will not be easy to change old, settled ways, but that is not a reason to withdraw. With the right branding and recognition of the product's quality, you will be able to position your product.
2. Patents are important to protect you from the competition. Being a licenced producer and seller of the product makes it considerably easier to do business. But this is just the beginning. To be a true champion, the leader has to be an innovator and continuously develop his or her products.
3. Make sure that you produce quality products, if possible from recycled materials. And make them as simple as possible to install so as to be user-friendly and therefore rapidly accepted by customers.

2.3.4 Durante M-Kvadrat: Hidden Champion

The youngest company among our Croatian champions is Durante M-Kvadrat, established in 2008 as a cooperative consisting of three members and licenced for the production of joint-free slabs, a contemporary floor system without dilations, used in the construction industry. In 2010 they started production in a small plant in Zagreb. Like Bodren, Durante M-Kvadrat is not a typical HC but is close to becoming one in the future. The main company activity is production-service-trading, i.e. trade with various products.

Joint Free Slabs is a patented system for concrete slab construction using an innovative method of allowing for concrete shrinkage. In traditional slabs, control joints are installed for this purpose. Joint Free Slabs Pty Ltd developed a crack inducer grid that eliminates the need for any control joints. The product is built with teardrop-shaped tubes that create micro fissures relieving stress and major cracking. The tubes are connected using a four-sided connector, which also acts as a holder for reinforcing bars. The tubing is built of hard, flexible, high-quality PVC, and the connector is made out of polypropylene. Tubes are assembled into a one-metre grid pattern on site and their primary purpose is to induce a closely spaced network of

fine cracks throughout the entire length and breadth of the slab. High-quality recycled materials are used in the manufacture, which can bear the pressure of moving construction machines and concrete spilling out of the pump, and can also resist the temperature peak while the concrete solidifies. The product meets every European and international eco-standard for these kinds of materials. The durability of the product is even longer than the durability of the building itself, and the efficiency of the system is long lasting. The functionality of the system is guaranteed, no matter who installs it or makes the concrete panel. The goal in manufacturing is to use as much recycled materials as possible and to take care of the off-cuts after the system has been installed. The advantages of the product in comparison to its competitors are the simplicity of setting up the panel (which can be done by an unqualified worker), the ideal positioning of the reinforcing bars, the single layer of armouring, the small cross-sections of the concrete panel, and the decrease of forces in the lower cross-section of the concrete panel. There is no need for a concrete finishing layer, and no need for maintenance of the panel.

With this system, vast areas of slab can be constructed much faster than is possible using traditional methods, and there is the potential for sizeable direct savings in both construction cost and time. Moreover, the aesthetics of the finished floor are superior and the cost of ongoing maintenance is significantly reduced. Without the need for control joints, the required thickness of the concrete is also significantly reduced. This product received an Award for Excellence from the Concrete Institute of Australia in 2001 in recognition of “construction techniques and innovation that contribute to the understanding and use of concrete”. And in 2008, it won a Choice Award at the *World of Concrete* event in Las Vegas.

The idea of joint free slabs came to the mind of one of the company founders, Mr. Marko Jelusić, while talking about products that still did not exist on the European market. That was the reason for making contact with the product innovator who sells on the Australian market. After 3 years of negotiating, Mr. Jelusic got an authorization to sell the product and was the second in the world to get a licence from the product developer. He also went one step further at the very beginning, and issued the product only with advanced payment as a method for securing the company’s capital. This created big financial savings for the investor in construction. There is still a long journey ahead. Making the product commonplace requires patience and determination to invest for a longer period of time. The company is very young and still in its growth stage; therefore the journey is just beginning.

Mr. Jelusić’s targeted markets are four main groups of customers in Croatia and Europe who are directly involved in all kinds of building construction: investors, architects, structural engineers and contractors. Their own clients include owners of private houses, scrap metal merchants, warehouses for various goods, food companies, food and drink distributors, sports complexes, shopping centres, and agencies for traffic infrastructure. There appears to be no limiting factor for the business of a joint-free concrete panel system. Its efficiency leads to broader use. This system has no competition in Europe because there are only four licenced producers and sellers in the world, and they enjoy the full protection of the patent’s

owner, Mr. Bob Warwick. A leading advantage of this cooperative is the constant education and getting to know the four targeted groups as much as possible. They always search for the most efficient way of delivering goods in agreement with the customer, without charging the real costs.

The crisis that hit the world, including Croatia, shook the construction sector. However, because of its advanced payment system, quality of products, and cheaper prices, this company was not affected in any way. In addition, the company currently operates at a profit, and has no debts towards other business subjects or the state, and no unpaid claims. Its net sales increase was 25 % in 2009 and 7 % in 2010.

The international expansion of the business has already gone through several phases. First there were trips to arrange special offers. At present these arrangements have clear goals. Two branch offices are to be opened in Russia and Germany. Many new ideas are developed every day. One of them is cavitation; a very powerful, stable, harmless, eco-approved, simple and cheap system for warming up spaces and heating water. The minimal ratio of the invested and gained energy is 1:2.8. It is a system that can cover up to 6,000 m² of space, and can be connected into a series. Slowly but surely, this company is enhancing quality through innovation, a constant search for improvement, and care for nature.

Although Durante may not be a typical HC, and at the moment is not focused on developing its unique product or service, its charismatic leader certainly wants to become a champion in the near future. By using the distribution of a patented product along with a system of advanced payments, this company is creating the capital and network to start its own innovation testing and production. In short, Mr. Jelusic has just started to dream his lofty dreams, which will soon become reality.

Conclusion

These HCs stand out for the clear strategy that they have, as well as their sustainable leadership, superior customer service, more professionally managed finances, and a higher investment in R&D than others. Because of their trading volumes, these companies are the true forces behind globalization. They are role models for others because although they seem normal in their core, they reach top positions in their chosen market niches (Witt 2010). If these three Croatian companies were compared to those identified as champions by Simon, several conclusions would follow: HCs in Croatia produce world-class products, efficiently designed according to the wishes and needs of the targeted market niche. Apart from Durante, they charge premium prices. They have their own ways of distribution that bring them closer to their customers. The leaders of all three companies are visionaries who constantly generate new ideas. They are passionate and charismatic, capable of motivating their workers and charging them with the same enthusiasm. Their success is not simply pure luck; it stems from the ambitious goals that they set themselves and the hard work and determination to reach them. Luck is a “by-product of the desire for perfection” (Simon 2009); these HCs are not waiting for it to come by itself.

DOK-ING fits perfectly into Simon’s HC frame: it is a company that produces innovative, high quality machinery for a specific market niche, it has a leading

position in the world, invests increasing amounts in R&D each year, and is constantly improving distribution and its maintenance services so as to get closer to the customers.

The other two companies differ slightly. Bodren produces the highest quality wines recognized by experts in the field, and has many awards as proof, but it is still quite a small company searching for its place in the market. But with the vision that the owner has, the effort he invests in making it a reality, the constant improvement of the product, and the strong promotion for chosen clientele, this company is on its way to become a real HC in the future.

Durante M-Kvadrat produces an innovative, patented building product, but it is not the company's invention. Its position in the market is secured with the licence it has, and therefore does not have any direct competition. It is a new company just establishing its market. It has ideas and a plan to finance them with current profits. Like Bodren, this company is gradually fulfilling Simon's criteria for German HCs.

There are many similarities and differences between all HCs in Croatia. But when compared to those in Germany, a common characteristic is their strong leadership. They all have visionary leaders with a clear vision of what they are doing, how they are doing it, and where they see their companies in the future. They lead and motivate others, and transfer their own enthusiasm to them. These are people who knew where they wanted to be, and have managed to find the way and the courage to get there when the opportunity presented itself. They are the brains behind it all. They are the reason that we can talk about champions.

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