

GLOBSEC 2021 Bratislava Forum: Innovation on CEE (Side-Event)

15 June, 2021

Outcome Report: GLOBSEC 2021 Bratislava Forum: Innovation in CEE

In addition to the innovative debates held within the main session at the GLOBSEC 2021 Bratislava Forum, as well as the series of discussions (roundtables) held from January 2021 to May 2021 on the most innovative and technological topics with precisely selected speakers and participants, GLOBSEC had also held a high-level event as a closed-door discussion on the most actual innovative topics with pre-selected speakers and participants from the innovative private companies. This year, the debate was largely supported by the pandemic and the post-pandemic innovative and technological companies belonged to the sector not affected by the global pandemic, on the contrary – they also benefited during this period and strengthened their position on the international market.

Innovation in Central Europe plays a key role in the post-pandemic world. Not only Central Europe, but in general the entire world (and especially innovative companies) have made the most of the pandemic, and their influence and impact have deepened and are even more so as a result of the pandemic. Most international companies have moved to the online space, and large technology companies have benefited from the pandemic (most of them still do). Focusing on technology and innovation should not only be one of the priorities of the post-pandemic period but should also be included in the Recovery Plan currently approving by the EU Member States.

Closed-door discussion led by:

- Wilhelm Molterer, Chairman of the GLOBSEC Board of Directors, Former Vice Chancellor and Finance Minister of Austria

Speakers:

- Gordon Bajnai, Former Prime Minister of Hungary, Chairman of the Advisory Board and Global Head of Infrastructure of Cambell Lutyens, Member of the GLOBSEC Board of Directors
- Pavel Mik, Country Managing Director Slovakia & Manager of Robotics in Eastern Europe Region, ABB
- Matúš Mišúth, Research Associate, DB Biotech
- Michal Nešpor, Partner for Start-ups, Crowdberry

Summary points:

- The Covid-19 pandemic has accelerated innovation efforts many sectors.
- The difference between innovation and improvement is unclear and the two terms are often used interchangeably. Are we witnessing so many innovations or are they just improvements? What are we increasingly starting to see are process innovations?
- The overall quality of education is decreasing and most likely this trend will continue. To motivate new people and increase the overall level of innovations in the CEE area, we need to showcase more success stories and make changes in education as people are not hungry for success.
- Instead of having "new brain food" and therefore innovating, large corporations are improving their processes.
- The level of technical skills possessed by six-year-old today is way worse than it was 20 years ago. It is true that they are good with using technology, however, they are lacking basic technical and mechanical skills. Therefore, investments should be made into educating children from a young age into mathematical and logical skills rather than digital ones as the former form the basis for

the digital skills of the future. Additionally, on the level of higher-education, universities should be more business oriented.

- Work towards allowing women to be part of building innovative companies. We should aim at getting more women involved and interested in innovative ventures from an early stage.
- Not everybody is a winner from innovations. Innovation risks the loss of jobs, on the other hand, it also creates new ones. The question that should be addressed therefore is whether the people that lose their jobs to innovations are the ones that get hired for new positions.
- The state can play a large role in increasing the level and amount of innovation in the area as innovation is driven also by having the right regulations in place. On a pan-European level, a single market of goods and capital would be sufficient to drive innovation and would help avoid the brain-drain we are currently witnessing as more and more talented people are not staying in the region but instead go to Silicon Valley, Western Europe, or generally more developed markets.
- Out of the 661 startup unicorns in the last 10 years, only 78 were from Europe. An explanation for this statistic are EU national regulations. As long as each member country has their own respective regulations, the EU is not a single market but 27 small markets. Hence, in order to fully create a single market in the EU, it is of utmost importance to remove bureaucracy and barriers and thus allow for a freedom of movement and innovation.
- Who will dominate the world in the 21st century is likely to be determined by who will be able to find the solutions to key answers to technological questions.
- SMEs in CEE and Europe as a whole, lack the capacities to innovate. Hence, access to capital for them is crucial. An example can be taken from Austria, which spurred innovation by bringing capital into the ecosystem in addition to motivating private capital to enlarge the amount of investments. However, while the Austrian example is a move towards the right direction, we need to think of ways to scale this approach.
- Regulation is not always negative. It is good if it is not harming the ecosystem and if it is well balanced.
- Efforts in the CEE should be focused on mobilizing private capital. This could be done with the creation of regulatory framework that would motivate private capital.
- Banks currently do not have the capacity or the necessary regulatory framework to use capital in any innovative way.
- Scientists are to a large extent responsible for innovation. From the biotech industry it can be seen that for many SMEs, coming up with innovative products is too expensive. However, innovations have a great potential as they will be transformed into new products which can be used for making a profit in a company.
- In order to lower the cost of innovation and make it more efficient, a move towards data-based projects, especially in the health sector, could facilitate this change.
- The industry 4.0 revolution combined with new approaches to digitalization can be helpful tools for developing new methods of innovation.
- In order to facilitate innovation, in the future we should innovative collectively through the use of clusters. Ideally, these would be multi-disciplinary and built on cornerstones of knowledge and resources.
- Industry 4.0 should be replaced by society 4.0.
- The regional aspect in innovations is very important. Historically speaking, the region has had a very solid foundation when it comes to MINT (mathematics, information technology, natural sciences, technology) subjects, however, traditional ways of economic growth are exhausted.
- While it is true that the number of startups in the region has risen in the past years, the number of bankruptcies has risen as well.
- Recently, the EU Commissioner Maria Gabriel has created a working group composed of EU innovation ecosystem leaders. As a result, an action plan to support startups and scale ups was created.
- Data is extremely important for startups as access to data can rapidly improve innovation and consequentially needs to be talked about. Fortunately, there is a lot of data which can be provided

by different institutions (governments, municipalities, cities) to startups. In Slovakia, efforts are currently being made to provide access to this sort of data to startups.

- On a European level, there does not exist a common vocabulary used to describe what is defined as a start-up.
- Companies in Slovakia, large corporations mostly, are not interested in motivating their Slovak subsidiaries for innovation. However, companies should always put an effort in improving the skills of their employees.
- While the importance of startups and scale ups is undeniable, efforts should firstly focus on motivating SMEs to innovate.
- Mega trends are changing everything around us. Innovation is difficult because it is a change from the normal path that usually goes also against trends.
- People that are innovating are usually lost and do not have the necessary infrastructure to do their job properly. Hence, corporates can create innovation hubs around them not only to retain and concentrate talented individuals but also to provide them with the necessary capital, infrastructure (labs, etc.) and most importantly give them guidance and support.
- Access to finance is a huge obstacle to innovation. While fundraising money for seed investments in the early stages is not difficult in Central Europe, it is very hard for companies to find the necessary backing and resources to get through the growth and pre-revenue stage known as the "Death Valley". Part of the problem in the region is that the institutions which are supposed to provide this support, fail to do so. In Slovakia, a good example of an institution that works is the Slovak Investment Holding that invests under the terms of private investors. Other institutions, however, are afraid of investing.
- Academia and business do not speak the same language.
- Currently there is too much money in the market, however, European money is not well spent, and it is currently being wasted. Furthermore, cooperation between the private and public sectors is not working well. Unless changes are made, we run the risk of the EU Recovery Plan money being wasted again.
- Money from the EU should be following private money, however, in the EU an approach like this does not exist. Alternatively, EU money should be managed by private market participants in the form of funds rather than governments themselves.
- Currently, there is no political will and leadership willing to take on SMEs as a topic. It is a problem since SMEs are struggling but the political leadership does not understand that.
- Even though Slovak universities do not operate as businesses, thanks to their infrastructure, they should nonetheless be supported in the role of information incubators.
- Roots of innovation problem in the CEE can be traced back to the culture. Even though we have quality people, culturally they are afraid of making mistakes. In the regional culture you should not make any mistakes, this is however not compatible with innovation as an integral part of innovating is making mistakes. Through education however, this mentality can be changed, and people can learn not to be afraid of taking risks. Furthermore, an educated public, with a different mentality and with a deeply ingrained interest for innovation has the capacity to force politicians to act.
- We should not aim to return to 'normality' after the Covid-19 pandemic. Rather, we should aim for innovation.