The Evolution of the Largest Central and Eastern European Companies in the Period 2015-2017

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Abstract

Worldwide, there is a constant pursuit to develop particular regions, either strategic or following old economic power poles. Such an environment is based on mutual aid and exchange that increases the likeliness of an economic power conglomerate to thrive, increasing general welfare. The Central and Eastern European region registered an economic boom in the last period, thus helping companies reach higher turnover levels and manage to achieve higher global competitiveness.

The aim of the paper is to portray the evolution of the Central and Eastern European region's largest companies in the period 2015-2017 by using the turnover criteria. The methodology used is quantitative and based on the research of secondary sources such as articles and reports. The findings show an improving situation in the advancement of the companies from the analyzed region.

Key words: Central and Eastern Europe (CEE), turnover, company, country, rank
J.E.L. classification: F00

1. Introduction

In the Central and European (CEE) region, important and very complex socio-economic processes occurred in the transition from a centrally-planned economy with a communist regime „towards a free-market economy and democratic society" (MacLullich and Gurău, 2004, p.1). In such a period when the „establishment and growth of new enterprises is central to the transition process" (Estrin, Meyer and Bytchkova, 2005, p.2), also implying a reallocation of resources in which the main actors are the new firms (Olson, 1992, p.71). In the past years, the CEE region's development path showed that the countries "returned to Europe and with the accession to the European Union their economies deeply integrated into the European internal market" (Chen, 2012). This shows the importance of the role companies play in the region's development.

The aim of the paper is to illustrate the evolution of the largest companies from the Central and Eastern European region in the period 2015-2017 by using the turnover criteria. The remaining sections of the paper are methodized as follows: the second section is focused on displaying the methodology used; section 3 is specific for the literature review; section 4 shows the findings of the research and the paper ends with the authors' conclusions.

2. Methodology

In order to reach the research objective, the authors used a quantitative research methodology. The information used in order to analyze the situation of the first ten companies in the CEE region comes from sources of secondary data, such as books, articles and reports. The literature review was carried out using electronic databases.

3. Theoretical background

The focus of the paper is put on the COFACE Publications' CEE Top 500 Ranking and, implicitly, on the evolution of the top ten companies within the region by their turnover in the years 2015, 2016 and 2017. The report is published on an annual basis and the year 2018 marked its 10th anniversary in providing useful data that highlights the region's economic development. This project conducted by the Coface offices in Central Europe includes the largest companies (with a turnover of at least EUR 300 millions) within the 12 countries analyzed (Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Serbia, Slovakia and Slovenia). There are some elements that could be considered weaknesses of the ranking, such as not taking into account financial service providers or the exclusion of some companies due to them refusing to provide financial results in time.

The Central and Eastern European region provides companies running in these emerging markets a favorable economic environment, evidence of this shown in this year's edition, where 143 companies managed to move up the ranking in 2017), the total turnover of the first 500 companies being EUR 652 billion (Coface CEE Top 500 Ranking, 2018. Even though we are pointing at economic development, there still is room left for improvement. In terms of ethics, this region "proves more and more that the CSR concept itself and its implementation at the level of strategies and processes does not automatically guarantee that the companies would operate in an ethical or responsible manner toward all stakeholders" (Remišová and Lašáková, 2014, p.913).

There is no doubt that the economic growth of a country (and, implicitly, of a region) is closely linked to a "dynamic entrepreneurship sector" (Trąpczyński et al, 2016, p.26). That is why collaboration and (common) strategic policies and markets within a region are crucial, especially because most countries in the CEE region come have comparable political background and "hence also comparable opportunities of socioeconomic development" (Trąpczyński et al, 2016, p.26).

4. Findings

This chapter focuses on the evolution of the main companies by turnover doing business within the Central and Easter European (CEE) region.

The CEE Top 500 Ranking by COFACE Publications is an annual ranking specific for the biggest companies operating in the CEE region, particularly from: Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Serbia, Slovakia and Slovenia. Playing an important part in the region's economic development, these companies have their role of contributors to general economic (and not only) welfare portrayed by the data within the CEE Top 500 Rank. The situation is as follows:

In connection to the first 10 companies according to their turnover, in 2015 (table no.1):

- Polski Koncern Naftowy Orlen S.A. (PKN Orlen) is the leader in Eastern and Central Europe, with a significant disparity of approximately 67% reported to its follower. Compared to the 10th company, the leader has a revenue more than three times bigger. A close situation in terms of close revenue is highlighted in between the 2nd and 3rd companies.
- The automotive & transport sector is the dominant one.

Table no. 1 The Coface CEE Top 500 ranking for the first ten companies in 2015

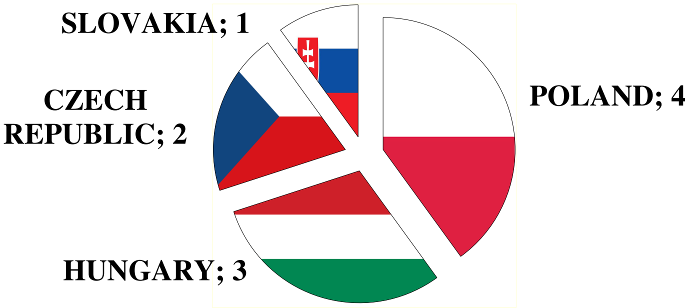
Rank	Company name	Country	Turnover (Mil. Eur.)	Main sector
1	POLSKI KONCERN NAFTOWY ORLEN S.A.	Poland	20,717	Minerals, chemicals, peroleum, plastics & pharma
2	GE HUNGARY IPARI ÉS KERESKEDELMI KFT.	Hungary	13,914	Mechanics and precision
3	MOL MAGYAR OLAJ-ÉS GÁZIPARI NYRT.	Hungary	13,259	Minerals, chemicals, peroleum, plastics & pharma
4	ŠKODA AUTO A.S.	Czech Republic	11,651	Automotive & transport
5	JERONIMO MARTINS POLSKA S.A.	Poland	9,206	Non-specialized trade

6	POLSKIE GÓRNICTWO NAFTOWE I GAZOWNICTWO S.A.	Poland	8,552	Utilities & public services
7	AUDI HUNGARIA ZRT.	Hungary	8,338	Automotive & transport
8	ČEZ, A.S.	Czech Republic	7,776	Utilities & public services
9	VOLKSWAGEN SLOVAKIA, A.S.	Slovakia	7,227	Automotive & transport
10	PGE POLSKA GRUPA ENERGETYCZNA S.A.	Poland	6,694	Utilities & public services

Source: Coface CEE Top 500 Ranking, August 2016

Poland is dominating the rank, with four companies amongst the top 10, followed by Hungary (with 3), the Czech Republic (2) and Slovakia (1) (figure no.1).

Figure no. 1. The geographical distribution of the ten largest companies from the Central and Eastern Europe in 2015



Source: Author's contribution

In connection to the first 10 companies according to their turnover, in 2016 (table no.2):

- Polski Koncern Naftowy Orlen S.A. kept its leading position from 2015, only now with a lower gap to its new follower: Škoda Auto. A fierce competition is easily noticeable when comparing to turnover of the companies ranked 5th through 8th.
- The automotive & transport sector is still the dominant one, followed by utilities & public services.
- GE Hungary Ipari és Kereskedelmi KFT exited the rank. Skoda climbed the ladder from the 4th to the 2nd place. Volkswagen Slovakia A.S. registered a substantial increase reaching the 5th spot from the 9th position in the rank.

Table no. 2 The Coface CEE Top 500 ranking for the first ten companies in 2016

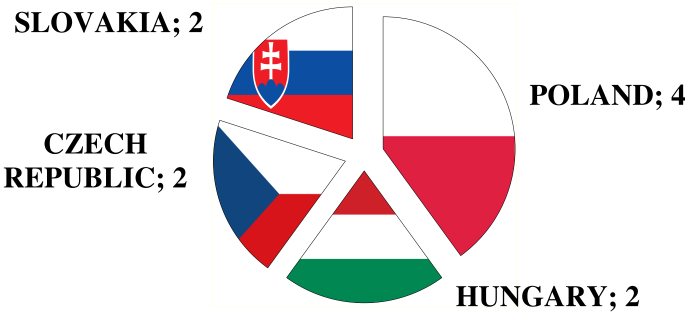
Rank	Company name	Country	Turnover (Mil. Eur.)	Main sector
1	POLSKI KONCERN NAFTOWY ORLEN S.A.	Poland	18,038	Minerals, chemicals, peroleum, plastics & pharma
2	ŠKODA AUTO A.S.	Czech Republic	12,876	Automotive & transport
3	MOL MAGYAR OLAJ-ÉS GÁZIPARI NYRT.	Hungary	11,468	Minerals, chemicals, peroleum, plastics & pharma
4	JERONIMO MARTINS POLSKA S.A.	Poland	9,867	Non-specialized trade
5	VOLKSWAGEN SLOVAKIA, A.S.	Slovakia	7,587	Automotive & transport
6	AUDI HUNGARIA MOTOR KFT.	Hungary	7,554	Automotive & transport
7	ČEZ, A.S.	Czech Republic	7,539	Utilities & public services
8	POLSKIE GÓRNICTWO NAFTOWE I GAZOWNICTWO S.A.	Poland	7,527	Utilities & public services
9	PGE POLSKA GRUPA	Poland	6,370	Utilities & public services

	ENERGETYCZNA S.A.			
10	KIA MOTORS SLOVAKIA S.R.O.	Slovakia	5,566	Automotive & transport

Source: Coface CEE Top 500 Ranking, August 2017

Poland increased its dominating position from 2015, even though it still has 4 companies placed amongst the top 10 (figure no.2).

Figure no. 2. The geographical distribution of the ten largest companies from the Central and Eastern Europe in 2016



Source: Author's contribution

In connection to the first 10 companies according to their turnover, in 2017 (table no.3):

- Polski Koncern Naftowy Orlen S.A. kept its leading position from 2015, only now with a lower gap to its new follower: Škoda Auto. A fierce competition is easily noticeable when comparing to turnover of the companies ranked 5^{th} through 8^{th}.
- The automotive & transport sector is still the dominant one with a total of 101 companies throughout the rank, followed by utilities & public services.
- Čez A.S. and Kia Motors Slovakia S.R.O. exited the top 10 rank whilst Grupa Lotos S.A. and Eurocash S.A. are the new entrants in the top 10 companies by revenue in the CEE region.

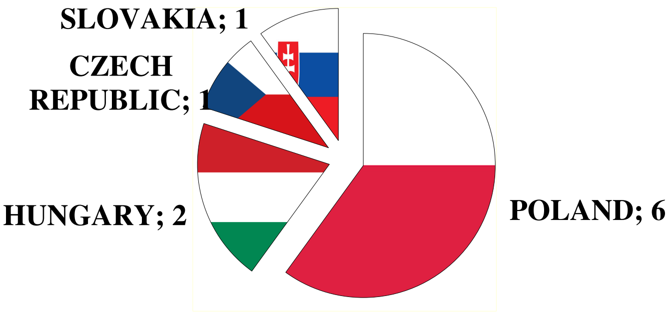
Table no. 3 The Coface CEE Top 500 ranking for the first ten companies in 2017

Rank	**Company name**	**Country**	**Turnover (Mil. Eur.)**	**Main sector**
1	POLSKI KONCERN NAFTOWY ORLEN S.A.	Poland	22,831	Minerals, chemicals, peroleum, plastics & pharma
2	ŠKODA AUTO A.S.	Czech Republic	15,970	Automotive & transport
3	MOL MAGYAR OLAJ-ÉS GÁZIPARI NYRT.	Hungary	13,309	Minerals, chemicals, peroleum, plastics & pharma
4	JERONIMO MARTINS POLSKA S.A.	Poland	11,531	Non-specialized trade
5	POLSKIE GÓRNICTWO NAFTOWE I GAZOWNICTWO S.A.	Poland	8,584	Utilities & public services
6	AUDI HUNGARIA ZRT.	Hungary	7,550	Automotive & transport
7	VOLKSWAGEN SLOVAKIA, A.S.	Slovakia	7,549	Automotive & transport
8	GRUPA LOTOS S.A.	Poland	5,790	Minerals, chemicals, peroleum, plastics & pharma
9	EUROCASH S.A.	Poland	5,571	Non-specialized trade
10	PGE POLSKA GRUPA ENERGETYCZNA S.A.	Poland	5,530	Utilities & public services

Source: Coface CEE Top 500 Ranking, September 2018

Poland increased its dominating position from 2015, even though it still has 4 companies placed amongst the top 10 (figure no.3).

Figure no. 3. The geographical distribution of the ten largest companies from the Central and Eastern Europe in 2017



Source: Author's contribution

Throughout the three years the analysis is based on, there are companies amongst the top 10 by revenue in the CEE region belonging to only four countries: Poland, Hungary, Czech Republic and Slovakia. Poland is the leading country, not only by the number of companies but also through the leader of the rank, Polski Koncern Naftowy Orlen S.A.; this company is particularly showing a great disparity to its follower. MOL Magyar Olaj-És Gázipari kept their third place as well from 2015 to 2017. Škoda Auto A.S. is a noticeable mention due to its success in maintaining the runner-up position in 2017 and 2016, climbing up the ladder from its 4th place in 2015. Eight companies in the CEE region managed to remain within the top 10 by their turnover: Polski Koncern Naftowy Orlen S.A., MOL Magyar Olaj-És Gázipari NYRT., Škoda Auto A.S., Jeronimo Martins Polska S.A.., Polskie Górnictwo Naftowe i Gazownictwo S.A., Audi Hungaria ZRT., Volkswagen Slovakia, A.S. and PGE Polska Grupa Energetyczna S.A..

5. Conclusions

Even though there is focus on the research based on top companies at an international level, according to the principle "think global act local" in academics, a ranking such as he CEE Top 500 Ranking by COFACE Publications is of great importance to a regional analysis.

The paper shows that the CEE region is developing in terms of economic welfare, companies running in this area proving to be relevant economic engines. The leading firms by revenue from this are belong to four countries (Poland, Hungary, Czech Republic and Slovakia) even though the rank is comprised of twelve countries. Polski Koncern Naftowy Orlen S.A. (Poland) is the major player, managing to maintain its leading position in the period 2015-2017 and a noticeable amassing of wealth is highlighted for the first 3-4 main actors.

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