
Hidden Champions of Slovakia

Janka Tábovecká-Petrovičová, Jaroslav Ďaďo,
and Tamara Bobáková

Overview

Official name: Slovak Republic
Type of government: Republic, with parliamentary democracy
Population in 2011: 5,398,384
Land area: 48,088 km²

History

- Up until 1918 Slovakia was part of Austria-Hungary.
- 1918 (October) After the end of World War I and the dissolution of the Austro-Hungarian Empire, Slovaks and Czechs form an independent state: the Czechoslovak Republic (ČSR).
- 1939/1945 The Slovak Republic becomes an independent state in Central Europe under Nazi German control.
- 1945 After World War II, the victorious powers restore Czechoslovakia. Elections are held in 1946. The Czechoslovak Communist Party, winning 38 % of the total vote, seizes power in February 1948. Strict communist control characterizes the next 4 decades.
- 1968 (January-August) Communist control is interrupted only briefly in the so-called Prague Spring of 1968, followed by the invasion and

J. Tábovecká-Petrovičová (✉) • J. Ďaďo
Department of Corporate Economics and Management, Faculty of Economics Matej Bel
University, Banská Bystrica, Slovakia
e-mail: Janka.Taborecka@umb.sk

T. Bobáková
Simon-Kucher & Partners, Luxembourg, Luxembourg

- occupation of the country by the armies of four Soviet bloc countries. In November 1989, the Velvet Revolution brings democracy and the downfall of Communist rule in Czechoslovakia. The first free elections in Czechoslovakia since 1948 take place in June 1990.
- 1993 (January) A peaceful declaration of the Slovak Republic's independence from the Czech Republic. Both states obtain immediate recognition from the USA and their European neighbours and are admitted to the IMF (The former Czechoslovak Republic was one of the founding members of the IMF.)
- 2000 Slovakia is invited to join the OECD, and begins its European Union accession process.
- 2004 (March) Slovakia admitted into NATO.
- 2004 (May) Slovakia joins the EU.
- 2009 (January) Slovakia adopts the single European currency, the euro.

1 Introduction: Context

Slovakia has come a long way in the last 2 decades. A peaceful end to Communist rule, separation from the Czechs, and extensive reforms in areas such as taxation, social welfare, and pensions, have all helped turn the country into a small but thriving open economy. Its per-capita annual GDP in 2010 of \$US 16,036 ranks Slovakia 58th in the world, but its GDP growth (4 % in 2010) puts it at an advantage compared to many older, more established economies. The negative consequences of the world economic crisis were also felt by Slovakia. In particular, they caused higher unemployment but by now the economy seems to be headed towards recovery. This five-and-a-half-million strong country has produced a number of innovative Hidden Champions (HCs).

The “young” and “old” can be found together in Slovakia, a “little-big country” located in the central part of Europe, sharing borders with Austria, the Czech Republic, Poland, Hungary and Ukraine. After the constitution of the Slovak Republic, the government restructured enterprises and banks, and initiated large-scale privatizations, opening them for foreign investment. Between 1993 and 1994, GDP grew by 6.2 %, inflation fell to about 13 %, and the budget deficit was brought under control. The process of privatization also created an opportunity for establishing new small businesses. Almost immediately after the right-wing government had won a second term, it introduced wide-ranging reforms including a flat income tax, a mandatory pension pillar, and better-targeted social benefits. These reforms increased incentives to work, create jobs, and invest, thus fostering growth and economic catching-up. After Slovakia became a member of the EU in 2004, the former coalition government successfully prepared the country for adoption of the euro in 2009, substituting the Slovak crown (Národná Banka Slovenska 2010).

Slovakia is a landlocked country of rugged mountains, vast forests and open fields. It has its own official Slovak language. The capital city, Bratislava, is only

60 km from Vienna. Knowing Slovak history and understanding the mentality of its people is the key to doing business successfully with Slovaks. Slovak people are proud of their country and their rich cultural heritage, and they value their national identity. It is important for foreigners not to confuse Slovakia with Slovenia, the former Yugoslav country.

Everyday life in Slovakia is influenced by traditional values. Established gender roles, an emphasis on Catholicism, class differences, hierarchy, and respect for elders, are all still prevalent to some extent. As the country becomes more modernized and Westernized, Slovak culture is gradually changing but it still maintains a high level of tradition. Industrial action is a very unusual form of protest. The labour force has traditionally been skilled and educated, as evidenced for example by its high productivity in the weapons industry in the 1970s and 1980s (Uramová and Kožiak 2008).

The most important reforms affecting the business environment were started in 2004 with the introduction of a new tax system, the streamlining of administrative procedures for starting a business, a change of the existing social safety system to a social security system, streamlining of communications with tax authorities, and the adoption of legislation for a more flexible bankruptcy process. A new income tax law came into effect on January 1, 2004, introducing a so-called flat tax of 19 % for all types of corporate entities and individuals, and eliminated a large range of exemptions (Daborowski 2011). The taxation of dividends was abolished. The VAT law changed and the rate was increased to 20 % in 2011.

In 2007, economic growth stood at 10.4 %. This growth stemmed from Slovakia's low cost base, flat tax rate, high productivity growth, strong private consumption, and strong external demand. The automotive sector has been the largest driver of growth in recent years as many car manufacturers (Volkswagen, Kia and Peugeot) built plants in Slovakia. The automotive sector accounts for nearly half of Slovakia's exports. Samsung Electronics has been tipped to become Slovakia's largest exporter, as the economy shifts towards high-tech industries.

The economic structure of Slovakia in 2010 is similar to that of other developed countries, with its service sector at 61 % of GDP, industry at 35 %, and agriculture 3.9 %. An average monthly salary of less than 800 euros is a strong motive for foreign direct investment. In 2004 the Slovak Republic was accepted as a member of the EU, and now Slovak businesses compete with other EU companies in a single market and under the same conditions. A policy of support was directed towards Slovak SMEs to help them adapt as much as possible to the competitive business environment of the EU. The share of SMEs in the Slovak economy is now comparable to that in developed countries; they make up 88 % of the total number of all enterprises. In 2009, they created more than 54 % of GDP, and of the total number employed (excluding self-employment) in 2009, 56.81 % worked for SMEs. In the first three quarters of 2010, this percentage was 57.89 %. SMEs are therefore an essential part of the Slovak economy; they promote growth and development.

But Slovak SMEs are in a less than ideal situation. A survey of SMEs by the National Agency for Development shows that some companies have not made

significant changes despite the country's membership of the EU. This means that they are not taking full advantage of the opportunities that a single market allows. Instead of seeking new outlets for their production, they continue to focus on domestic markets that are characterized by increasing competition. The advantages that stem from low labour costs will gradually wither away; therefore it is necessary to build a long-term competitive advantage while eliminating existing shortcomings.

Support for SMEs in Slovakia takes different forms. When financial and material resources are limited, SMEs are oriented towards activities that do not require a lot of fixed assets. They focus on sophisticated activities, based on know-how and intellectual property. The trade-off, however, is that their intellectual property is not given the same legal protection.

One of the most important sources of support for SMEs was the 2003/4 Slovak-Dutch project "Improving the Business Environment of Slovakia". It was funded by the Dutch government and aimed at increasing the business administration capacity of Slovak institutions. The main partners in the project included NADSME, Slovakia's Ministry of Economy, and the Dutch research and consulting institution ECORYS.

Foreign trade is important to Slovakia's economy as we see from the core foreign trade indicators presented in Exhibit 1. In 1994 imports and exports each totaled more than 6 billion US dollars. Crude oil, natural gas, machinery, and transportation equipment are Slovakia's main imports, while exports include machinery, chemicals, fuels, steel, and weapons. The Czech Republic, Slovakia's main trading partner, supplies about 9 % of Slovakia's imports and purchases approximately 10 % of its exports. Germany, which buys 15.3 % of Slovak exports, Poland, France, Hungary, and Russia are Slovakia's other leading foreign trade partners. In 2010, Slovakia almost balanced its foreign trade; total exports were valued at US 70,748. Imports from China and South Korea are also important to Slovakia (Exhibit 2).

2 Six Case Studies

2.1 ESET

Overview

Address: Aupark Tower, Einsteinova 24, 85101 Bratislava, Slovakia

Tel: +421232244111

Email: marketing@eset.sk

Web: <http://www.eset.sk>

Exhibit 1 Core economic indicators in Slovakia

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
GDP per capita (current US\$)	5,550.00	5,330.40	5,636.64	6,439.48	8,520.59	10,417.81	11,384.53	12,798.53	15,583.40	18,109.06	16,100.08	16,036.07	17,782.02
GDP growth (annual %)	-0.06	1.51	3.67	4.58	4.76	5.00	6.56	8.26	10.37	5.57	-5.14	3.96	3.96
Long-term unemployment (% of total unemployment)	46.90	53.90	53.70	59.80	61.20	60.60	68.10	73.10	70.80	66.00	50.90	59.30	63.90
Foreign direct investment, net inflows (% of GDP)	1.18	7.15	11.85	11.85	1.22	5.42	4.89	5.90	4.63	4.16	1.84	0.76	3.81
GDP (current US\$ m)	29,947.93	28,724.04	30,318.73	34,638.31	45,837.42	56,073.23	61,328.47	69,002.10	84,108.56	97,908.89	87,239.75	87,077.44	95,994.15
Exports of goods and services (current US\$ m)	18,317.13	20,235.66	22,045.54	24,634.25	34,765.50	41,799.44	46,764.13	58,299.66	73,053.34	81,724.62	61,833.16	70,748.19	85,487.91
Exports of goods and services (% of GDP)	61.16	70.45	72.71	71.12	75.85	74.54	76.25	84.49	86.86	83.47	70.88	81.25	89.06
Merchandise exports (current US\$ m)	10,211.29	11,831.88	12,594.76	14,405.37	21,837.27	27,744.73	31,889.28	41,861.51	58,515.54	71,142.12	56,081.71	64,663.54	79,308.12

(continued)

Exhibit 1 (continued)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Merchandise exports to high-income economies (% of total merchandise exports)	92.95	93.20	93.20	93.02	92.85	92.10	90.96	90.83	89.12	86.84	87.08	88.90	89.72
Merchandise exports to developing economies in Europe & Central Asia (% of total merchandise exports)	4.58	4.62	5.01	5.51	5.79	6.24	7.12	7.20	8.68	10.67	10.02	9.22	8.88
Ores and metals exports (% of merchandise exports)	3.46	3.43	3.46	3.09	2.43	2.87	2.55	3.63	2.78	2.45	2.36	3.03	3.00
Agricultural raw materials exports (% of merchandise exports)	2.48	2.18	2.07	1.90	1.56	1.52	1.74	1.29	1.06	0.94	1.23	1.22	1.02
Food exports (% of merchandise exports)	3.95	3.19	3.56	3.57	3.06	3.73	4.57	4.17	3.86	3.63	4.67	4.29	4.84

Fuel exports (% of merchandise exports)	4.71	6.96	6.54	5.98	5.07	6.30	5.81	5.45	4.47	4.98	4.52	4.77	6.32
Manufactures exports (% of merchandise exports)	84.94	83.71	83.84	85.28	87.73	85.36	83.34	82.59	85.81	85.79	86.98	86.51	84.70
High-technology exports (% of manufactured exports)	4.28	3.63	3.86	3.21	3.80	5.48	7.44	6.72	5.35	5.26	5.70	6.77	7.10

Source: World Bank (2013)

Exhibit 2 Hidden champions from Slovakia

Name	Short market leadership description	Revenue 2010 (€m)	Revenue 2000 (€m)	Employees 2010
Eset	Internet security. First in the world to introduce proactive security, clever programming and ongoing innovation, leader in CEE countries, more than 100 mil. users globally	137	0.55	340 (in Slovakia)
ACE enterprise	Integration and optimization of information systems (e.g. SAP). Highly customizable technology, quick delivery (in hours), low costs	1.0	n/a	30
Sygić	GPS navigation software for mobile devices. Flexible organizational structure, fast decisions, quick innovations ahead of competition. Versatile software for many platforms. No. 2 in CEE, more than 1 mil. Users	6.2	n/a	70
Media Control	Electrical, plumbing, and other construction installation activities. Specialized design activities. Manufacturer of consumer electronics	2.0	n/a	8 (2 ext)
Grand power	Pistols. High-quality weapons exported to e.g. USA, Russia, EU. International patents, innovations—barrel-locking mechanism and significantly diminished recoil	2.9	n/a	47
Kvety.sk	Flowers—internet sale and delivery. High-end offerings, exclusivity, customizable requirements. Keeps costs down by renting plantations. High level of trust. Started to expand abroad only recently	1.3	n/a	25

Source: Authors of the chapter

Company Information

Industry:	Computer programming, consultancy and related activities
Year of establishment:	1992
Sales revenues in 2010:	€137 million
Sales revenues in 2000:	€550,000
Average number of employees in 2010:	340
Brain(s) behind the company:	CEO and founder Miroslav Trnka

2.1.1 Nature of Market Leadership

The company is an industry leader in proactive malware detection, offering the fastest and most effective antivirus program worldwide. It protects over 100 million users worldwide. The company has grown 524 % over the past 5 years, and was included in Gartner's 2009 Magic Quadrant for Endpoint Protection Platforms.

2.1.2 Nature of Competitive Advantage

The antivirus program ESET NOD32 is considered one of the fastest and most effective in the world. It holds the world record for the number of Virus Bulletin “VB100 Awards”, given by a UK independent antivirus testing authority, and has never missed a single in-the-wild worm or virus since the testing began in 1998. Hence, the competitive advantage of this ICT company, as is typical in the ICT business, lies in its distinctive product; it is much more holistic than those of the competitors.

2.1.3 Core Lessons Learned on the Path to Business Success

1. Establish an open and inspiring culture in the company and use the creativity of enthusiastic people to discover new opportunities and ideas. In the case of ESET, what started as the brainchild of a few friends has evolved into an antivirus program considered one of the fastest and most effective in the world.
2. Be a strong and visionary leader, rely on your intuition and do not underestimate the continuity of leadership. *CRN*, a leading international IT trade magazine, has recognized ESET’s CEO, Miroslav Trnka, as one of the most innovative managers in the field of information technology.
3. If you take the same path as everybody, you will not be different. It is better to find your own solutions that distinguish you from competitors—such as progressive technology or increased service quality.

2.1.4 ESET: Hidden Champion

Nowadays we would find it difficult to imagine our lives without the Internet, which has simplified communication enormously for both companies and individuals. For secure use of this popular medium, it is necessary to have our data and communication protected from viruses, spyware and other threats that rapidly propagate on the web. Perhaps you have noticed the eye-like NOD32 icon in your computer. This is the antivirus program developed by ESET.

Founded in 1992, ESET, is a leading Internet security provider for companies of all sizes, home users, and mobile phone users. With its global headquarters in Bratislava, and two research and development centers—in Bratislava and Krakow—ESET pioneered and continues to lead the industry in proactive threat detection.

Developing its activities through sales and distribution centres in Bratislava (EMEA), San Diego (North America), Buenos Aires (Latin America), and Singapore (APAC), the company has a presence in more than 180 countries and employs over 700 people worldwide.

ESET’s leadership is evidenced by the fact that the company’s flagship software protects over 100 million users worldwide. This translates into a growth of 524 % over the past 5 years. The consultancy firm Gartner’s awarded the “2009 Magic Quadrant for Endpoint Protection Platforms” to ESET. In addition, this HC bears other distinctions, such as the greatest number of Virus Bulletin 100 awards since May 1998—the highest number of “Advanced+” ratings in retrospective testing.

ESET was nominated for Deloitte's Technology Fast 500 as one of the fastest-growing technology companies in the EMEA region.

The beginnings of ESET date back to 1987 when two young programming enthusiasts, Peter Paško and Miroslav Trnka, became aware of one of the world's first computer viruses. They dubbed it "Vienna" and wrote a program for its detection. Many other virus discoveries quickly followed, which sparked the idea to devise a universal software solution to counter what was then a relatively unknown computer threat. In 1992, together with their common friend Rudolf Hrubý, they formally established ESET as a privately owned limited liability company.

Their real success began some 10 years ago when they introduced an innovative technology called "proactive security". In lay terms, this technology enables swifter detection of the threat, which in turn significantly increases user protection. This is what has ensured ESET's leading position. From the user's point of view, this is an easy-to-use product that does not slow down the operating system, thanks to efficient programming.

ESET was the first company in the world to introduce this technology, and in 1997, with only 12 employees, it obtained its first award. Engineered for speed and stability, it fulfills the founders' vision to put advanced technology at the fingertips of the average PC user.

Throughout the company's expansion, the founders made it their mission to stay true to the principles underpinning the company's philosophy—responsibility, reliability and honesty. These, coupled with innovation, continue to be the driving force behind the company's success and growth.

ESET's market could be defined as "consumer endpoint security software", with households and small companies as the primary consumers. More than 100 million users worldwide, defined as the number of installations on hardware, along with product diffusiveness, makes the company a leader. ESET exports primarily to Bulgaria, Romania, Ukraine, Russia, Hungary, Slovenia, the Czech Republic, and Poland. In all these countries the company holds a leading market position. Its revenue in 2010 reached about 137 million euros.

From the beginning, the company has focused on foreign markets as exports were relatively easy because of the specific character of the service. Currently, exports represent about 97 % of total sales. However, the ownership structure of ESET is completely different to that of their competitors. Its owners are six or seven physical entities, whereas most other Internet security companies are backed by foreign capital. In ESET's own words, it is probably the smallest company in the pack, with 700 employees, including those at the US subsidiary.

ESET's competitive advantage lies in the innovative technology of proactive security and its light footprint on the system. In an effort to maintain the rate of innovation, the company updates its products in 2-year cycles.

The company invests approximately 20 % of its average income in research and development. As in any fast-moving industry, market trends and changes (e.g. the shift from desktop computers towards tablets and secondary devices) need to be seen not as disruptive, but as the main drivers of innovation. However, the nature of

the product enables ESET to innovate and keep its strong position without huge financial investments. Thanks to a sustained generation of new ideas, a motivated and highly qualified workforce, visionary leaders with intuition, and a sense of continuity, ESET can continue holding its position of a HC despite new challenges in the market.

2.2 ACE Enterprise Slovakia

Overview

Address: Antolská 4, 85107 Bratislava, Slovakia
 Tel: +421269201111; +421902373220
 Email: alexc@ace-eprise.com
 Web: <http://www.ace-eprise.com>

Company Information

Industry:	Computer programming, consultancy and related activities
Year of establishment:	2004
Sales revenues in 2010:	€1 million
Sales revenues in 2000:	€200,000
Average number of employees in 2010:	30
Brain(s) behind the company:	CEO and founder Alex Cimbálák

2.2.1 Nature of Market Leadership

ACE Enterprise Slovakia is a market leader in modern integration of information systems for utilities, in modern intelligent metering solutions and PDA applications for inspections and maintenance of utility networks, as well as worldwide professional consulting in this area. This is a unique technology for quick modeling of central integration hubs and generating complete professional applications for metering and maintenance support over existing systems, mainly SAP.

2.2.2 Nature of Competitive Advantage

The success of ACE Enterprise is based on the fact that it simplifies and integrates control of various complex systems without the need for special knowledge; clients can use them without the expertise of dedicated consultancies. This innovative approach has earned ACE Enterprise several awards worldwide.

2.2.3 Core Lessons Learned on the Path to Business Success

1. While a lot of businesses struggle under the impact of the economic crisis, some are able to grow despite what others perceive as a threat. In times of crisis, companies start to assess their situation more carefully, trying to find more effective solutions. ACE Enterprise can supply those solutions with efficiency. Think outside your industry's traditional borders, and when the market is saturated, develop your own niche by creatively resolving customer problems.
2. Use the know-how of your people, motivate them, involve them in the processes, give them responsibilities and trust, and let them participate. Reduce the distance between managers and employees. Build the company as a hobby for your employees and as their mission. Appreciate the creative contribution of the employees, not their ranking in the organization hierarchy.
3. Listen to your customers—what they do and what their current problems are—and then try to resolve their problems as part of their daily routine. Speak simply with clients about sophisticated issues. In this way, you will become a natural partner to the customer and make management decisions simpler. ACE tries to offer not only solutions that are suitable for today's problems but also the technology to enable resolution of future challenges. Do not be afraid to be different and a little bit controversial while presenting your product.

2.2.4 ACE Enterprise Slovakia: Hidden Champion

ACE Enterprise Slovakia is a market leader in modern integration of information systems for utility companies, modern solutions of intelligent metering and PDA applications for inspection and maintenance of utility networks, as well as worldwide professional consulting in this area. It has developed a unique technology for quick modeling of central integration hubs and generating complete professional applications for metering and maintenance support over existing systems, mainly SAP. For this purpose, ACE has created a group of software products that are used by a large number of utility companies. There are some 11,500 information systems in existence, and ACE Enterprise is able to interconnect all of them by using SAP. This innovative approach provided the company with a rapidly growing customer base as well as a number of international awards.

ACE Enterprise Slovakia is one of the younger HCs. It was established in 2004 and currently employs a team of only 30 people. However, since the very beginning the company has been showing great progress, and now has customers from 4 continents and 50 countries worldwide. At present, the company's annual sales are approaching 1.0 million euros.

When asked about the secret to the rapid growth of his business, owner Alex Cimbálák gives a surprising answer: "The crisis!" While other companies have been dealing with the impact of the financial downturn, ACE Enterprise was able to expand in the unfavorable market. Before the crunch, corporations generally possessed enough financial resources, which meant that they had no incentive to seek effective solutions, cost saving, or fast implementation. But when trying to deal with the fallout of the crisis, many of these firms started paying more attention

to efficiency and speed. Foreseeing this trend, ACE Enterprise has been able to meet their needs very effectively.

Since this HC is operating in a specific niche, while disregarding traditional IT industry borders, it is quite difficult to pinpoint its direct competitors; in each industry sector it faces someone else. ACE Enterprise has been able to carve out a part of the market under-served by established giants, such as SAP or Accenture. This company has never sold any licencee other than for its own products. It exports Slovak know-how.

Interestingly, from its beginning to 2007, the company served only foreign customers. The share of domestic clients has now grown, but exports still represent 70–75 % of total sales, of which 50 % is destined for Western Europe, especially for German clients. As evidence that a small company can win big customers, ACE counts firms such as Bentley, EON, Cotemar, Kelag, Philips, VW, Anglian Water, Hexal, enviaM, Siemens Drives, Bewag, and Baunit among its clients.

The value offered by ACE Enterprise is based on a user-friendly and highly customizable technology: ACE can provide 300 types of solutions on the same base throughout all customer branches. It can deliver within hours, as opposed to the weeks that its competitors need. Part of the secret is that the company incurs lower costs than its competition, while being able to deliver more speedily. The company invests a large proportion of its income in research and development, preferring investment in further growth to shares.

The energetic founder and owner, Alex Cimbalák, is the engine of the company. He strongly believes in innovations and the need to detect market trends early on. He places customer requirements above everything else. In addition, he is a believer in people's abilities, and, strives to enable others to participate in decision-making. Moreover, he works together with universities, trying to inspire and interest young people in entrepreneurship by sharing his experiences and supporting students from abroad, which is not yet very common at Slovak companies.

In its 7-year existence, ACE Enterprise has been the most frequently internationally awarded company in Slovakia.¹ In 2011, it was awarded “Best IT project in Europe”, and also won “Executive of the Year—Computer Software” in the International Business Awards. The company's ambition for continuous improvement makes it well-positioned for further growth.

¹ ACE is the winner of the International Quality Summit Award (IQS), New York, 2011: “BID considers ACE Enterprise Slovakia to be a model of excellence as a leading company in quality achievement; the company's orientation towards constant innovation, its customer-focused strategies and the ambition for continuous improvement through TQM have led to outstanding expansion. In this way, it has established itself as a prevailing enterprise, obtaining a highly-esteemed position in its field”.

2.3 Sygic

Overview

Address: Námestie 1. Mája 18, 811 06 Bratislava, Slovakia
 Tel: +421905489476
 Email: info@sygic.com
 Web: <http://www.sygic.com>

Company Information

Industry:	Manufacturer of computer, electronic, and optical products
Year of establishment:	2004
Sales revenue in 2010:	€6.2 million
Sales revenue in 2000:	n/a
Average number of employees in 2010:	70
Brain(s) behind the company:	CEO and founder Michal Štencel

2.3.1 Nature of Market Leadership

Sygic is a global leader in providing navigation systems for a wide range of mobile operating platforms. The company is set up to support virtually any upcoming operating system. Sygic is the only company in the world to supply a software development kit for the Android platform. The company holds its strongest positions in Australia and Southeast Asia, and is reaching markets in Brazil and India. In CEE, Sygic is number two. Sygic has been awarded the title of fastest growing young IT company in Slovakia. It was the first company to release turn-by-turn navigation for iPhone in 2008, Android (2008), Nokia (2009), and Bada phones (2010).

2.3.2 Nature of Competitive Advantage

The company holds a distinctive innovative capability in the area of navigation software. This capability has resulted in Sygic becoming the first company to combine car navigation, pedestrian navigation, and social network all in one application. It is also among the first to be able to integrate a navigation plug-in into its mobile IT solutions.

2.3.3 Core Lessons Learned on the Path to Business Success

1. You must monitor customer feedback and reflect demand. Sygic listens to the voices of its customers through several channels, such as Facebook and Twitter. And you must fulfill the market needs that you discover: Sygic has implemented real-time traffic service, pedestrian navigation, wiki city guides, and further

features based on market needs. According to the founder, if you create something so sophisticated, there is a probability that the competition will not follow you.

2. The success of the company is often based on the abilities of the founder. At Sygic, the founders have had a passion for programming since childhood—one of them wrote his first code at age 6. The CEO, Michal Štencl, strongly believes in his team. This, as well as his open-mindedness for new projects and ideas, strong and charismatic knowledge of the market, and unique networking abilities, have helped him build this successful HC.
3. If there is a threat of crisis, you should be able to revise your current business model. Sygic changed the model of delivering software to partners and added a new one—sale to final customers through the web portals and online marketplaces of Apple (AppStore) or Microsoft (Windows Market Place), utilizing the advantages of both.

2.3.4 Sygic: Hidden Champion

It is perhaps no surprise that most of the home-grown innovators in Slovakia compete in industries that require little up-front investment in infrastructure. As most of the established companies are backed by foreign capital, and initial financing of production and distribution infrastructure is not easy to come by, the majority of HCs in Slovakia are likely to operate in industries that do not require large quantities of capital to set up operations. As with the two previous champions, this also holds true for Sygic.

Sygic's major competitive advantages are based on flexibility and navigation expertise: intuitive user interface, fast rendering and route calculation, low demand on processors and memory, automatic adaptation to the screen, and—above all—a multiplatform engine. The application is thus meant to start quickly and run smoothly on any device. Sygic delivers its GPS software worldwide in more than 30 languages, working together with local map providers to support maps for all regions.

The company was founded in 2004 and currently employs 70 people, but its products already have over a million users worldwide. Within 3 years, Sygic earned the title of fastest growing young IT company in Slovakia, while it ranked among the top-two or top-six IT companies in CEE according to a study by Deloitte Fast 50.

While Sygic is a technologically advanced and innovative company with a strong brand presence on the market, it does not compete with the big multinationals in turnover or sales volume; the company's total turnover was 6.2 million euros in 2010. In CEE Sygic is the second largest local supplier, while the market is dominated by suppliers from the Netherlands, Germany and the United States. The only larger local company in this market is NavNGo, based in Hungary.

However, Sygic brings new features ahead of competitors because its organizational structure allows for flexibility, fast decisions, and implementation of ideas. Sygic navigation applications are sold on the mass market for mobile phones. The company also has a dedicated section to take care of business customers who can integrate navigation into their IT solutions.

Sygyic has contributed to market change in a number of areas. It has the largest platform compatibility on the market. The software can run on mobile devices with less powerful processors, which makes it available for a wide range of handsets.

Sygyic started exporting within 2 years of the company's incorporation. Current exports represent approximately 99 % of total sales. Of course, it is not straightforward to define a geographical export region since the products compete globally—through app stores, on-line distribution, as well as manufacturers and distributors of mobile hardware. Approximately 40 % of average income is re-invested in research and development.

In 2010, Ernst & Young awarded the title of “Entrepreneur of the Year in Slovakia” to CEO Michal Štencl. A background in economics and a strong networking ability has made him very knowledgeable about the market that he is active in.

Mr. Štencl founded the company together with another IT and mobile technology enthusiast, Viliam Sameliak. The former was developing a new operating system; the latter was the owner of a company that developed mobile devices. They decided to merge their interests, and while trying to integrate the new OS with a mobile device, they had the idea to create a platform-independent navigation system.

However, the road to the Sygyic brand was not straightforward. Having established a direction, they had to pick a name that would fit, be instantly recognizable, look good in writing, and sound good in any language. In addition, the new name should not generate irrelevant Google hits—this would ensure that potential customers do not associate the name with any other brand. This shows that Sygyic realized the need for international growth and expansion from the start. In other words, this is no accidental HC.

Mr. Štencl suggests that one of the strong competitive advantages that the company has is paying close attention to customer feedback. Sygyic makes it easy for its customers to communicate with it via its website (Facebook, Twitter, or email). This in turn allows it to meet market needs more quickly and precisely, and fulfill its vision of bringing high-quality navigation software to every user, no matter what the platform.

2.4 Media Control

Overview

Address: Stará Vajnorská 37/C, 83104 Bratislava, Slovakia

Tel: +421220862104

Email: mediacontrol@mediacontrol.sk

Web: <http://www.mediacontrol.sk>

Company Information

Industry:	Electrical, plumbing, and other construction installation activities; specialized design activities; manufacture of consumer electronics
Year of establishment:	2004
Sales revenue in 2010:	€2 million
Sales revenue in 2000:	n/a
Average number of employees in 2010:	8 own, and 2 external
Brain(s) behind the company:	CEO and founder Mário Lelovský

2.4.1 Nature of Market Leadership

Media Control is one of the leading providers of products for integrating all ICT systems in the household into one holistic system. The company has won several awards including “Demonstrating Intelligent Low-Energy House—iDOM” in the InAVation Awards for the EMEA region (Europe, Middle East, and Africa) in the category of Best Project in Small and Medium Residential Objects, as well as an award for Best Energy Project in 2007.

2.4.2 Nature of Competitive Advantage

In the business of “intelligent buildings” one can usually find two areas of competing technology. The first provides heating, cooling, ventilation, and lights. These are usually business-to-business deals, like those of Siemens and ABB. The second type of technology is for audio-visual entertainment, usually for individual consumers. Media Control was the first company to integrate both systems into one product.

2.4.3 Core Lessons Learned on the Path to Business Success

1. Make life simpler for customers. Media Control does not deliver technical devices but comprehensive, intelligent solutions for households, enabling customers to use just one central control unit for everything—control of lights, heat, sound, screen, security, and so forth.
2. Enable customers to experience products in an extraordinary way. Media Control’s sales premises consist of a living room with a comfortable sofa and hot coffee, where the whole family can fully immerse itself into a futuristic audio and video experience. Be available and in close touch with your customers while trying to identify and fulfill their requirements, and deliver the products that meet these requirements.
3. Continuously develop new innovative products. What sounds like science fiction today could possibly be commonplace in the household in the next few years. Focus on alternative resources, and be environmentally friendly and responsible. Media Control won a special prize for its innovative approach to solutions for

high-standard households aiming to exploit renewable energy sources. An intelligent house (iDOM) is heated and cooled exclusively from renewable resources, and is effective because it also adapts to external conditions.

2.4.4 Media Control: Hidden Champion

Imagine that you are away from home, with just one device in your hand, such as your cell phone, but you would like your bath or sauna to be warmed up before you return. Maybe you forgot the lights on, or the iron is still plugged in. Or imagine your house adapting to external conditions by itself: when the sun is too strong, the house lowers its blinds. And when the system calculates that it is more effective for the sunlight to heat the house, it repositions the blinds to let more light in. If you live in an intelligent house, this is not a dream.

The term “intelligent house” has been used for decades to describe a dwelling with a system that integrates and manages all cooperating technologies in a residential unit. It means just one control system, not only for basic services— heating, cooling, lights, ventilation, electrical wiring, and gas mains—but also for other household devices and services, such as kitchen and entertainment appliances, telecommunications, security devices (cameras and automatic door openers) and sprinklers. Instead of many remote controls—one for the TV, one for the DVD player, and another for the window shades—you have just one for everything. Intelligent buildings integrate all systems to provide better comfort and security for their occupants. Currently, energy optimization and exploitation of alternative energy sources represents a unique approach in systems integration. In 2006, Mário Lelovský, co-owner of Media Control, built an intelligent house in Bratislava to live in and demonstrate what it could do.

There are not enough data to estimate the size of the market of integrated control systems. In this field you can usually find two kinds of competitors. The first focus on the technological aspects of building maintenance—heating, cooling, ventilation systems, and lights. The second kind is more oriented towards private customers and offers audio-visual entertainment solutions, media centres, integrated music, video systems, and so forth. The specific competitive advantage of Media Control is that this company provides integration of yet un-integrated parts: the utility and the fun element. As the competition usually focuses exclusively on either the first or second element, it cannot normally connect them.

The first company to achieve that connection was Media Control. It “integrated-the-integration” into one product around four main axes: low energy consumption, fun, ecology and security. Also, as there is a general preference for local suppliers, it is one of only few companies active globally in this sector. The preference for local providers comes from the language barriers and customers’ desire to have a completely customized product.

In addition to their usual unwillingness to waste time or money, Media Control’s customers are increasingly interested in benefiting fully from their free time. Media Control makes life simpler for the client by integrating everything within one platform. Hence, it has made manipulation of all attributes so much simpler for the user. Media Control does not deliver just technical devices, but rather complete

intelligent solutions to enable customers to conduct routine operations, such as controlling lights, heat, sound, screen, or security, from one central unit. With full integration, the costs of operating an intelligent house are significantly lower. Many of Media Control's intelligent houses are based exclusively on renewable resources. Although this represents a capital outlay, a return on investment is achieved within 10 years.

In 2007, Media Control won an InAVation Award for the EMEA region in the category of "Best Project in Small and Medium Residential Objects" out of 100 entries. This was a significant turning point not just in the history of the company, but also because it was the first time a firm from the former Communist Bloc had outshined traditional competitors from Germany and the United Kingdom.

Media Control was founded in 2004 and despite its relatively short history it has shown very interesting results. The story began when Mario Lelovský, co-owner of an AV distribution company, along with programmer Zoran Lazik, decided to sell high-tech residential technology and home automation on the Slovak market. Media Control was formed and dedicated to developing and offering complete solutions for the affluent. Like some other HCs mentioned previously, this is a small company with eight internal and two external employees. In comparison, a British competitor employs over 100 people. The company's total turnover was 1.112 million euros in 2009 and 775,000 euros in 2010. Approximately 20 % of the income is invested in research and development.

Selling this product requires the establishment of long and close relationships with customers. Because a purchase of this product is an important decision, clients need to have confidence in it and the provider. When making a decision, customers need a lot of information about the product, and every client requires unique and precise customization. Because systems are personalized for each particular customer, the experience of the team and their ability to respond to individual requirements are very important.

The leaders of the company motivate their colleagues with a friendly, humane approach, but also by finding new challenges and dealing with them. The company's mission is to enlarge its existing range of services and seek new solutions. It takes an environmentally friendly approach, and the leaders are responsible and visionary. Excited by new ideas, such as adaptive or self-learning systems and artificial intelligence, this is a company that employs cutting-edge technological solutions for the sake of their clients and the environment.

2.5 Grand Power

Overview

Address: Poľovnícka 29, Šalková 974 01 Banská Bystrica, Slovakia
Tel: +421484148753
Email: jaroslav.kuracina@grandpower.eu
Web: <http://www.grandpower.eu>

Company Information

Industry:	Manufacture of weapons and ammunition
Year of establishment:	2000
Sales revenue in 2010:	€2.9 million
Sales revenue in 2000:	n/a
Average number of employees in 2010:	47
Brain(s) behind the company:	CEO and founder Jaroslav Kuracina

2.5.1 Nature of Market Leadership

Grand Power designs and produces novel firearms and solutions related to firearms, and holds a significant market share in Russia, the EU, and the US, where it has international patents.

2.5.2 Nature of Competitive Advantage

The company produces high-quality gun products. Its competitive advantage lies in the ability to continuously come up with novel ideas and solutions. For example, its K100 gun has a unique, patent-protected locking system based on a locked rotating barrel. This type of locking mechanism ensures more comfortable shooting. The kick towards the shooter's arm after firing is considerably reduced in comparison to other guns of a similar calibre.

2.5.3 Core Lessons Learned on the Path to Business Success

1. To achieve success you must be a somewhat cheeky and stubborn person. At the beginning, Jaroslav Kuracina, the founder and owner of the company had a hard time with banks. They said that an idea and a patent were not enough. When he submitted his first patent, he was "considered a fool". But some 12 years later, he is the one who has reason to laugh, since even the FBI uses his K100 and his business has grown despite the crisis.
2. You should have passion for what you are doing, and have a vision. "Pistols are not only guns, they are toys for big children", Jaroslav Kuracina claims. He inherited his passion for guns from his grandfather, who was a guerilla in World War II. Mr. Kuracina drew a picture of his first gun while still in his teens. He kept on drawing during his university studies and continued towards his dream until success came.
3. Expansion of technology comes hand in hand with investments in employee training and education. Apart from the high level of technical expertise, which allows one to offer products of the highest quality, you must offer reliability and meet all requirements regarding the industrial security and codification of your products. Grand Power holds the Contractor Industrial Security Certificate (the confidentiality level of inside information), issued by the National Security Office. Protect your products by patents, utility models, and trademarks.

2.5.4 Grand Power: Hidden Champion

If you visit the premises of Grand Power you will see a modern, flourishing company, employing 47 people. The most popular models, produced in more than 2,000 pieces a month, are T10, STI GP6, K100, MK6, and GP 6C. The leadership of Grand Power, the only company in Slovakia designing and producing guns, is based not only on market figures but also on high quality, continuously reflected in the company's newly-developed and patented products. These weapons are exported mostly to Russia, the USA, and the EU. This is quite unique in Slovakia where the overall number of patents is very low.

The company was founded in 2000 as a corporation, and by 2010 had achieved revenues of around 2.9 million euros. The technological development and capital intensity of the manufacturing process are very high, and the company invests around 10 % of average income in research and development. As the Slovak market is very small, the company started developing its exporting activities from the very beginning of its existence. Current exports represent approximately 89 % of total sales. As in the case of other HCs, Grand Power considers close relationships with its customers as crucial. While price may not play a very important role in the decision-making process for customers, the quality of the product is extremely important.

To guarantee the reliability of its products, Grand Power adheres to all the requirements regarding industrial security and codification. The company holds the Contractor Industrial Security Certificate, issued by the National Security Office. The company can therefore provide technical services to customers who require a high level of confidentiality. Grand Power has also been granted a NATO Commercial and Governmental Entity Code (NCAGE) given to producers, suppliers and organizations. This system codifies products to achieve maximum effectiveness of national and international logistical support, and help to manage information regarding supplies.

Building new production facilities and a shooting range are priorities for the future. The company's technology comes hand in hand with that, as well as investment in employee training and education. Despite the recession, Grand Power has been flourishing. "The demand, especially from the USA and Russia, has risen significantly since the recession started", Mr. Kuracina says. He adds that this trend is likely to persist and he is hoping to continue raising output.

2.6 Kvetý.sk

Overview

Address: Kriváň 351, 962 04 Kriváň, Slovakia
Tel: +421455249236
Email: ocenas@kvety.sk
Web: <http://www.kvety.sk>

Company Information

Industry:	Retail sale of flowers via mail-order houses or Internet.
Year of establishment:	1999
Sales revenue in 2010:	€1.3 million
Sales revenue in 2000:	€0.2 million
Average number of employees in 2010:	25
Brain(s) behind the company:	CEO and founder Miroslav Očenáš

2.6.1 Nature of Market Leadership

The company operates in a very specific industry—delivery of flowers ordered over the Internet. This market is mainly created by customers from other countries (110 countries), usually emigrants, and people with some connection with Slovakia. It can be defined as a premium market with exclusive products in the area of flower delivery and gifts. While it is difficult to measure some of the company's markets globally, it holds 60 % of the Slovak market whereas its closest competitor has a 10 % market share.

2.6.2 Nature of Competitive Advantage

The company provides specific advantages to its customers, including a guarantee that what they see advertised is what they get. Through customization, the company is able to fulfill the customers' whims and provide an exclusive high-level service in comparison with its competitors. Kvety.sk's main innovations include a trend-setting concept, economies of scale, and application of constraint theory. However, at a deeper level, the core advantage lies in the design of an effective distribution system. The company bypasses many of the mediators involved in the industry value chain, who all try to appropriate some of the pie. Furthermore, the company does not bear the fixed costs related to retail shops.

2.6.3 Core Lessons Learned on the Path to Business Success

1. Design an effective and simple distribution system. This company operates from a small village under the Slovak mountains and has a system of owner-operated couriers for deliveries. Kvety.sk leases plantations in developing countries and flowers are flown in fresh by airfreight, not sourced from local flower suppliers as competing companies usually do.
2. A close and trusting relationship between customer and company is crucial because 80 % of payments are via credit card, with all service guarantees. If the company fails to satisfy the customer, there is no second chance.
3. To grow further, invest in customer analysis. The company has developed its own system for monitoring the efficiency of access and purchases. It collects all statistics including the Internet addresses of visitors and customers, which enables it to advertise more effectively. Marketing is a very strong tool in this sector.

2.6.4 Kvety.sk: Hidden Champion

Whom do you turn to if you want to delight your VIP customer abroad with high-quality alcohol or luxury deserts? Or simply send a birthday gift of flowers to your mother who lives in another country? This is the domain of Kvety.sk, which operates in a very specific industry: a flower delivery service and Internet sales of supplementary products.

It is customers with some connection to Slovakia who create the market, but the latter extends to about 110 countries on all continents. This niche is very specific and can be defined as a premium market with exclusive products in the area of delivery of flowers and presents. Measuring global market share is hard, but in Slovakia this company holds 60 % of the market while the closest competitor has only 10 %. There are companies from Germany (Valentins.de and Florito.de) who are approximately five times larger and deliver low-cost bouquets (as opposed to kvety.sk's higher-end offering) but they compete only indirectly with a completely different business model; therefore any comparison somewhat loses its relevance. The company provides a guarantee for its customers that the recipient will be given the product exactly as it is seen on the webpage. Moreover, atypical requirements can be fulfilled through customization. In comparison with its competitors, the company provides exclusivity and a wide range of services.

Kvety.sk was founded in 1999 as a physical entity and in 2006 a limited liability company was established. It is small, currently employing only 25 people. Everything is conducted from one place, the village of Kriváň. Specific characteristics, in comparison with the competition, include co-operation with couriers, the use of the company's own product boxes, and imports of flowers from developing countries. To keep costs down and ensure maximum product standardization, Kvety.sk leases plantations and has the flowers delivered by air.

Kvety.sk has pioneered the market model where the customer who orders and pays for the product is not necessarily its recipient. In a market where 90 % of online purchases are paid with cash on delivery, this means that there is a huge level of trust in the company. It serves around 37,000 customers, paying an average of 42.35 euros per order. Currently, exports represent 10 % of sales. The company has expanded into foreign markets only recently, but sales are growing. The export numbers should be higher but the company currently faces a lack of resources for future expansion abroad. Total turnover is approximately 1.3 million euros and its growth is around 10–20 % per year.

Around 10–15 % of income is invested in research and development. Close relationships with customers are crucial to gain and maintain trust in the product and the company. CEO, Miroslav Očenáš, is very goal-oriented and admits that apart from innovation, endurance plays a very important role. He also believes in supporting students and sharing his experiences and knowledge at universities. The company is strong in marketing and advertising because of its their knowledge of the market and innovative advertising strategies. A proprietary system that monitors online access by visitors and purchasing statistics allows more effective tailoring of advertising campaigns.

While growth, especially abroad, is significantly restrained by lack of finances, the company still envisages further progress. Kvety.sk has the potential to become a regular HC.

Conclusion

For a small economy that has undergone massive transformation from a Soviet-style, centrally-planned and state-owned system, Slovakia possesses a surprisingly high number of HCs. Because of the characteristics of the market and the population, these are all very young companies, with the oldest of them in only their second decade of existence. This contrasts sharply with the HCs of Western Europe that are, on the whole, established companies with significant experience.

Another difference, of course, is that none of the Slovak HCs are family-owned and managed. In part, this is because their existence has been too short for generational change to occur. Also, the communist system only allowed state-owned companies; therefore this kind of continuity was impossible due to the non-existence of private ownership. It will take some time for the tradition of family-managed enterprises to emerge in post-communist countries.

Broadly speaking, we could divide the Slovak HCs into two groups—those in capital-heavy industries, and those that operate in niches that do not require significant upfront investment. Like their German counterparts, the members of the first group operate in manufacturing, machinery or construction. These companies take advantage of a well-educated and motivated workforce, which is nevertheless not as expensive to maintain as that in Western European countries. And because these companies strive to offer high-quality products, they can also successfully compete with their lower-cost competitors, located mostly in Asian. The latter may profit from even lower production costs, but are usually unable to match the quality or the customer service that Slovak HCs are able to offer.

The companies that operate in industries not requiring a heavy upfront investment underline even more the importance of a well-qualified workforce. These companies usually provide services or non-material products, such as software. It is therefore crucial for them to provide very good customer service and assure clients of the reliability of their products. Again, having access to a pool of educated workers helps these and all similar companies to flourish in Slovakia.

Three traits that Slovak companies share with HCs around the world are a relentless focus on innovation, a continuing pursuit of the high quality of their products, and the business-to-business service model. We know that the business-to-business market is particularly demanding in terms of product quality, value for money, and customer service. That these companies continue to develop and grow in this environment is a testimony to the competitiveness of their products in all three areas.

In these Slovak HCs we see dreams come true for a handful of ingenious and relentless individuals. In many cases, the leaders of these companies had no

special preparation for their role as managers and CEOs. Often, they trained for something other than what ended up being the object of their business. This is additional evidence that while market capitalism is young in Slovakia, it is dynamic and rewards innovation. Slovak HCs are playing a role whose importance goes beyond commercial success—they are home-bred proof that imagination and resourcefulness will be rewarded.

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