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# Hidden Champions of the Republic of Macedonia

Mijalce Santa and Ljubomir Kekenovski

## Overview

Official name:	Republic of Macedonia
Type of government:	Parliamentary Democratic Republic
Population in 2011:	2,063,893
Land area:	25,220 km <sup>2</sup>

## History

- 1918 After the collapse of the Austro-Hungarian Empire, the present-day Republic of Macedonia becomes part of the Kingdom of Serbs, Croats and Slovenes.
- 1929 The kingdom becomes known as Yugoslavia.
- 1941 The present-day Republic of Macedonia is occupied by Nazi Germany, Bulgaria and Italy during World War II.
- 1945 At the end of the war, the present-day Republic of Macedonia becomes a constituent republic of socialist Yugoslavia.
- 1991 The Republic of Macedonia held a referendum at which 95.26 % voted for independence from Yugoslavia.
- 1992 The Republic of Macedonia joins the International Monetary Fund.
- 1993 The Republic of Macedonia joins the United Nations.
- 2001 (Spring) Insurgency in the Republic of Macedonia

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- 2001 (August) Ohrid Framework Agreement signed. The conflict ends.
- 2003 The Republic of Macedonia officially becomes member of the WTO.
- 2005 The Republic of Macedonia becomes candidate country for membership of the EU.
- 2008 Greece blocks the Republic of Macedonia's admission to NATO

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## 1 Introduction: Context

The Republic of Macedonia is a small landlocked country with nice people, tasty food, and a lot of sunny days. Throughout its history, the present-day territory of Macedonia has been a crossroads for both traders and conquerors moving between the European continent and Asia Minor. Each of these transiting powers has left its mark upon the region, giving rise to a rich and varied cultural and historical tradition. For over 500 years, until 1912, Macedonia was under the rule of the Ottoman Turkish Empire. After the Second Balkan War, the territory of Macedonia was divided between Bulgaria, Greece, and Serbia. After that, the present-day area of the Republic of Macedonia was incorporated into the newly formed Kingdom of Serbs, Croats, and Slovenes. After the Second World War, the Republic of Macedonia became one of the constituent republics of the new Socialist Federal Republic of Yugoslavia (SFRY).

The Republic of Macedonia entered the SFRY as the poorest and least developed country. During the SFRY period, the Republic of Macedonia started the process of industrialization and building of its infrastructure. Large industrial capacities were built during this period. The focus of the Macedonian economy was to supply the Yugoslav market with agricultural products, vegetables, fruits, tobacco, steel plates, textiles, and semi-finished products, which were finalized in the other republics and then exported outside Yugoslavia. This dependence of the Macedonian economy on Yugoslav markets had a devastating influence after the break-up of Yugoslavia.

The Republic of Macedonia peacefully gained its independence from Yugoslavia through a referendum on 8 September 1991. However, international recognition of the new country was delayed by Greece's objection to the use of the word "Macedonia" in the name of the country, and as a result the state was admitted to the United Nations under the temporary reference "The Former Yugoslav Republic of Macedonia". Other international organizations adopted the same name.

In spite of 45 years of development, the Republic of Macedonia was still the poorest and least developed country of all the republics in the federation when it left Yugoslavia. Republic of Macedonia declared monetary independence in 1992, and introduced the denar as a national currency. The loss of traditional Yugoslav markets, wars in the region, a blockade from Greece, and an embargo on FR Yugoslavia, are all factors that contributed to Macedonia's deep recession in the first half of the 1990s. Although some economic recovery occurred in the second half of 1990, the war in Kosovo and the conflict in Macedonia in 2001 resulted in new economic decline (US Department of State 2011).

In 2003 the Republic of Macedonia officially became a member of the WTO. The Stabilization and Association Agreement officially came into force in 2004, and in 2005 the Republic of Macedonia became a candidate country for membership of the EU. The country has been a member of EFTA and CEFTA since 2006. Greece blocked the Republic of Macedonia's admission to NATO in 2008 and continues to block the start of accession negotiations with the EU.

In the past 2 decades, the Republic of Macedonia has undergone considerable economic reform and has developed an open economy with trade accounting for more than 90 % of GDP in recent years. The core economic and foreign indicators for the Republic of Macedonia are provided in Exhibit 1.

The key industries in the Republic of Macedonia are manufacturing, trade and agriculture. The top trading partners for exports (at the end of November 2010, in percentage of total) are (NBRM 2011): Germany (20.5 %), Kosovo (13.6 %), Bulgaria (9.0 %), Serbia (8.1 %), Greece (7.6 %), Italy (7.1 %), and Croatia (3.7 %).

An important feature of Macedonian exports is that their structure has been practically unchanged in the whole period and has been dominated by products of low value added. Textiles, metal and non-metal minerals have constantly accounted for more than half of all exports from the Republic of Macedonia.

Nearly 99 % of the companies in the country are registered as small enterprises, employing nearly 55 % of the employees in the private sector. According to the main activity registered, the majority of businesses are in the wholesale and retail trade sector (47 %), manufacturing sector (13.1 %), and the transportation, storage, and communications sectors (approximately 10 %). The largest employer is the manufacturing sector, with 35.6 % of the total number of employees in the private sector (Invest in Macedonia 2011).

The Macedonian economy has so far weathered the global economic crisis better than most countries in the region. The crisis resulted in a collapse of external demand and a sharp drop in private capital flows (World Bank 2011). In this aspect, the Republic of Macedonia has recently been ranked as the fourth “best reformatory state” out of 178 countries ranked by the World Bank. According to the World Economic Forum Competitiveness Report for 2010–2011, the country ranked 79th out of 139 economies (Schwab 2010). This is evidence of steady improvement since the Republic of Macedonia was in 89th place in 2008/2009, and in 84th place in the 2009/2010 report.

The weakest points of the Macedonian economy, according to this report, are the lack of business sophistication and innovation. On these indicators the country ranks 96th and 97th out of 139 economies. The Macedonian economy is placed in the group of efficiency-driven economies (Schwab 2010). Furthermore, it is characterized by a high rate of unemployment—32.0 % in 2010, and a “grey economy” estimated to be between 20 % and 45 % of GDP (World Fact Book, World Bank 2011).

31.7 % in the third quarter of 2010—and a grey economy estimated to account for 20–45 % of GDP (CIA 2011).

The Macedonian hidden champions (HCs) operate in these conditions. What differentiates them from other companies is their business sophistication and

**Exhibit 1** Core economic indicators for Macedonia

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
GDP per capita (current \$US)	1,835.56	1,785.33	1,704.78	1,874.79	2,345.49	2,712.32	2,936.94	3,211.09	3,984.44	4,791.19	4,528.25	4,434.49	4,925.34
GDP per capita growth (annual %)	3.88	4.14	-4.86	0.55	2.53	4.36	4.09	4.77	5.90	4.71	-1.12	1.59	2.87
Long-term unemployment (% of total unemployment)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	84.00	84.80	84.90	81.60	83.10	n/a
Foreign direct investment, net inflows (% of GDP)	2.41	6.00	13.01	2.78	2.48	5.86	2.43	6.52	8.99	6.22	2.79	3.29	4.87
GDP (current \$US m)	3,673.29	3,586.88	3,436.96	3,791.31	4,756.22	5,514.25	5,985.81	6,560.55	8,159.83	9,834.04	9,313.57	9,137.54	10,165.37
Exports of goods and services (current \$US m)	1,549.09	1,744.33	1,467.33	1,441.82	1,810.36	2,202.26	2,641.81	3,058.68	4,272.55	5,005.22	3,634.12	4,347.69	5,021.47
Exports of goods and services (% of GDP)	42.17	48.63	42.69	38.03	38.06	39.94	44.13	46.62	52.36	50.90	39.02	47.58	49.40
Merchandise exports (current \$US m)	1,191.00	1,323.00	1,158.00	1,115.53	1,366.99	1,675.88	2,041.00	2,401.00	3,398.27	3,990.64	2,708.49	3,301.83	4,455.38
Merchandise exports to high-income economies (% of total merchandise exports)	68.81	67.09	69.32	69.34	69.35	67.47	60.29	81.29	64.78	57.66	55.29	55.86	n/a
Merchandise exports to developing economies in Europe & Central Asia (% of total merchandise exports)	7.68	31.69	29.36	29.19	28.75	31.98	33.90	18.15	34.81	41.99	31.30	27.69	n/a

Ores and metals exports (% of merchandise exports)	8.72	8.82	8.34	7.47	4.66	2.22	3.02	4.25	4.57	n/a	3.05	n/a	5.92
Agricultural raw materials exports (% of merchandise exports)	1.69	1.70	1.22	1.14	1.18	1.00	0.78	0.76	0.70	n/a	0.53	n/a	0.64
Food exports (% of merchandise exports)	19.12	14.96	16.37	18.27	16.78	15.26	16.35	16.09	13.69	n/a	18.19	n/a	14.13
Fuel exports (% of merchandise exports)	1.89	4.77	3.76	2.25	5.40	4.68	8.02	9.38	4.92	n/a	1.12	n/a	8.36
Manufactures exports (% of merchandise exports)	66.43	69.41	70.09	70.52	71.52	76.55	71.65	69.43	76.07	n/a	50.87	n/a	70.90
High-technology exports (% of manufactured exports)	0.88	1.24	1.09	1.38	1.35	1.17	1.08	1.11	0.83	n/a	2.95	n/a	n/a

Source: World Bank (2013)

Source: World Bank (2011)

**Exhibit 2** Hidden champions from Macedonia

Name	Short market leadership description	Revenues 2010 (€m)	Revenues 2000 (€m)	Employees 2010
Mikrosam	Advanced company that provides innovative composites manufacturing solutions to customers from all over the world. It is estimated to be among top 10 companies in the world	n/a	n/a	70
Ading	One of the strongest players on the market of admixtures and other chemical materials for construction industry in South-east Europe and Middle Asia	12	4.3	100
Vipro	Company offers unique ajvar to international markets. It is estimated to be the biggest global producer of this product	0.05	2	30–90 seasonal
Konti-hidroplast	One of regional leaders in Western Balkan, in production of polyethylene hoses and polyethylene pipes	18	7–8	115

*Source:* Authors of the chapter

innovation that helps them create additional value through their products and services. Exhibit 2 summarizes the key characteristics of the Macedonian HCs.

## 2 Four Case Studies

### 2.1 Mikrosam

#### Overview

Address: Krusevski pat b.b., 7500 Prilep, Republic of Macedonia

Tel: +38948400100

Web: <http://www.mikrosam.com>

#### Company Information

Industry:	Manufacture of other special-purpose machinery
Year of establishment:	1990
Sales revenues in 2010:	n/a
Sales revenues in 2000:	n/a
Average number of employees in 2010:	70
Brain(s) behind the company:	Founder Blagoja Samakoski

### **2.1.1 Nature of Market Leadership**

The company is a leader in integrated solutions for products made from composite materials. These composite materials are increasingly used in various products, from gas tanks to major parts for the new generation of airplanes and satellites. The market for machinery that can create these products is growing rapidly all over the world.

### **2.1.2 Nature of Competitive Advantage**

The core of the company's competitive advantage is achieved by concentrating on three important technology areas: composites production expertise, motion control and process automation, and specialized software development. With the development of highly advanced and integrated solutions and products, Mikrosam has a distinctive product and market position.

### **2.1.3 Core Lessons Learned on the Path to Business Success**

1. Invest in knowledge. If you want to create the most advanced technology and solutions, your people will also need to have the most advanced knowledge. This can be achieved only by strong and long-term investments in knowledge and learning.
2. Create value. If you have a product that brings value to your customers, it will be in demand even in times of crisis.
3. Create a succession team. Nobody lasts forever, but if you create, educate, and train a team that believes in the idea, values, and goals on which the company was created, you can be sure that the company can last.

### **2.1.4 Mikrosam: Hidden Champion**

Mikrosam is a company so advanced that it is the only company in the world offering integrated solutions for the manufacture of products from composite materials. Internationally, it has successfully built and integrated over 130 production lines for customers in 30 countries. In 1990 Mikrosam started working on design consulting, building electronic components and designing machines for production of composite materials. The company soon had to expand from its design office in the city of Prilep, and invested in a large production facility aimed at developing sophisticated, specialized machinery. This decision was made to allow complete control of the machine building process, from conception to delivery, and the start of production at the customer's site. The company offers turn-key solutions that can be delivered anywhere in the world.

Mikrosam produces advanced filament winding machines, pre-preg making machines using thermo-set and thermoplastics, fibre placement machines, customized composite machining centres, and integrated manufacturing lines. The fibre placement machine is the company's highest achievement. This type of machine is used in the production of major parts for the new generation of airplanes and satellites using composites. Till now, only four countries in the world have had the technology to produce this type of equipment: the USA, France, Spain and the Republic of Macedonia. The fibre placement machine represents an important step

in the company's growth trajectory for offering complete turn-key solutions worldwide.

Mikrosam goes beyond what its competition does. It studies the customers' needs and proposes solutions that will meet and exceed those needs. To achieve this, Mikrosam invests heavily in its employees—the company's most valuable resource. Its 70 employees have access to more than 4,000 books in hard copy and more than 50,000 available in electronic format. Furthermore, all of Mikrosam's engineers attend international trade fairs, conferences, seminars and training sessions on issues and themes that enable them to successfully create solutions for customers and compete with the competition.

This has contributed to 20–30 % annual growth in a growing market, and Mikrosam has been an industry leader for approximately 6 years. Now it is expanding into Russia, China, India, Israel and Japan. Exports represent 99 % of the total sales revenue, versus 85 % 10 years ago.

In this specialized market, the main competition comes from companies in the developed world, including the USA, Germany, Switzerland, Spain, and France. Mikrosam believes that it has very good product quality, the best price-to-performance ratio, and the strongest after-sales service. It also can keep its delivery dates. All these factors are highly valued by its customers. Making an offer that combines these characteristics very often makes Mikrosam the first choice for customers. "It is hard to persuade customers that in Macedonia we are developing and producing such advanced high-tech equipment, but when we bring them to see our solutions and facilities, everything goes much more easily," says Dimitar Bogdanovski, sales manager of Mikrosam. This is one big challenge that Mikrosam is working to overcome in its strategy of world-wide expansion.

To keep up with technological developments, market needs, and the realization of its ideas, Mikrosam invests 10 % of its income in research and development. This has resulted in many patents.

For several years, the company has supported its community by organizing free and personal educational services for a selected number of enthusiastic adults through the Mikrosam Academy. The latest endeavour has been the establishment of the first private Institute for Advanced Composites and Robotics with the vision to become a centre for practical research for the common good of the worldwide community. Since 2011, the Institute has provided postgraduate studies in the field of composites and robotics. It is planning to start doctorate studies in 2012.

Overall the company has achieved satisfactory success; it has done better than others during the recession. By offering turn-key solutions, Mikrosam has created vertical integration, a characteristic of HCs that makes it difficult for others to compete.

The future may be harder, but the past has taught Mikrosam that if you invest in new knowledge, in new technologies, and in your people, and you have a global outlook on the market, success will come. That success will make you a HC.



## 2.2 Ading

### Overview

Address: Novoselski pat bb, 1000 Skopje, Republic of Macedonia  
 Tel: +38922034800  
 Email: [ading@ading.com.mk](mailto:ading@ading.com.mk)  
 Web: <http://www.ading.com.mk>

### Company Information

Industry:	Manufacture of articles of concrete, cement and plaster
Year of establishment:	1969 (privatized 1996)
Sales revenues in 2010:	n/a
Sales revenues in 2000:	n/a
Average number of employees in 2010:	100
Brain(s) behind the company:	Management team

#### 2.2.1 Nature of Market Leadership

Ading is a regional leader in the production and sales of admixtures and other chemicals used in a large number of products and materials for the construction industry. The need for materials that have the ability to be used in different conditions and places is creating a growing market for admixture products.

#### 2.2.2 Nature of Competitive Advantage

At the centre of the competitive advantage of Ading is the strong engineering background of its employees, which enables the company to offer high-quality technical support to clients. This, combined with the flexibility typical of a relatively small firm, is the company's strength.

#### 2.2.3 Core Lessons Learned on the Path to Business Success

1. Early identification of clients' needs is one of the most important lessons. If you know what a customer needs, you can prepare an appropriate solution faster than your competitors.
2. You need strong client relations; be there for the customers when they need you. This helps secure repeated business and creates a good image.
3. Provide in-depth services that help clients see the complete picture, and work with them to put the right product in the right place.

### 2.2.4 Ading: Hidden Champion

In the building industry there is concrete and additives that add value to the concrete. Ading is a joint stock company that produces and sells admixtures and other chemicals for the construction industry. These components add value by becoming ingredients of each construction. Established in 1969, Ading successfully completed its transformation in 1996, and has since become a joint stock company with a strong international orientation. It has 100 employees of which 50 have a higher education. The company has grown while being managed by a strong network of people with experience and detailed knowledge of all the company processes. Furthermore, the “old” management has created and invested significantly in a “young” management team that will succeed them and move the company to new levels.

Ading is producing and selling its own brand on the market. In some markets its brand is actually a synonym for the product. To further meet customers’ needs, the company offers a complete solution by offering project design and implementation through its daughter company. All these aspects, combined with expansion into worldwide markets, have contributed to growth in turnover from 4.3 million euros in 2000 to 12 million in 2012. This increase will continue because Ading’s products are in a growth phase and development will improve their usefulness.

The competitors in this industry are big companies, such as BASF, SIKA, and KEMA. They are big multinationals with large numbers of different products and offices all around the world. Furthermore, this is an industry where customers need a lot of information about the products, and perceive them as important to them. To compete in this environment, Ading is building strong customer confidence in its products, and establishing long and close relationships with them. To achieve this, Ading relies on technical support, a large number of engineers, and flexibility.

“This is why the products of Ading are sold by highly qualified engineers who have participated since the project phase of the building, and they provide a technical report for it”, says Mr. Zoran Petrovski, deputy general manager. This is also related to the culture of the company where engineers are more valued than employees with a business background.

To secure its position, meet the demands of the market, and expand to new markets and products, Ading invests around 3 % of its income in R&D. Furthermore, it reinvests its complete profit. Research can change direction so as to meet a customer’s needs. Nanostructures and their use are explored in the products. But according to Mr. Petrovski, there is more to be done. There is a need for better utilization of capacities, higher profits, and lower costs, so that the company can be ready to compete in a more dynamic and competitive industry.

Ading has learned that strong client relations and providing in-depth services creates a base for return business. Getting involved early on with the needs of the customers, and helping them to identify solutions, can help companies secure a competitive position. For a HC, in a niche market, these are important characteristics.

## 2.3 Vipro

### Overview

Address: Moinski pat bb, 1480 Gevgelija, Republic of Macedonia  
 Tel: +3892783068  
 Email: [vipro@t-home.mk](mailto:vipro@t-home.mk)  
 Web: <http://www.vipro.com.mk>

### Company Information

Industry:	Processing and preserving of fruit and vegetables
Year of establishment:	1993
Sales revenues in 2010:	n/a
Sales revenues in 2000:	50,000 euros
Average number of employees in 2010:	30–90 (seasonal)
Brain(s) behind the company:	Founder and CEO Viktor Petkov

#### 2.3.1 Nature of Market Leadership

In the niche market of organic food, Vipro's position is even narrower. It produces traditional homemade ajvar sauce, pindzur, pickled, roasted and vacuum-packed vegetables, jam, and paste from peppers and olives. Vipro is a global leader in this niche market, serving the needs of those who have emigrated from the Balkan countries. The increasing trend for people to choose healthy foods and new tastes creates an immense opportunity for the company's products.

#### 2.3.2 Nature of Competitive Advantage

Vipro uses high-quality, fresh raw ingredients, processed without delay, in accordance with strict production standards. Its products are based on traditional recipes that give a distinctive flavour and taste to their products.

#### 2.3.3 Core Lessons Learned on the Path to Business Success

1. Be ambitious. Do not be afraid to raise the bar high. Set ambitious goals and take bold steps to achieve them.
2. Create an appropriate environment in the company. Identify the right human resources and invest in them.
3. Sense the customers' needs before your competition. This will help you create products that fill in gaps in niche markets whose existence nobody suspected.

### 2.3.4 Vipro: Hidden Champion

Vipro started as a company producing soft drinks, then continued with mineral water. Finally, in 1998, after 5 years of existence, it switched to organic food production and processing of fruits and vegetables. The company started with traditional homemade ajvar and pindzur (vegetable dips or spreads traditionally used on the territory of the Republic of Macedonia); later it started producing pickled, roasted vacuum-packed vegetables, jam, and other products, such as paste from peppers and olives, to meet the different needs of customers. Vipro's turnover has grown from 50,000 euros in 2000 to 2 million at present. Although the company has suffered some negative effects from developments in the region, it strives to expand into new markets, diversify its products, and improve existing ones. To achieve this goal, Vipro is investing in a new factory with increased production capacity. In the medium term this will increase revenues to five million euros, whereas the long-term goal is to achieve a turnover of 20 million. This investment will lay the ground for the next stage of Vipro's growth.

Vipro has also created a smart market-entrance strategy. It is competing in a temporary market. "It consists of people that emigrated from the Balkan countries and Eastern Europe to Western Europe, the USA, Canada, and Australia. The ultimate target is the domestic market, the native population in these countries. The emigrants are our gate to the native populations", says Mr. Viktor Petkov, founder and CEO of Vipro.

In some of the targeted countries, such as Canada and the USA, the company has 50 % of the market. In other countries, its market share is smaller, yet sizeable. This trend has been observed in the past 7 or 8 years. Exports to other Balkan countries have also grown because of changes in life style; people have less time to prepare their own home-made products. Vipro is following this trend, moving its products from a commodity position towards branded-food specialty products. This has resulted in a situation where exports make up 75 % of the total sales revenue.

Since the beginning, exports have been organized through sales agents but Vipro's plan is to have its own offices in the future. The top three customers contribute a maximum of 30 % to Vipro's revenue. The intention is not to be dependent on a small number of customers but to diversify the sources of revenue.

Vipro's main global competitors are from Serbia, Bulgaria and Turkey. But local companies from Macedonia such as Vori, Diem, Bonum, and Trgoinzenering, are also direct competitors to Vipro on global markets. Quality is the most important factor to buyers. To achieve high quality and differentiate its product, Vipro uses high-quality, fresh raw ingredients, processed without delay under strict production standards. These factors, combined with Mr. Petkov's drive "to create something new, to offer the customer more opportunities, and to constantly try to improve the existing products and launch new ones", will ensure Vipro's growing presence on international markets.

Mr. Petkov is generally happy with what the company has achieved but his ambitions are bigger and he expects growth to continue, especially after opening a new factory. His flexibility, good timing, speed, ability to analyze information and make forecasts, and emphasis on teamwork, will enable his company to grow even

further and expand into new markets with new products. He will need to use these characteristics to meet the challenges of a not-so-positive regional environment, select products and find high-quality human resources.

Mr. Petkov has learned that he must be ambitious. If you are in his position, you should not be afraid to raise the bar high, set ambitious goals, and take bold steps to achieve them. Furthermore, you should create an appropriate environment in the company and encourage people. And never forget to study the customer's needs before your competition does. If you have learned these rules, you will find it easier to become a HC.

## 2.4 Konti-Hidroplast

### Overview

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Web: <http://www.konti-hidroplast.com.mk>

### Company Information

Industry:	Manufacture of plastic plates, sheets, tubes and profiles
Year of establishment:	1990
Sales revenues in 2010:	n/a
Sales revenues in 2000:	n/a
Average number of employees in 2010:	115
Brain(s) behind the company:	CEO Boris Madzunkov; Founder and former CEO Dimitar Madzunkov

#### 2.4.1 Nature of Market Leadership

Konti-hidroplast is a strong regional competitor in the market for polyethylene and polypropylene pipes. The market is expanding, and the pipes are used for a number of different purposes: movement of drinking water, gasification, atmospheric water, sewage, drop-by-drop irrigation systems, and transportation of fluids. The need to move water and other fluids in different areas creates a growing market for polyethylene and polypropylene pipes.

### **2.4.2 Nature of Competitive Advantage**

At the core of Konti-hidroplast's competitive advantage is the company's strong entrepreneurial spirit, combined with a strong determination always to implement the latest technologies and innovations in product development and production.

### **2.4.3 Core Lessons Learned on the Path to Business Success**

1. Willpower and goals come first. It is not easy but you need to stick to them. There are a lot of obstacles that can hinder your development and success, but you can carry on with this lesson in mind.
2. Do not focus on short-term gains, but think long-term and invest to achieve your goals. You cannot get rich or become successful very fast; you need to lay down the ground, direct your actions, and put in a lot of hard work for many years. It is important that the business can endure longer.
3. Respect your employees so that your company is successful. The employees are very important, especially in hard times. Treating them well brings a lot of important support and energy during hard times.

### **2.4.4 Konti-Hidroplast: Hidden Champion**

In 1990, Mr. Dimitar Madzunkov, founder and owner of the company, started producing polyethylene pipes for irrigation and transportation of drinking water. In 1993 he changed the name of the company to Konti-Hidroplast: "I wanted to stress the continuity of the company, to indicate that we will always grow", he said. He and his son have managed this. In 2010 his company had more products, and was present on more markets, than ever. It is still looking forward. Konti-Hidroplast competes in the market for polyethylene and polypropylene pipes for drinking water, gasification, atmospheric water, sewage, drop-by-drop irrigation systems, and transportation of other fluids. After being a company that sold its products only on the Macedonian market, it now has a leading position in the Bulgarian, Greek, Albanian and Kosovo markets. The company's revenue rose from 6–7 million euros in 2000 to 29 million in 2008. Due to the financial crisis, it fell to 18 million euros in 2010, but the forecast for 2011 was positive. The main reason for the decline was the fact that various governments use Konti-Hidroplast's products for infrastructure projects, and they cut investments in these projects during the crisis.

Since 2005 Konti-Hidroplast has experienced a boom in exports; now they account for 95 % of the company's total revenue. Ten years ago the company did not export anything; now it has opened its own subsidiaries in the regional markets. "But it was not an easy ride", Mr. Madzunkov says, "Sometimes people will say to me, 'Mitko, do not risk too much or you might lose all', but I was stubborn and kept going and I made this". His vision is always to follow and implement new technologies and innovations in production processes, management of resources, and the overall work of the company. Every 3–5 years Konti-Hidroplast implements new technologies. These investments enable it to support its competitiveness factors: quality, price, and speed.

Another big success for Konti-Hidroplast is the transition of the company's management from the founder and owner to his son, who is now CEO. Mr. Boris

Madzunkov is a young manager with a business background and 10 years of experience at the company. Since he stepped in as CEO, Konti-Hidroplast has experienced strong growth in exports. He has identified entrepreneurial intuition and knowledge of the market as the main strengths of the company. An entrepreneurial spirit guides Konti-hidroplast while its products continue to expand in other markets and increase its presence in existing export markets. The company derives its strength also from innovation, its image, and the motivation of its employees. At this moment the company has three patents and one pending approval. Every year approximately 10 % of the income is invested in R&D because the management believes this will create new products and an opportunity to meet the needs of customers before the competition.

A challenge for Konti-hidroplast is to minimize its dependence on large infrastructural projects financed by governments and state institutions, so that it can avoid declines in revenue as a result of crises. Another major limiting factor for global growth is the high cost of transporting products over long distances. An innovation-driven company with a strong entrepreneurial spirit, such as Konti-Hidroplast, is likely to find a solution to this issue. This might involve opening production facilities in other countries, or inventing new products that are more suitable for long-distance transportation.

HCs distinguish themselves by their evident ambition and devotion as well as the drive that they have to grow and be successful, to face challenges, and to create opportunities from them. As a HC, Konti-Hidroplast, has learned that willpower and goals come first. This philosophy is not easy to pursue but it is absolutely necessary to achieve success. Do not focus on short-term gains but invest in long-term achievements and respect your employees so that your company is successful.

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### Conclusion

Macedonia is a small country still trying to generate strong economic development. High unemployment and lack of exports hinder this development. It is difficult to be a champion in this environment; therefore the HCs should be viewed as examples to be followed. Through this research, the following characteristics of HCs in Macedonia were identified:

- Exports: It is hard to be a HC if you do not export. Macedonia is a small market and exporting is the only way for companies to grow and successfully compete with international companies. All the identified Macedonian HCs have had strong growth as a result of their exports. Export activities stimulate companies to be more open to innovation, better identify the needs of customers, and create solutions that add value and differentiate them in the global economy. It is very simple: if Macedonian companies do not start exporting they will have bigger problems when international companies start trading heavily in local markets.
- Niche market: Macedonian champions have discovered that they cannot compete in everything with the big companies in international markets. They can play an important role in certain segments at a regional or global level, and can successfully compete with the large companies in those

markets. This niche strategy has enabled the HCs to focus their resources and skills and create superior products recognized by the customers as a quality product with added value.

- Added value: Macedonian HCs create brands in their fields. They avoid the commodity trap and always look for ways that their products can add value so that they can be recognized on the global market. It is not easy, but all of them are strong in this aspect.
- Leadership: These companies are run by people who have the leadership skills that are needed for creating a vision and attracting people with whom they can achieve the established goals. As real leaders, they put the company's interest first. They create a pleasant environment for their employees. They invest in young managers, innovation and R&D. They create a company.

Macedonian companies share the characteristics of the original HCs proposed by Hermann Simon. Maybe the Macedonian champions are not so big and do not participate significantly in the country's export activities. Yet, they are emerging and will play important roles in Macedonia and the global economy. Thus, when we talk about Macedonian champions, we can call them emerging champions.

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