MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE
UKRAINIAN-AMERICAN CONCORDIA UNIVERSITY

Faculty of Management and Business
Department of International Economic Relations, Business & Management

Bachelor's Qualification Work

Modern business environment of Central and Eastern Europe
(based on Manufakturaram case)

Bachelor's student of the 4th year study
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Specialty 292 –
International Economic Relations
Educational program –
International Business

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Ph.D. in Economics

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Abstract

The Bachelor's Qualification Work focuses on the details of the modern business environment in Central and Eastern European (CEE) countries, particularly Ukraine and Poland. The goal is to provide a far-reaching understanding of the opportunities and challenges in the CEE region's business environment by examining the economic fundamentals and development to provide practical guidance for enterprises. The research is based on the theoretical foundations of up-to-date business foundations and my practical work experience.

This work provides valuable insight into the complexity of the business environment through an in-depth case study of Manufakturaram Inc., a company based mainly in Poland. I analyzed Manufakturaram's business activities, organizational structure, and cultural, economic, and legal aspects in order to deepen my practical understanding of the modern business environment. The research subject focuses on the transformative impact of economic globalization on companies in CEE, while the research topic explores the complex dynamics of business practices and their adaptation in the CEE environment, exemplified by the case study of Manufakturaram Inc.

In conclusion, the Bachelor's Qualification Work addresses the challenges and opportunities of the CEE business environment in a fast-growing economic region of Central and Eastern Europe. Through its cross-sectoral approach and practical insights, the study aims to provide valuable perspectives for academics.

Keywords: economic development, business environment, geopolitics, business frameworks.

Анотація

Дипломна робота зосереджена на деталях сучасного бізнес-середовища в країнах Центральної та Східної Європи (ЦСЄ), зокрема в Україні та Польщі. Мета мого дослідження полягає в тому, щоб забезпечити глибоке розуміння можливостей і викликів у бізнес-середовищі Центральної та Східної Європи шляхом вивчення економічних основ і потенційного розвитку для надання

практичних вказівок для підприємств. Дослідження базується на теоретичному підґрунті сучасних основ бізнесу та моєму практичному досвіді роботи.

Це дослідження дає цінне розуміння складності бізнес-середовища завдяки поглибленому прикладу Manufakturaram Inc., компанії, яка базується переважно в Польщі. Я проаналізувала бізнес-діяльність Manufakturaram, організаційну структуру, культурні, економічні та правові аспекти, щоб поглибити своє практичне розуміння сучасного бізнес-середовища. Предмет дослідження зосереджений на трансформаційному впливі економічної глобалізації на компанії в ЦСЄ, тоді як тема дослідження досліджує складну динаміку ділової практики та її адаптацію в середовищі ЦСЄ, прикладом якого є приклад Manufakturaram Inc.

На завершення, дипломна робота розглядає виклики та можливості бізнес-середовища ЦСЄ у швидкозростаючому економічному регіоні Центральної та Східної Європи. Завдяки всебічному підходу та практичним ідеям дослідження має на меті надати цінні перспективи для науковців.

Ключові слова: економічний розвиток, бізнес-середовище, геополітика, підприємницькі рамки.

PHEE-institute «Ukrainian-American Concordia University»

Faculty of Management and Business
Department of International Economic Relations, Business and Management

Educational level: **Bachelor degree**
Specialty **292 "International Economic Relations"**
Educational program **"International Business"**

APPROVED
Head of Department ____________________

__Prof. Zharova L.V._____________
May, 10, 2024

TASK
FOR BACHELOR'S QUALIFICATION WORK OF STUDENT

Oksana Korchak
(Name, Surname)

1. Topic of the bachelor's qualification work

Modern business environment of Central and Eastern Europe (based on Manufakturaram case)

Supervisor of the bachelor's qualification work - Ph.D. in Economics Lesya Leshchii,

Which approved by Order of University from ***"25" September 2023*** № 25-09/2023-5к
2. Deadline for bachelor's qualification work submission "***25" April 2024.***
3. Data-out to the bachelor's qualification work:

4. Contents of the explanatory note (list of issues to be developed):

1) Developing an understanding of globalization and its impact on CEE. This task involves researching and analyzing the concept of globalization and how it specifically affects Central and Eastern Europe. It includes exploring the processes of economic integration, cultural exchange, and technological advancement that characterize globalization.

2) Analyzing the economic underpinnings and developmental trajectories of the region. This task focuses on studying the economic factors that shape the Central and Eastern European region, including historical contexts and recent trends. It involves an analysis of key economic indicators, such as GDP growth, inflation rates, and foreign direct investment flows, to understand the region's developmental trajectories.

3) Conducting a detailed case study of Manufakturaram Inc. It includes analyzing various aspects of the company, such as its activities, organizational structure, market positioning, and competitive strategies.

4) Offer recommendations for enhancing organizational resilience and competitiveness within the CEE context. This task focuses on providing actionable recommendations for businesses operating in Central and Eastern Europe to improve their resilience and competitiveness. It involves synthesizing

findings from the analysis of globalization, economic dynamics, and the Manufakturaram Inc. case study to identify key areas for improvement.

5. List of graphic material (with exact indication of any mandatory drawings)

The work contains 8 figures and 15 tables, more than 70 sources of literature are processed, the volume of the work is more than 70 pages.

6. Date of issue of the assignment: 10.11.2023

Time Schedule

№	The title of the parts of the qualification paper (work)	Deadlines	Notes
1.	I part of bachelor thesis	*10.12.2023*	In time
2.	II part of bachelor thesis	*27.02.2024*	In time
3.	Introduction, conclusions, summary	*25.04.2024*	In time
4.	Pre-defense of the thesis	*30.04.2024*	In time

Student_______________________________________

(signature)

Supervisor

Conclusions (*general description of the work; participation in scientific conferences/ prepared scientific article; what grade does the student deserve*):

The student worked conscientiously during the year, completed all tasks on time and participated in pre-defenses, participated in two conferences - submitted theses on current topics. The student processed a wide array of statistical data from available Internet resources and conducted a thorough study of the business environment in Central and Eastern Europe, using as an example the company where she had an internship. In general, the work meets the requirements for qualifying papers, contains all structural sections, and a range of literature has been developed. The work may be admitted to the defense and in the case of a successful defense can be rated as "Excellent".

Supervisor

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INTRODUCTION

The modern economic landscape has witnessed significant changes and transformations over the past few decades. As globalization continues to ease access to goods and services all around the world, understanding the unique dynamics of this region has become a crucial imperative for businesses seeking international success. My Bachelor's Qualification Work illustrates the complexities of the modern business environment in Central and Eastern European countries, particularly in Ukraine and Poland.

Generally speaking, Central and Eastern Europe has been progressing as an extremely important region for modern businesses, owing to its strategic location, large consumer base, and growing economic potential. With the opening of borders and the introduction of new political and economic reforms, Central and Eastern Europe offers unique business opportunities that are distinct from other global regions.

The business environment of Central and Eastern Europe is characterized by a dynamic mix of factors that significantly impact companies' operations and strategies. It is influenced by a range of cultural, economic, legal, and political aspects, each presenting both challenges and opportunities for businesses. Cultural diversity is one of the defining features of the region, with each country having its own distinct cultural norms, communication styles, and business practices. Understanding and adapting to these cultural nuances is crucial for successful business operations in the region.

Economically, Central and Eastern Europe has experienced remarkable growth and transformation since the fall of communism. The region is characterized by a rapidly expanding middle class, rising disposable incomes, and a growing consumer market. However, economic disparities still exist between countries within the region, presenting both opportunities and challenges for businesses seeking to establish a presence in Central and Eastern Europe. (Prizel, The First Decade after the Collapse of Communism: Why Did Some Nations Succeed in their Political and Economic Transformations While Others Failed?)

The legal and regulatory framework in Central and Eastern Europe is constantly evolving as countries align their legislation with European Union or national standards and attract foreign investment. While this provides a more transparent and predictable environment for businesses, navigating through the legal and regulatory landscape can still pose challenges. Companies need to be well-informed about the legal frameworks and regulations specific to each country in which they operate.

During the exploration of theoretical foundations, I aim to share insights from academic literature to illuminate the economic, cultural, and legal aspects that define the business environment specifics in CEE. However, theory alone provides an incomplete picture. Therefore, my work experience in the Manufakturaram company will serve as a practical showcase of the demonstrated theories in Central Europe. The internship practice provided an opportunity to gain first-hand experience and insights into the business environment by working closely with the company's management team and employees. I have also had an experience working for a Ukrainian company, which will also be mentioned later on in order to provide a comparison between markets. The work seeks to identify the key challenges and opportunities faced by businesses operating in the region and provides practical recommendations to address these challenges.

Finally, the last chapter will present an analysis of the challenges embedded within the business environment of Central and Eastern Europe, based on the internship experience. After diving into the cultural, economic, legal, or political factors impacting this problem, I'd provide practical recommendations for enhancing business practices in the region.

In essence, this work concludes with a discussion of the implications of our findings and my recommendations, as well as future research opportunities. The work aims to provide a comprehensive understanding of the business environment of Central and Eastern Europe and provides practical recommendations for businesses seeking to succeed in the region.

The relevance of this work is defined by the imperative to comprehend the transformative effects of globalization on businesses operating in regions like CEE, characterized by cultural diversity, economic transitions, and geopolitical complexities. By delving into the economic underpinnings and developmental trajectories of the region, this study seeks to provide a comprehensive framework for understanding the unique dynamics shaping business practices within CEE.

Central to this exploration is a case study of Manufakturaram Inc., a fictitious company emblematic of enterprises operating in CEE. Through a detailed examination of Manufakturaram Inc.'s activities, organizational structure, and competitive positioning, supplemented by analysis of cultural, economic, and legal dimensions, this study aims to extract valuable insights into the intricacies of the CEE business landscape.

Beyond mere analysis, the aim of the bachelor's qualification work is to offer actionable recommendations and implications for businesses navigating the challenges of globalization within the CEE context. By scrutinizing cultural nuances, legal frameworks, and political dynamics, this study seeks to identify pathways for enhancing organizational resilience and competitiveness amidst the forces of globalization.

In order to achieve this aim, the following tasks were set:

- develop an understanding of globalization and its impact on CEE;
- analyze the economic underpinnings and developmental trajectories of the region;
- conduct a detailed case study of Manufakturaram Inc.;
- offer recommendations for enhancing organizational resilience and competitiveness within the CEE context.

The methodological basis for this research encompasses a judicious blend of theoretical inquiry, empirical analysis, and critical reflection. Leveraging a diverse array of scholarly literature, reputable internet sources, and firsthand data analysis, this study endeavors to provide a holistic understanding of the intricate relationship between economic globalization and business development in CEE.

The research objects are the transformative effects of economic globalization on businesses within CEE.

The research subject is the intricate dynamics of business practices and adaptation within the CEE context, exemplified through the case study of Manufakturaram Inc.

In summary, this bachelor's qualification work serves as a comprehensive exploration of the nexus between economic globalization and business dynamics in Central and Eastern Europe. Through its interdisciplinary approach and practical insights, this study aspires to shed light on the challenges and opportunities inherent in the CEE business environment, offering valuable perspectives for scholars, practitioners, and policymakers alike.

CHAPTER 1. UNDERSTANDING THE BUSINESS ENVIRONMENT IN CENTRAL AND EASTERN EUROPE

1.1. Introduction to the modern business environment of Central and Eastern Europe

Central and Eastern Europe have an incredibly ancient and rich history. Countries like Estonia, Lithuania, and Latvia have fought for their independence same as Ukraine only about 30 years ago – before and during the fall of the Soviet Union. Also, during the 90s, there was one of the deadliest wars between countries of the former republic Yugoslavia that lasted 11 years. Unfortunately, Ukraine has still been fighting for its independence for a long time, until nowadays. According to the International Labour Organisation, the full list of Central and Eastern European countries includes Ukraine, Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Georgia, Hungary, Kosovo (all references to Kosovo should be understood in the context of United Nations Security Council resolution 1244 (1999), Latvia, Lithuania, the Republic of North Macedonia, Moldova, Montenegro, Poland, Romania, Serbia, Slovakia, Slovenia, and Belarus. (International Labour Organization).

Despite all the economic and social-cultural challenges, this region has undergone significant changes in recent decades, shaping a distinctive business environment. Our exploration of the modern business landscape in CEE combines theoretical insights with real-world observations drawn from an internship report.

The term "business environment" encompasses the complex network of internal and external factors that together influence and shape an organization's operations, strategy, and success. It covers the environment in which a company operates and includes elements from economic policy and market structure to social, technological, and political aspects.

In the Central European context, the business environment reflects the region's transition from a centrally planned economy to a market economy after the fall of the Iron Curtain (Britannica). Countries such as Poland, Estonia, Lithuania, Latvia, and the Czech Republic have undergone significant economic reforms that have led to more open and competitive conditions. The creation of the European Union played an important role in creating the basis for cooperation, trade and economic integration. For example, Poland's economic stability and market attractiveness are noteworthy, attracting foreign investments and contributing to the region's dynamic business environment.

On the other hand, Ukraine operates in a unique business environment with a unique historical and geopolitical background. The business environment in Ukraine is characterized by constant political changes, economic challenges and efforts to integrate with global markets. Despite the obstacles, Ukraine boasts a new IT sector that embodies the ability to adapt and innovate. The country's business environment also reflects the importance of cross-border relationships, as proximity to European markets influences trade trends and economic ties (Deloitte). Another important aspect of the business environment, the regulatory framework, differs between Central European countries and Ukraine.

It’s also worth considering such countries as Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo (all references to Kosovo should be understood in the context of United Nations Security Council resolution 1244 (1999), the Republic of North Macedonia, Moldova, Montenegro as an opportunity for various business investments. Mostly, these countries have gained popularity thanks to the tourism and great location between West and East Europe.

Over the last twenty years, the number has also increased rapidly in the Balkan region, from less than 4 million foreign visitors in 1999 to over 27 in 2018. Previously, the climate of uncertainty caused by the conflicts that arose from the breakup of Yugoslavia in 1991–2001 had delayed the boom of mass tourism that other Mediterranean countries have enjoyed since the 1970s.

The contribution to tourism of the Balkan countries, especially Croatia, represents a profitable opportunity due to its high contribution to GDP, amounting to almost 25%, which is the most important indicator among the Western Balkan countries. The government's emphasis on tourism is evident through its organized administrative structure and points-based methodology and mechanisms. For this purpose, the Croatian Tourism Service has established four directorates that deal with different perspectives of tourism, such as global participation, competitiveness and legal issues. The country's tourism development technique by 2020 reflects a demanding organization with clear goals, effective methodologies and financial studies aimed at ensuring integration with the EU's approach to tourism. Additionally, at the territorial level, reputable workplaces prefer tourism, demonstrating commitment to the development of the industry. This tourism development center not only stimulates financial development, but also improves Croatia's reputation around the world and improves its attractiveness as a travel destination for tourists.In this way, contributing to the tourism segment of Balkan states, with Croatia as a prime case, holds a guarantee for speculators looking for openings in a flourishing industry with solid government bolsters and vital arranging. (Porfido, Tourism Development in the Western Balkans: Towards a Common Policy).

Moving on to the next countries of this unique region: Moldova, Georgia, and Belarus. All of them unfortunately have experienced territorial and cultural occupation by the russian federation. In Moldova, the breakaway region of Transnistria has remained under de facto Russian control since the early 1990s, leading to ongoing tensions and conflict. Russian military presence and support for separatist movements have entrenched the division in Moldova, exacerbating political instability. (Całus K., Transnistria in the new international realty). In Georgia, the regions of Abkhazia and South Ossetia have similarly declared independence with russian backing, resulting in a lasting territorial dispute and ethnic displacement. Culturally, russian influence in both countries has been significant, with the promotion of the russian language and culture contributing to debates over national identity. The situation in Belarus is even worse than in previously mentioned countries, as the cultural assimilation is almost completed. “Belarus’ sovereignty is evaporating very fast,” said P. Slunkin, a former Belarusian diplomat who is now a fellow at the European Council on Foreign Relations. “Any sphere you take, Russia’s control has become extremely big and it’s increasing.” (The New York Times).

Investors may hesitate to invest in Georgia, Belarus, and Moldova due to political instability, corruption, economic challenges, and legal and regulatory issues. These countries have faced governance issues, protests, and disputed elections, creating uncertainty for investors. Corruption levels are a concern, with reports of bribery and lack of transparency. Economic conditions vary but all three countries struggle with poverty, unemployment, and reliance on certain industries. Legal frameworks can be complex and bureaucratic, while inadequate infrastructure further complicates investment prospects. Geopolitical tensions in the region also pose risks for investors. Despite these challenges, opportunities exist in sectors like agriculture, manufacturing, technology, and tourism, where potential returns may outweigh perceived risks and governments are working to improve the investment climate.

EU member states in Central Europe adhere to common regulations, but Ukraine has struggled to adapt its policies to international standards. Ease of doing business, legal frameworks, and government support programs also contribute to differences in the business environments of these regions. Advances in technology have become an increasingly integral part of the modern business environment, creating competitive advantage and driving innovation. (Ukraine Now)

Central European countries are embracing digital transformation and strengthening their position in the global economy. Similarly, Ukraine's IT sector serves as a beacon of technological strength, attracting attention and investment despite widespread economic challenges. In summary, the business environment is a dynamic and complex concept that reflects the interplay of economic, social, and political factors within a particular region.

Central and Eastern Europe are compelling case studies that demonstrate how historical, geopolitical, and technological influences interact to shape the business environments of these diverse but interconnected regions. Understanding these dynamics is critical for businesses that want to succeed in an evolving and interconnected global marketplace.

To comprehend the business dynamics of CEE, let us dive into the navigation of the historical tapestry that weaves through the region. As mentioned previously, the fall of the Iron Curtain marked a pivotal moment, initiating a series of economic and political changes. Entrepreneurship in CEE has transitioned from centrally planned to market-oriented economies.

Well, the success of this transition resulted differently in CEE countries. Evaluating economic and technological growth, the most successful countries are Estonia, Lithuania, Latvia, Poland, and Slovenia. Ukraine has also progressed immensely in tech- specialty, although we still have a huge corruption problem and ongoing war that interfere with active economic growth. I believe Ukrainians will be able to change the system for the better in the near future.

Marcin Piatkowski's "Europe's Growth Champion" delves into the economic and technical development of Central and Eastern European (CEE) countries, putting light on the region's specific business climate. The book dives into CEE's historical tapestry, focusing on the key period of the Iron Curtain's fall and the accompanying economic and political developments. A primary subject is the transition from centrally planned to market-oriented economies, with an emphasis on how entrepreneurship has evolved in reaction to these changes.

I will also apply my theoretical and practical experience from two CEE countries such as Ukraine and Poland. Luckily, I have worked in both countries in average-sized companies, therefore it would definitely showcase my personal opinion in addition to the theoretical and economic figures.

Embarking on this exploration, we navigate the confluence of theory and practice, anchored by the internship report as a bridge between academia and real-world business dynamics. This synthesis endeavors to present a nuanced and holistic comprehension of the contemporary business milieu in Central and Eastern Europe (CEE), transcending academic discourse.

At the heart of our inquiry lies the internship report, offering a microcosmic view of Manufakturaram Company's operations, a representative player in the CEE manufacturing sector. Through this lens, we dissect the intricate interplay of economic planning, HR management, marketing strategies, and innovation, revealing the intricate tapestry that characterizes the broader business environment.

The globalization thread runs prominently through our narrative. Manufakturaram's international market engagements illuminate the delicate balance between global forces and local impacts. Challenges such as navigating international trade agreements, diversifying markets, and geopolitical considerations echo the overarching themes explored in our theoretical framework.

Navigating the strategic management dynamics prevalent in CEE businesses, the report delineates the challenges of aligning with global trends, fostering innovation, and navigating economic uncertainties. The strategic choices made by Manufakturaram become a practical lens through which we evaluate theoretical constructs in real-world scenarios.

Innovation emerges as a paramount imperative for businesses aspiring not only to survive but to thrive in the competitive landscape. Manufakturaram's venture into e-commerce integration, as outlined in the report, epitomizes the innovation imperative, reflecting broader trends observed across CEE businesses.

The challenges faced by Manufakturaram – managing global economic fluctuations, navigating regulatory landscapes, and addressing workforce dynamics – resonate with the broader challenges permeating the CEE business environment. The company's resilience stands as a testament to the adaptability and tenacity inherent in businesses within the region.

Traversing theoretical landscapes, engaging with the internship report, and drawing insights from academic literature and real-world experiences, this exploration invites a comprehensive perspective on the modern business environment of Central and Eastern Europe. It beckons us to unravel layers, delve into complexities, and appreciate the resilience and dynamism defining businesses in this evolving and captivating region. As we conclude our exploration, the report's recommendations and insights pave the way for contemplating future prospects. The synthesis of theoretical knowledge, practical experiences, and the specific case of Manufakturaram contributes to a nuanced understanding of the modern business environment in Central and Eastern Europe.

In traversing the theoretical landscape, engaging with the internship report, and drawing insights from academic literature and real-world experiences, this exploration aspires to offer a comprehensive perspective on the modern business environment of Central and Eastern Europe. It is an invitation to unravel the layers, delve into the complexities, and appreciate the resilience and dynamism that define businesses in this evolving and captivating region.

I’d also like to focus on Ukraine as my native country. If we are to describe the modern business environment in Ukraine, it is unfortunately undeniably connected with the full-scale invasion of russia. Thousands of lives have been lost, and millions of Ukrainians have been displaced. The degree of destruction wrought by Russia's invasion has also been baffling with material damage already amounting to hundreds of billions of euros. This amount is increasing on a daily basis.

Despite these atrocities, the atmosphere in Ukraine is extremely resilient. While lionhearted Ukrainians fight their nation on the battlefield, businesses work tirelessly to protect Ukraine's economy and prepare the road for future recovery. The Ukrainian business climate remains remarkably vibrant and inventive; for example, AmCham Ukraine has welcomed 88 new member businesses since the commencement of the full-scale invasion. (ACC)

Businesses throughout Ukraine have adapted impressively to the many security, logistical, and economic challenges of the war. They continue to pay taxes, create jobs, invest, rebuild communities, support humanitarian efforts, and deliver essential services in exceptionally difficult and unpredictable circumstances. Looking ahead, they are ready to show the whole world what they are really capable of once peace returns to the country.

Businesses across Ukraine have adapted admirably to the war's numerous security, logistical, and economic problems. In extremely tough and uncertain conditions, they continue to pay taxes, generate employment, invest, rebuild communities, support humanitarian operations, and provide important services. Looking ahead, they are eager to demonstrate to the rest of the world what they are truly capable of if peace comes to the nation. (Atlantic Council)

As Russia continues to attack residential structures, schools, hospitals, and civilian infrastructure in Ukraine, the safety and security of staff and consumers remains the top priority for any businesses functioning in today's Ukraine (United Nations). Other serious war-related challenges include demining, employee conscription, the ongoing Russian naval blockade of Ukraine's Black Sea ports, and transit delays at the country's land borders with the EU.

Despite all the factors listed above, I’d like to admit that it is challenging to invest in Ukraine at the moment, but it is far worse not to invest. There are numerous examples of companies operating successfully in the Ukrainian economy in between air raid sirens; in the meantime, many multinationals have resumed operations in Ukraine's regions and are constructing shelters or other infrastructure to address the specific security challenges created by the Russian invasion. It's a risk-reward scenario in action.

I am confident that the time has come to consider Ukraine as a once-in-a-lifetime business opportunity. The largest national recovery operation in Europe since World War II has already begun and will gather significant traction in the coming months and years. Those who participate in this process early on will profit from a variety of advantages.

Andy Hunder, the President of the American Chamber of Commerce in Ukraine, stated that ‘Ukraine is a huge country with a large population, abundant resources, and a skilled labor force. It is strategically placed on the European Union's border, with EU admission on the horizon. Ukraine now is a more self-assured country that has moved away from Russia and towards greater Euro-Atlantic integration. Ukraine's tenacious reaction to Russia's illegal invasion has captivated the attention of the world, and Ukrainians are now more determined than ever to construct the sort of future their country deserves. This will open up chances that no ambitious investor or foreign company should pass up.’

1.2.Overview of the region's economic development and key characteristics

One of the best solutions is to create a business-friendly environment that supports growth. This would be attractive for domestic and international investors alike. The CEE countries should base their development on their current and emerging sources of competitive advantage. (Grancay M., Šumilo Ē., & Vveinhardt J. (2015), Trade in Central and Eastern European countries ten years after their EU accession - is there convergence?). Every effort should be made to support and strengthen the growth potential through institutional reforms, better conditions for running a business, efficient resource development as well as better macroeconomic and social fundamentals for growth. In a nutshell, the countries of CEE should try to maximize the return from their assets and reduce the shortcomings that may hamper their development. As an example, I’d like to provide the economic scorecard report with the selected and analyzed five key determinants for growth in the region. (Orłowski, Walewski, Oxley, 2013). They are illustrated by the five indices below: Access to Markets, Resources for Growth, Cost Competitiveness, Growth Sustainability, and Business Environment Indexes.

Table 1.1. Average GDP growth rates, 2020-2024 (CEE countries).

Source: World Bank

Country	**2020**	**2021**	**2022**	**2023**	**2024 (Forecast)**
Slovakia Republic	-5.3	3	4.4	4	3.1
Poland	-2.8	5.9	4.7	4.8	4.5
Lithuania	-0.9	4.4	4	3.9	3.5
Bulgaria	-3.7	4.3	4	3.8	3.3
Estonia	-1.3	8.1	4.4	3.7	3.2
Romania	-5.3	5.9	4.8	4.5	3.1
Latvia	-5.4	4.6	4.4	3.8	3.3
Czech Republic	-5.8	4.1	4.3	3.8	3
Slovenia	-8	7	4.4	3.9	3.1
Croatia	-8	6.4	4.9	4.2	3.4
Hungary	-1.3	7.1	4.9	4	3.2
Ukraine	-3.8	3.4	-29.1	Data is unavailable for public	Data is unavailable for public

According to Table 1.1 most of the countries mentioned saw a significant deterioration of the economic situation in 2020 due to the Covid-19 pandemic. The pandemic has caused disruptions to global supply chains, travel restrictions, quarantines and reduced consumer spending. This had a domino effect on economies around the world.

The largest economic decline in 2020 was observed in Slovakia (-5.3%), Slovenia (-8.0%), Croatia (-8.0%), Romania (-5.3%), Latvia (-5 .4%), Czech Republic (-5.8%). %). These countries have experienced more stringent quarantine measures, and the pandemic has severely impacted their dependence on tourism and greater industry concentration.

Smaller declines (2020): Poland (-2.8%), Lithuania (-0.9%), Hungary (-1.3%), Bulgaria (-3.7%), Estonia (-1.3%) , Ukraine (-3.8%). These countries introduced less restrictive measures and had more diversified economies, which helped them adapt more quickly to global changes. In 2021, all countries recorded a recovery in GDP growth, indicating economic recovery from pandemic restrictions. In Estonia, even impressive growth can be observed (8.1%).

The greatest economic downturn is observed in Ukraine in 2022 due to a full-scale invasion of Russia. The World Bank's confirmation of Ukraine's GDP contraction of -29.1% in 2022 paints a stark picture of the devastating economic consequences of the war.

The war in Ukraine has caused extensive damage to infrastructure, disrupting entire industries such as agriculture and manufacturing. Additionally, millions of Ukrainians have fled or been internally displaced, impacting the labor force and consumer spending. Blocked ports and damaged transport networks severely limit Ukraine's ability to export goods and import essential products. The ongoing conflict discourages investment and hinders economic recovery.Potential long-term impacts on Ukraine and the necessary responses:

- Reconstruction of infrastructure: rebuilding damaged infrastructure will be a huge undertaking requiring significant investment. According to the World Bank, the cost of reconstruction may reach $350 billion (Recovery and Reconstruction Framework).
- Loss of skilled labor: the displacement of millions of Ukrainians, including skilled workers, could hamper economic recovery. Policies that encourage refugees to return and resume training programs will be key.
- Debt burden: Ukraine's war-related debt is already significant. Dealing with this burden will require international financial assistance and debt restructuring.

In order to stabilize the economy, some major actions must be taken:

- International assistance: continued international financial assistance will be critical to Ukraine's economic recovery and economic recovery.
- Infrastructure investment: investment in rebuilding infrastructure, including transport and energy networks, is essential for long-term economic growth.

- Focus on key industries: focusing on revitalizing key industries such as agriculture and metallurgy will be crucial to job creation and export earnings.

Millions of Ukrainian refugees crossing into neighboring countries are straining social services and increasing competition for jobs and resources. However, some host countries are seeing temporary growth in certain sectors such as housing and transport. Sanctions imposed on Russia and disruptions in energy supplies have caused energy prices to skyrocket across Europe. This has an impact on businesses and consumers, leading to inflation and potentially hampering economic growth. The war has exacerbated existing supply chain disruptions caused by the pandemic, leading to shortages and rising prices for various goods. Many European countries are increasing defense spending, diverting resources from other sectors. War disrupts the world's food supply, impacting food security, especially in developing countries. The war is fueling global inflation, putting pressure on central banks to raise interest rates and potentially slowing economic growth. Overall, the war in Ukraine has significant economic consequences for the entire region, with Ukraine suffering the most devastating effects.

Rising wages, continued employment growth and a further slowdown in inflation are expected to increase household purchasing power in 2024 and 2025, boosting consumption. At the same time, the savings rate is expected to remain stable after this year's increase, slightly above the pre-pandemic average, preventing a stronger recovery in consumption. (UNDP, Assessment of the Impact of the War on Micro-, Small-, and Medium-sized Enterprises in Ukraine).

The difference in growth rates can be explained by a variety of factors, including the impact of the Covid-19 pandemic, which has disrupted global supply chains and reduced consumer demand, as well as geopolitical tensions such as the full-scale invasion of Ukraine, which has led to increased political uncertainty. and decreased investor confidence in the region. Despite these challenges, Central and Eastern European countries have made significant economic progress since the early 1990s through reforms and integration efforts, although persistent challenges such as poverty and inequality underscore the need for continued attention and reform. It is important to note that Central and Eastern European countries face a dual challenge regarding future growth opportunities. First, these countries face significant economic differences compared to their Western European counterparts. As of 2022, the average GDP per capita in the Central and Eastern European region was 57% of the euro area average, even after taking into account purchasing power parity (PPP) to mitigate the impact of price differences between countries. This highlights the clear economic gap that Central and Eastern European countries are trying to close as a long-term goal.

In the period 2019-2024, it can be said that the countries of Central and Eastern Europe (CEE) are actively working to create a business-friendly environment and support economic growth. Efforts have been made to leverage competitive advantages, implement institutional reforms, improve business conditions, optimize resource use, and improve macroeconomic and social fundamentals. Economic analysis and reporting have played a key role in identifying key growth drivers, including market access, resource availability, price competitiveness, sustainability of growth and the business environment.

However, despite progress, CEE countries continue to face challenges related to economic disparities compared to Western European counterparts, with GDP per capita remaining below the Eurozone average. Ongoing efforts are needed to address these challenges and bridge the economic gap as a long-term goal. (Thi, U.N.; Innovation and the Sustainable Competitive Advantage of Young Firms: A Strategy Implementation Approach).

Moving on, the global financial crisis prompted CEE nations to adopt a cautious economic strategy. This approach aimed at preventing financial destabilization, unsustainable debt accumulation, and safeguarding financial credibility and market competitiveness. The consequences of this strategy are evident in the varied economic performances across the region. (Gardo S., The impact of the global economic and financial crisis on Central Eastern and South-Eastern Europe). Hungary and Croatia, burdened by debt, have witnessed sluggish GDP growth over the previous decade, only marginally outpacing the Eurozone. In contrast, Latvia and Lithuania have experienced considerable fluctuations in yearly growth rates, ranging from a robust +11% to a challenging -18%.

Creating a business-friendly environment that fosters growth emerges as a highly effective solution, appealing to both domestic and international investors within the Central and Eastern European (CEE) countries. To propel development, these nations should leverage their existing and emerging competitive advantages. A concerted effort is needed to bolster growth potential through institutional reforms, improved business conditions, efficient resource development, and enhanced macroeconomic and social fundamentals. (OECD, Business Insights on Emerging Markets 2022)

Having personally contributed to the landscape of Central and Eastern Europe through diverse roles, including an English tutoring experience in Ukraine and serving as an international negotiator in Poland, I've gained valuable insights into the multifaceted dimensions of the CEE business milieu.

My journey as an English tutor in Ukraine allowed me to witness the resilience of the Ukrainian people in the face of challenges. When the full-scale invasion started, all teachers continued lessons via communication platforms. I brightly remember a story of the girl, who was a refugee from 2014 because she and her family previously lived in Donetsk, Ukraine. Finally, at the beginning of the full-scale invasion, my student was residing in Severodonetsk and had to flee again due to the russian attacks. Ukraine, with its rich history and recent geopolitical complexities, has shaped a distinctive business environment. The ongoing efforts to overcome economic hurdles, coupled with the aspiration for integration into global markets, reflect the dynamism inherent in the region.

Meanwhile, my role as an international negotiator in Poland gave me first-hand insight into the development of business relations in Central and Eastern Europe. As an important player in the region, Poland is actively engaged in international cooperation and economic development. This experience highlighted the importance of effective negotiation and cross-cultural understanding for successful business partnerships. European Union also serves as a great stimulus for widening business opportunities and opening new markets abroad, as it is easier to regulate taxes and bank operations.

1.3. Theoretical frameworks and concepts relevant to the business environment in the region

The situation is different for CEE countries because they are emerging economies, former communist countries, and need to catch up with developed countries. However, although the situation is common in all her CEE countries, a closer analysis reveals that they are not homogeneous.

They represent different business risks and opportunities (The Economist, 2014). Therefore, it is important for authorities who want to improve the regulatory environment for businesses to make comparisons with the regulatory environment of other countries.

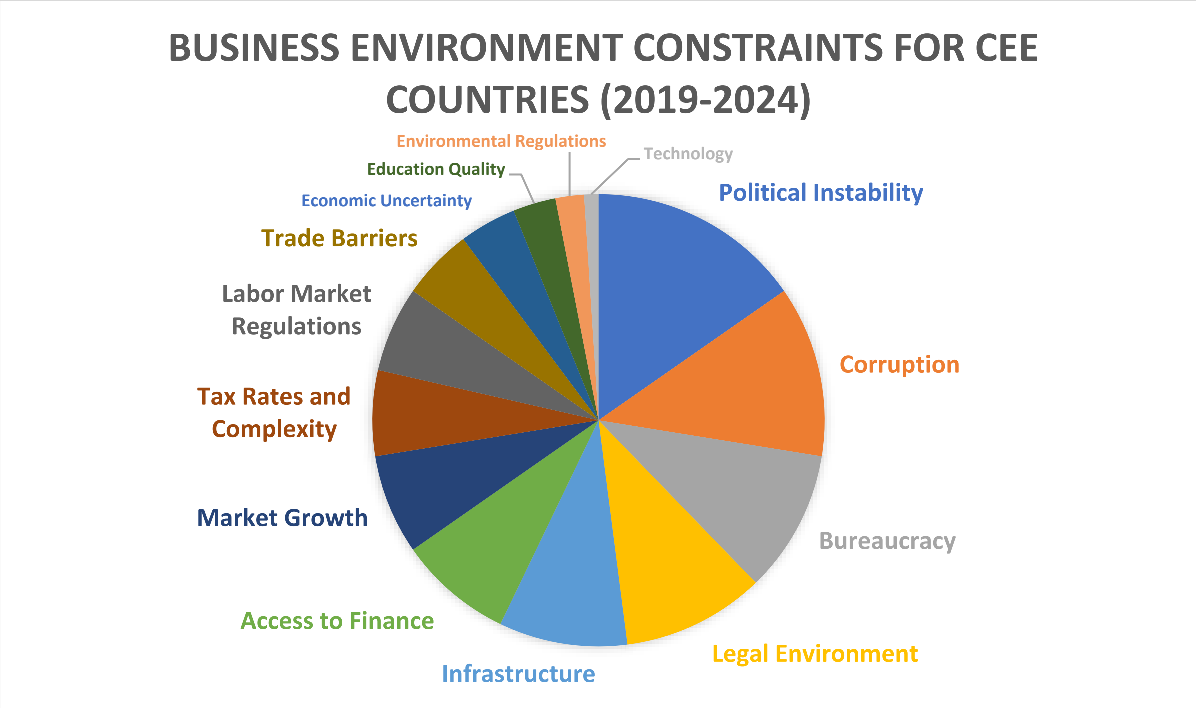

Figure 1.1. Business environment constraints for CEE countries (2019-2024). Source: Grieveson R., A new growth model in EU-CEE

Let us compare and analyze business environment constraints for CEE countries from the 2019-2024 period:

1. Political Instability/Crisis:

Political precariousness remains a critical concern, with 15% of respondents citing it as a key imperative. The political instability index has risen up to 5% in comparison to 2013. Typically, this is due to progressing geopolitical pressures, clashes, and vulnerabilities inside the locale. For example, the full-scale invasion in Ukraine, including the annexation of Crimea and the continuous strife within the eastern locales, has made noteworthy political flimsiness, driving concerns about broader territorial security and soundness. (Statement of the Ministry of Foreign Affairs of Ukraine)

2. Corruption:

Corruption is distinguished as another basic issue, with 12% of respondents highlighting it as a limitation. In numerous CEE nations, corruption is profoundly settled inside political and financial frameworks, ruining reasonable competition, preventing remote speculation, and undermining the run-the-law show. The problem has even increased on average from 2013, when it was only at the 4% level.

3. Bureaucracy/Tax rates:

Bureaucratic obstacles are an eminent concern, with 10% of respondents communicating dissatisfaction with authoritative forms. Intemperate bureaucracy, ruddy tape, and regulatory wasteful aspects increment the time and take a toll on doing trade, smothering enterprise, advancement, and financial development. However, the situation has significantly improved in the 10-year period, as the bureaucracy was the main business issue with 27%.

4. Legitimate and Administrative Environment:

The complexity and ampleness of the law and administrative system are too critical, with 10% of respondents showing it as a limitation. Conflicting requirements of laws, ambiguous regulations, and insufficient lawful securities can create instability for businesses, undermining financial specialist certainty and preventing advertisement advancement. Reinforcing legitimate teaching, upgrading administrative straightforwardness, and making strides in contract authorization components are essential to address these challenges.

5. Infrastructure:

Infrastructure issues are highlighted by 9% of respondents, recommending that inadequate infrastructure might obstruct commerce operations and financial improvement. Destitute transportation systems, lacking vitality supply, and inadequate broadcast communications framework constrain efficiency, increment coordination costs, and compel showcase to get to. Contributing to framework overhauls and modernization ventures is fundamental to back financial development, upgrade competitiveness, and pull in speculation within the locale.

Table 1.2. The ranking of CEE countries according to the ease of doing business indicator (2019-2024). Source: CES Working Papers

Economy	Global Rank	Starting a business	Dealing with construction permits	Registering property	Getting credit	Protecting minority investors
Lithuania	11	34	10	4	48	37
Estonia	18	14	19	6	48	79
Latvia	19	26	56	25	15	45
Slovenia	37	41	119	54	119	18
Poland	40	128	39	92	37	51
Czech Republic	41	134	157	32	48	61
Slovak Republic	45	118	146	8	48	88
Moldova	48	13	156	22	48	45
Croatia	51	114	150	38	104	37
Hungary	52	87	108	29	37	97
Romania	55	91	147	46	25	61
Bulgaria	61	113	43	66	67	25
Ukraine	64	61	20	61	37	45

As the table shows, the ranking of Central and Eastern European (CEE) countries according to the ease of doing business index for 2019-2024 provides interesting information about the business environment in the region. (Doing Business 2024).

Lithuania consistently ranks high in the CEE group, showing strengths in various indicators such as business start-up, property registration and contract enforcement. This indicates a relatively favorable business climate characterized by efficient business start-up processes and legal frameworks. Estonia's success in opening businesses, obtaining construction permits and obtaining electricity reflects its reputation as a technology country with streamlined bureaucratic procedures, particularly favorable to start-ups and innovative enterprises. Latvia ranks moderately in various indicators, with a clear advantage in property registration and resolution of bankruptcy cases. However, there are still problems with obtaining construction permits and obtaining electricity, which may hinder the development of infrastructure and enterprises' access to energy. Slovenia faces significant challenges in issuing construction permits, protecting minority investors and enforcing contracts, which may discourage foreign investment and hinder business development. However, it is exceptionally good at enforcing contracts, which is a testament to its strong legal system. Compared to other Central and Eastern European countries, Poland's rating is relatively low, mainly due to problems with starting a business and implementing contracts. However, it trades well across borders, likely due to its strategic geographic location and strong trade infrastructure. The Czech Republic faces significant obstacles in issuing construction permits and enforcing contracts, which may discourage potential investors. However, it is exceptionally good at resolving insolvency issues, pointing to a strong legal framework to deal with business failures. Slovakia is struggling with problems related to obtaining construction permits and enforcing contracts, which can make it difficult to run a business. Nevertheless, it receives electricity perfectly, which reflects successful efforts to develop infrastructure. Moldova is successfully opening businesses and obtaining electricity, but faces challenges in obtaining construction permits and resolving insolvency issues. However, its rating has improved over the years, reflecting efforts to improve the business environment. Croatia faces difficulties in issuing construction permits and enforcing contracts, which can make it difficult to conduct business. However, it is relatively good for starting a business and registering real estate. Hungary has problems obtaining construction permits and loans, which may hinder business development. However, it does an excellent job of enforcing contracts, pointing to a solid legal system for resolving disputes. Romania faces obstacles in obtaining construction permits and obtaining electricity, which may hamper infrastructure development and companies' access to energy. However, he is good at executing contracts and opening businesses. Bulgaria is struggling with problems in obtaining electricity and enforcing contracts, which may discourage investors. However, it is doing well in international trade, which proves its efficient customs procedures. Ukraine is struggling with starting a business and protecting minority investors, which could undermine investor confidence. Furthermore, difficulties in enforcing contracts and resolving insolvency issues may pose risks to the stability of the company.

Overall, although CEE countries offer various business opportunities, challenges still remain in some areas such as bureaucratic procedures, law enforcement and infrastructure development.

I would also like to showcase which factors have influenced the ease of doing business in these countries.

Table 1.3. Improving business conditions in CEE countries (2008-2014).

Source: Rusu V.D., Business environment in CEE countries

Country	Year	Reform
Ukraine	2009	Despite the challenges and political instability, Ukraine introduced electronic tax filing systems and measures to combat tax evasion, which helped to increase transparency and efficiency in tax collection.
Romania	2013	Romania strengthened its legal framework for secured transactions by allowing the automatic extension of security interests to the products.
Slovenia	2008	As a result of Euro adoption, the public credit registry from this country has increased the minimum loan requirement from 0 to 500 Euros.
Czech Republic	2009	This country made access to finance more difficult by decreasing secured creditors' rights during the reorganization procedure.
Latvia	2010	Latvia's access to credit information was improved by the fact that the new public credit registry started sharing data on loans.
Poland	2010	Poland improved access to credit with an amendment to the 1996 Act on Registered Pledges and the Pledges Register to allow all legal persons including foreign entities to have the capacity as a pledgee.
Estonia	2011	Estonia improved access to credit by amending the Code of Enforcement Procedure and allowing out-of-court enforcement of collateral by secured creditors.
Lithuania	2011	Lithuania's private credit bureau now collects and distributes positive information on borrowers
Bulgaria	2012	Bulgaria made access to credit information more difficult by stopping the distribution of credit reports to financial institutions by the private credit bureau (Experian).
Hungary	2012	Hungary reduced the amount of credit information available from private credit bureaus.

In conclusion, Table 1.3 indicates that the period from 2008 to 2013 saw a diverse range of reforms across Eastern European countries aimed at enhancing the business environment. Despite political challenges, countries like Ukraine made strides in combating tax evasion through the introduction of electronic tax filing systems, promoting transparency and efficiency in revenue collection. Meanwhile, others such as Romania, Latvia, and Poland focused on improving access to credit and strengthening legal frameworks for secured transactions, which can facilitate smoother business operations and encourage investment. (Rusu V.D., Business environment in CEE countries).

However, not all reforms were uniformly beneficial; for instance, Bulgaria's decision to restrict access to credit information could potentially hinder business growth by limiting financial transparency. Overall, these reforms highlight the region's commitment to fostering a more conducive environment for entrepreneurship and economic development, albeit with varying degrees of success and impact.

However, the overall level of the ten Central and Eastern European countries in terms of ease of doing business is relatively good and has remained at about the same level for the past two years without major imbalances.

I would like to suggest looking up more recent data (2019-2024) to compare these countries' changes and improvements in opening various entrepreneurship. During this period, countries in Eastern Europe continued to prioritize reforms aimed at improving the business environment, attracting investment, and fostering economic growth.

Table 1.4. Business reforms in CEE countries (2019-2024).

Source: Z. Wysokińska, Improving Business Environment in CEE Countries

Country	**Year**	**Improvement in Business Environment**
Ukraine	2019	Streamlined business registration process through the online platform, reducing time and costs.
Romania	2020	Implemented a single permit system for construction projects, simplifying the process.
Slovenia	2021	Introduced tax breaks for startups in specific technology sectors to encourage innovation.
Czech Republic	2022	Reformed insolvency laws to improve creditor rights and facilitate business restructuring.
Latvia	2023	Launched an online portal for resolving commercial disputes, expediting the process.
Poland	2024	Increased access to finance for small businesses through government loan guarantee programs.

Ukraine (2019): Simplifying the company registration process via an online platform can significantly reduce the time and costs associated with starting a business. This may make it easier for entrepreneurs to enter the market and stimulate economic activity.

Romania (2020): A single permit system for construction projects simplifies the process by eliminating the need to obtain multiple permits from different agencies. This reduces the administrative burden and speeds up project implementation, increasing the efficiency of construction work.

Slovenia (2021): Tax incentives for start-ups in certain technology sectors provide an incentive for entrepreneurs to invest and innovate in these areas. This could facilitate technological development and stimulate economic growth in these sectors.

Czech Republic (2022): Insolvency law reforms aimed at improving creditor rights provide better creditor protection in the event of company bankruptcy. Moreover, facilitating corporate restructuring through improved insolvency rules allows companies in trouble to potentially recover rather than simply go into liquidation.

Latvia (2023): Launch of an online portal for resolving commercial disputes, streamlining the process and potentially reducing costs associated with legal proceedings. This can make it easier and faster for companies to resolve disputes, minimizing disruption to their operations.

Poland (2024): Government loan guarantee programs can increase access to finance for small businesses. By reducing risk for lenders, these programs can encourage them to lend to smaller companies that may not have a long history or significant assets. This can provide crucial financial resources for the development of new businesses and job creation.

Making prognosis for future business implementations for CEE countries:

- Digitalization and e-government: governments have improved efforts to digitize public services and streamline bureaucratic processes to improve efficiency and transparency for businesses.
- Regulatory reforms: efforts are underway to simplify regulations, reduce red tape and make it easier to do business to attract more investment

and encourage entrepreneurship.

- Access to finance: countries have worked to improve access to credit for businesses, especially small and medium-sized enterprises (SMEs), through actions such as strengthening credit reporting systems and expanding financial inclusion initiatives.
- Legal frameworks: reforms to strengthen the legal framework for secured transactions, contract enforcement and property rights have been identified as a priority to provide greater certainty and protection for investors and businesses.
- Infrastructure development: investment in infrastructure, including transport, energy and digital infrastructure, aims to improve connectivity and promote trade and economic growth.
- Innovation and technology: policies promoting innovation, research and development and the digital economy have been implemented to promote competitiveness and productivity growth in Eastern European countries. (Myszkowska M., The competitiveness landscape in Central and Eastern Europe).

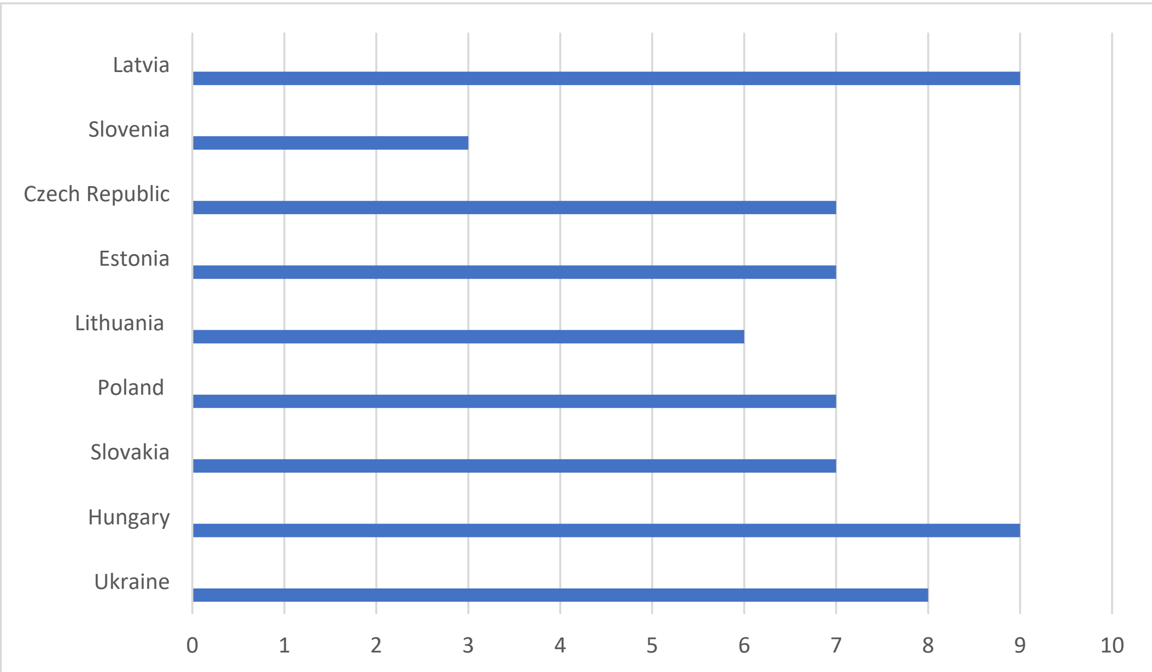

Fig. 1.2. The value of legal rights index in CEE countries (2022). Source: World Development Indicator

Figure 1.2 shows that the legal rights index is high in eight out of ten countries. The best values of this indicator were recorded in Ukraine, Hungary, Romania and Latvia. This fact shows that in these countries, security and bankruptcy laws are aimed at increasing access to credit.

Ukraine's Legal Rights Index score of 8 indicates a relatively strong legal framework for protecting property rights and enforcing contracts. This could mean improving Ukraine's legal system, potentially increasing investor confidence and business stability.

Hungary's high Legal Rights Index score (9) reflects a strong legal environment, indicating strong property rights protection and contract enforcement. This assessment shows that Hungary maintains a favorable legal framework for business, promoting investment and economic growth.

The Slovak property rights index (7 points) indicates a moderate level of legal protection of property rights and contract enforcement. Although not as high as some other countries in the region, Slovakia maintains a stable legal environment conducive to doing business.

Poland ranks 7th on the Legal Rights Index along with Slovakia, indicating a similar level of legal protection of property rights and contract enforcement. This assessment shows that Poland has a stable and predictable legal system that supports business and economic development.

Lithuania's Legal Rights Index score of 6 indicates a slightly lower level of legal protection compared to some other Central and Eastern European countries. Although Lithuania still shows a fairly strong legal environment, there may be areas where Lithuania could improve legal protection to further increase business confidence and attract investment.

The Estonian Legal Rights Index shares 7 points with Slovakia and Poland, indicating a similar level of legal protection of property rights and contract enforcement. Estonia's high rating reflects its reputation as a country with a transparent and effective legal system that supports business and innovation.

The Czech Republic also ranks 7th in the Legal Rights Index along with several other Central and Eastern European countries, indicating a stable legal environment. This assessment shows that the Czech Republic maintains adequate legal protection of property rights and contract enforcement, which affects its investment attractiveness.

Slovenia's relatively low score on the property rights index (3) indicates potential problems in the legal protection of property rights and contract enforcement. The significantly lower score compared to other countries in the region may indicate that the Slovenian legal framework needs improvement to increase business confidence and attract investment.

Latvia has a similar Legal Rights Index score of 9 to Hungary, indicating a strong legal framework for protecting property rights and enforcing contracts. This high score indicates that Latvia maintains strong legal protection, contributing to a favorable environment for business and economic growth.

Overall, Legal Rights Index scores provide insight into the strength of legal frameworks in CEE countries, with higher scores indicating better legal protection of property rights and contract enforcement. Countries with higher scores are usually more attractive to investors due to their stable legal environment and reduced business risks. Going forward, the study of domestic credit to the private sector is a key indicator for assessing the business environment.

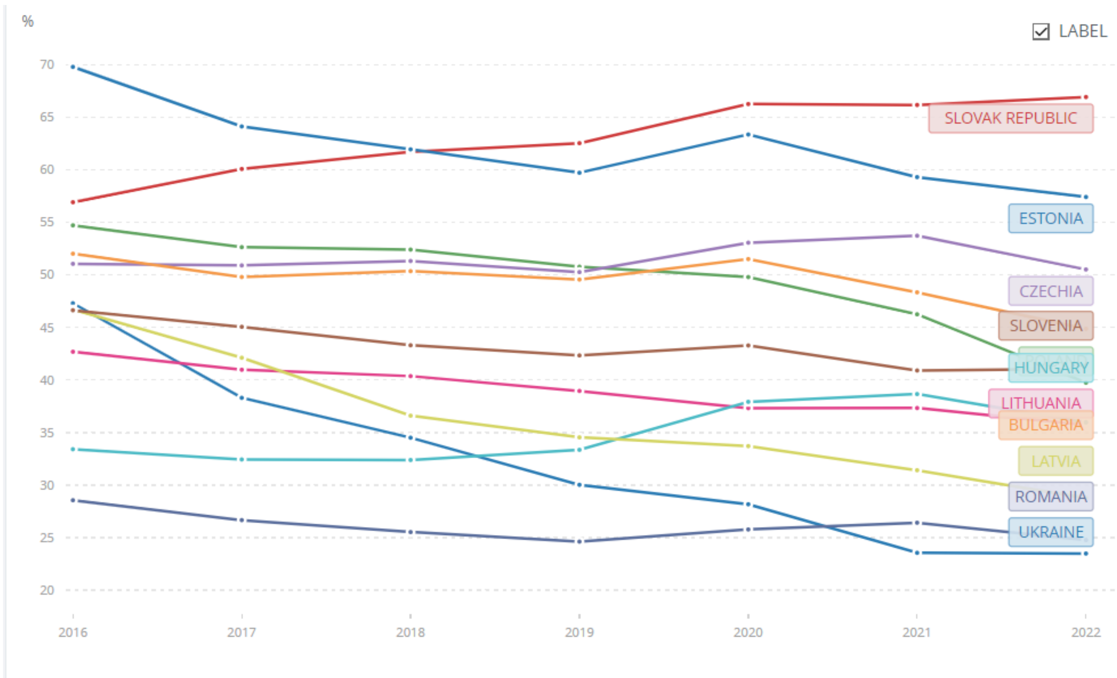

Figure 1.3. The value of Domestic credit to private sector index (% of GDP), 2016-2022. Source: World Bank

This indicator covers financial support, including loans and non-equity securities, provided to the private sector by financial institutions such as banks and other financial institutions. It is quantified as a percentage of Gross Domestic Product (GDP). A higher value of this indicator means increased financial resources directed to the private sector, creating a more favorable environment for the development and expansion of the private sector. A robust private sector typically contributes to the overall health and development of a country's economy.

In the emerging and developing economies of Central and Eastern Europe (CEE), there has been a noticeable decline in lending dynamics compared to the rest of the European Union. These countries initially experienced significant inflows of foreign funds and cross-border loans before the financial crisis. However, as the crisis unfolded, lending growth declined sharply and the situation has not yet fully recovered.

A higher value suggests an environment that is more conducive to private sector development and growth as companies have increased financial resources at their disposal. Despite these differences, all Central and Eastern European countries must continue efforts to improve this indicator, recognizing its key role in creating an environment conducive to the development of the private sector. (Goncalves, Marcus & Cornelius Smith, Erika. Central and Eastern European Economies: Perspectives and Challenges)

In Poland, Lithuania, Hungary, the Czech Republic and Slovakia there was a significant increase in the rate during this period.

This result is attributed to factors such as:

• Economic growth: As the economy grows, demand for loans from businesses and individuals usually increases.

• Government policy: Some governments encourage lending by providing incentives to banks or relaxing regulations.

• Financial development: A more developed financial sector can improve access to credit and encourage borrowing.

CHAPTER 2. STUDY OF MANUFAKTURARAM INC.

2.1. Analysis of the company's activities, structure, and business operations

Manufakturaram company is a family-owned partnership that was established in 1993. It has since become a prominent player in the manufacturing industry of wooden items. The enterprise's form of ownership is a partnership, with familial leadership at its core. With approximately 50 dedicated workers, the company operates with a simple yet effective management system. The husband and wife duo serve as the owners and CEOs, while their son-in-law and daughter hold key positions as CFOs. This familial leadership structure fosters a sense of cohesion and commitment within the organization.

Manufakturaram company operates with a considerable degree of independence, allowing it to make agile and strategic decisions that align with both customer demands and ethical standards. The company diligently complies with all state requirements and regulations, ensuring that its activities are in full alignment with legal and ethical standards.

The mission of Manufakturaram company is to provide high-quality, customized frames, mirrors, and wooden lamellas to customers both in Poland and abroad. Manufakturaram company takes the responsibility to uphold strict quality standards, ensure that its products meet or surpass customer expectations, and maintain open communication with clients. The company is committed to recognizing its own mistakes and addressing them promptly and effectively.

The enterprise specializes in the manufacturing of frames, mirrors, and wooden lamellas, offering a wide range of customization options to cater to individual tastes and requirements. This commitment to principles such as product customization, product quality, exceptional customer service, and accessible pricing has resulted in a loyal customer base. Many clients return to Manufakturaram company for additional orders, which is a testament to the success of the company's mission and dedication to its core values.

Manufakturaram company specializes in the production of frames, mirrors, and wooden lamellas, which form the core of its economic activity.

“Companies should focus on one of three value disciplines: operational excellence, product leadership, or customer intimacy.” (Osterwalder, Pigneur, 2010).

The company's dominant business operations revolve around product production and customization, quality control, a strong focus on customer service, and the ability to offer competitive pricing without compromising on product quality. While the primary market is in Poland, the company actively engages in international trade, delivering its high-quality products to European countries, particularly Ukraine. The company also has its retail store in Lviv, Ukraine.

Manufakturaram company operates within the regulatory framework of Poland, ensuring strict adherence to all relevant laws and regulations. The company's commitment to ethical and legal practices has contributed to its domestic and international recognition.

The husband and wife owners are the central decision-makers and serve as the CEOs of the company. They work in tandem with their son-in-law and daughter, who hold key positions as CFOs. This familial leadership structure fosters a sense of cohesion and commitment within the organization. They have the authority to make strategic decisions that align with the company's mission and values.

Manufakturaram company's organizational structure is designed to promote efficiency and effective decision-making. Key departments include production, marketing, research and development, finance, and international relations. Each department has a distinct role and functional responsibilities, which are clearly defined through job descriptions and contracts.

To analyze the business activity of Manufakturaram Company, a comprehensive examination of the company's financial and economic activities is imperative. This analysis encompasses a review of the revenue sources and expenditure patterns, allowing us to understand the financial health of the company. Additionally, I will assess economic indicators, such as growth rates and profitability margins.

Table 2.1. Balance sheet (29th October 2023). Source: Balance sheet of Manufakturaram company.

Assets	Amount in PLN (zł)
Current Assets:	
Cash	4,596,341.54
Accounts Receivable	500,000.00
Inventory	300,000.00
Prepaid Expenses	50,000.00
Short-term Investments	75,000.00
Total Current Assets	5,521,341.54
Fixed (Long-Term) Assets:	
Long-term Investments	200,000.00
Property, Plant, and Equipment	1,500,000.00
Intangible Assets	150,000.00
Total Fixed Assets	1,600,000.00
Total Assets	**7,121,341.54**
Liabilities:	
Current Liabilities:	
Accounts Payable	1,000,000.00
Short-term Loans	500,000.00
Income Taxes Payable	100,000.00
Accrued Salaries and Wages	150,000.00
Current Portion of Long-term Debt	50,000.00
Total Current Liabilities	1,875,000.00
Long-Term Liabilities:	
Long-term Debt	600,000.00
Deferred Income Tax	75,000.00
Total Long-term Liabilities:	**675,000.00**
Owner's Equity:	
Owner's Investment	3,000,000.00
Retained Earnings	596,341.54
Total Owner's Equity	3,596,341.54
Total Liabilities and Owner's Equity	**7,196,341.54**

From Table 2.1 we are able to observe the inventory value is 300,000 PLN, which might be a significant portion of the current assets. The business is efficiently managing its inventory, leading to high sales turnover. However, high inventory levels can also indicate overstocking, leading to storage costs and potential obsolescence. Short-term investments are only 75,000 PLN, suggesting the business might be focused on short-term operational needs rather than long-term wealth generation. The owner's investment is 3,000,000 PLN, constituting a significant portion of the total equity. This suggests the owner is heavily involved in the business and may have contributed a substantial amount of capital.

Overall, the balance sheet suggests a financially stable company with positive net assets, good liquidity, and moderate debt levels. However, the high inventory levels and limited short-term investments require further investigation to understand their either positive or negative impact on operations.

Moving on, Manufakturaram company prides itself on upholding stringent quality standards in the manufacturing of frames, mirrors, and wooden lamellas. The use of high-quality materials and exceptional craftsmanship results in products that meet or even exceed customer expectations. The company's commitment to quality assurance not only sets it apart but also cultivates a loyal customer base, as customers trust the durability and aesthetics of its products.

2.2. Research of cultural, economic, and legal aspects in Central and Eastern Europe

The cultural diversity of Central and Eastern Europe (CEE) is a testament to centuries of historical influences and migrations. Ethnic minorities and linguistic variations contribute to the region's rich tapestry of traditions and identities. As historian Norman Davies asserts, "The history of Central and Eastern Europe is as much about diversity as it is about unity." (Davies N., "Europe: A History"). Understanding these nuances is crucial for navigating the region's business environment and fostering successful partnerships.

In Poland, for instance, business culture often emphasizes strong interpersonal relationships and loyalty. Historically rooted in the concept of "polskość" (Polishness), business dealings are often conducted with a focus on trust and mutual respect. As outlined by sociologist Piotr Sztompka, "Poland's business culture is characterized by a blend of pragmatism and national pride, with an emphasis on building long-term relationships and honoring commitments. (Sztompka P., Trust: A Sociological Theory). This emphasis on personal connections and reliability shapes the way business is conducted, influencing negotiation styles and decision-making processes.

In Ukraine, business culture reflects a complex interplay of historical, political, and economic factors. The legacy of Soviet-era bureaucracy and informal networks continues to influence business practices, with an emphasis on personal connections and informal arrangements. As economist Anders Aslund notes, "Ukraine's business culture is characterized by a blend of resilience and adaptability, with entrepreneurs navigating a landscape marked by regulatory uncertainties and institutional weaknesses." (Aslund A., How Capitalism Was Built: The Transformation of Central and Eastern Europe, Russia, and Central Asia). Despite these challenges, Ukraine's business culture also exhibits a strong entrepreneurial spirit and a willingness to seize opportunities in a dynamic environment.

Navigating cultural differences and understanding local business customs is essential for building successful ventures in CEE. Whether in Poland, Ukraine, or elsewhere in the region, cultural sensitivity and adaptability are key assets for fostering effective collaborations and achieving mutual success.

Drawing from personal experience, I have worked as an English tutor in Ukraine at the educational center 'Cactus,' where I witnessed firsthand the importance of interpersonal relationships and adaptability in the Ukrainian business environment. Additionally, my role as an international negotiator in Poland at the manufacturing company 'Manufakturaram' highlighted the significance of trust and long-term commitments in Polish business dealings.

The economic trajectories of CEE countries have been shaped by diverse historical experiences and policy choices. Poland's successful transition from a centrally planned to a market-oriented economy has been widely studied as a model of reform. Economist Leszek Balcerowicz's "shock therapy" approach, characterized by rapid liberalization and stabilization measures, is credited with laying the groundwork for Poland's economic transformation. (Sztompka P., Society in Action: The Theory of Social Becoming).

In Ukraine, however, economic transitions have been more turbulent, marked by systemic inefficiencies, corruption, and political instability. Economist Anders Aslund observes, "Ukraine's economic challenges are rooted in deep-seated structural weaknesses, including oligarchic control, regulatory capture, and weak rule of law." (Aslund A., Ukraine: What Went Wrong and How to Fix It). Despite significant natural and human resources, Ukraine's economic potential has been hindered by governance deficits and external pressures.

The establishment of transparent, accountable, and independent legal systems has been a central objective of post-communist reforms in CEE. In Poland, efforts to strengthen the rule of law have been accompanied by constitutional revisions and judicial reforms. Legal scholar Wojciech Sadurski highlights the importance of constitutional safeguards and judicial independence in preserving democratic principles and the rule of law. (Sadurski W., Poland's Constitutional Breakdown).

In contrast, Ukraine has grappled with persistent challenges related to judicial independence, corruption, and political interference. The European Commission's progress reports on Ukraine's Association Agreement emphasize the need for comprehensive judicial reforms and anti-corruption measures. Legal scholar Maryna Stavniichuk underscores the complexities of legal transformation in Ukraine, stating, "Reforming the judiciary requires not only legislative changes but also a cultural shift towards greater transparency, accountability, and integrity." (Stavniichuk M., Judicial Reform in Ukraine: Building Integrity and Accountability).

The legal framework for doing business in the European Union (EU) is primarily governed by EU law, which harmonizes regulations across member states to create a single market (Doing business in the European Union). The European Court of Justice serves as the highest judicial authority in matters of EU law, ensuring the uniform interpretation and application of EU regulations across member states (Legal form of enterprise). Additionally, businesses operating in the EU must comply with national laws and regulations of individual member states, which may vary in certain aspects such as taxation, employment law, and corporate governance (Eli-Unidroit model European rules of civil procedure). Cross-border trade within the EU is facilitated by the principle of free movement of goods, services, capital, and labor, allowing businesses to expand their operations across borders with relative ease. The EU also provides mechanisms for dispute resolution, including the European Commission's Directorate-General for Competition, which investigates antitrust violations, and the European Court of Human Rights, which adjudicates cases related to human rights violations. Compliance with EU regulations is crucial for businesses seeking to access the EU market and benefit from the advantages of a unified regulatory framework, such as access to over 500 million consumers (EU business demography statistics). EU initiatives such as the Digital Single Market and the European Green Deal further shape the legal landscape for businesses, promoting innovation, sustainability, and digital transformation. Businesses operating in the EU must also adhere to strict standards of corporate governance, transparency, and accountability, as outlined in directives such as the Shareholder Rights Directive and the Non-Financial Reporting Directive (Fundamental Right Report). Overall, navigating the legal aspects of doing business in the EU requires a comprehensive understanding of EU law, national regulations, and industry-specific requirements, along with a commitment to compliance and ethical business practices.

Ukraine's legal framework for doing business is governed by national laws and regulations, which have undergone significant reforms in recent years to align with European standards and promote investment. The Constitution of Ukraine guarantees property rights, contract enforcement, and judicial protection, providing a foundation for business activities within the country. However, challenges persist in areas such as corruption, bureaucratic inefficiencies, and judicial independence, which can impact the ease of doing business and create risks for investors (Quick Recovery of Ukraine). Ukrainian business law covers a wide range of areas, including corporate governance, taxation, labor relations, intellectual property rights, and competition law, among others. The State Regulatory Service of Ukraine oversees the regulatory environment for businesses and is responsible for implementing reforms to simplify procedures and reduce administrative burdens (Consumer Protection Laws and Regulations Ukraine 2023-

2024). Foreign businesses operating in Ukraine must navigate the complexities of international trade regulations, customs procedures, and investment laws, which can vary depending on the sector and jurisdiction (OECD). Ukraine is also party to various international agreements and treaties, which may affect the legal framework for specific industries or cross-border transactions. Dispute resolution mechanisms in Ukraine include both judicial and alternative methods, such as arbitration and mediation, although the effectiveness of the judicial system is a subject of concern (Mediation Law). Recent initiatives aimed at improving the business climate in Ukraine include the establishment of specialized anti-corruption bodies, the introduction of e-government services, and efforts to streamline regulatory processes. Despite ongoing challenges, Ukraine offers opportunities for businesses in sectors such as agriculture, IT outsourcing, energy, and infrastructure development, with potential for growth and profitability in a dynamic market environment.

While working as an English tutor in Ukraine at the educational center 'Cactus,' where I witnessed firsthand the importance of interpersonal relationships and adaptability in the Ukrainian business environment. Additionally, my role as an international negotiator in Poland at the manufacturing company 'Manufakturaram' highlighted the significance of trust and long-term commitments in Polish business dealings. Moreover, my exposure to legal frameworks during negotiations in Poland underscored the necessity for a solid understanding of national and EU regulations, especially in matters concerning contracts and international trade agreements.

In conclusion, the cultural, economic, and legal dynamics in Central and Eastern Europe reflect a complex interplay of historical legacies, socio-economic transitions, and European integration. Understanding these dynamics requires a nuanced approach that takes into account the diverse experiences and aspirations of individual countries, while also recognizing the broader trends and challenges shaping the region's trajectory.

2.3. Assessment of the company competitiveness

The competitiveness of a company is a multifaceted concept that encompasses various dimensions, including market positioning, operational efficiency, innovation, and strategic management.

Market positioning plays a pivotal role in determining a company's competitiveness in the business landscape. Manufakturaram Company operates in the manufacturing sector, specializing in the production of frames, mirrors, and wooden lamellas. Its market positioning is characterized by a diversified product portfolio catering to both domestic and international markets. According to Kotler and Armstrong (2020), effective market positioning involves creating a distinct image and identity for the company's products or services in the minds of consumers, thereby differentiating them from competitors. (Kotler, P., & Armstrong, G., Principles of Marketing).

Operational efficiency and productivity are critical drivers of competitiveness, enabling companies to optimize resources and deliver value to customers cost-effectively. The information provided in this chat indicates that Manufakturaram Company has demonstrated improvements in production volume, fixed assets, inventory turnover, and financial performance over the reporting periods. Such enhancements underscore the company's commitment to operational excellence and its ability to adapt to changing market dynamics (Hitt, M. A., Strategic Management: Concepts and Cases).

Innovation is a cornerstone of competitiveness, empowering companies to stay ahead of the curve and meet evolving customer demands. Manufakturaram's integration of e-commerce platforms and adoption of technological advancements, as discussed in the chat, exemplify its proactive approach to innovation. According to Tidd and Bessant (2018), innovation encompasses not only the development of new products or services but also process improvements, business model innovations, and organizational changes aimed at enhancing competitiveness. (Tidd, J., Managing Innovation: Integrating Technological, Market, and Organizational Change).

Strategic management plays a crucial role in shaping a company's competitive advantage and long-term sustainability. Manufakturaram's strategic choices, such as diversifying product lines, expanding into international markets, and investing in e-commerce integration, reflect a proactive approach to market expansion and growth. Fred David emphasizes the importance of strategic planning in guiding organizational decisions and aligning resources with market opportunities to enhance competitiveness.

The assessment of Manufakturaram Company's competitiveness reveals a multifaceted landscape characterized by market positioning, operational efficiency, innovation, and strategic management. By leveraging its diversified product portfolio, operational improvements, and strategic initiatives, the company has established itself as a formidable player in the manufacturing sector. However, continuous vigilance and adaptation to evolving market trends and competitive pressures are essential to sustain and enhance its competitive advantage in the dynamic business environment of Central and Eastern Europe.

2.4.Analysis of the challenges and opportunities in doing business in Central and Eastern Europe

In essence, the CEE nations should aim to optimize returns from their assets while mitigating development impediments. The Economic Scorecard report analyzes five pivotal determinants for regional growth, represented in Graph 2 and encapsulated by the following indices:

1. Access to Markets Index: evaluating access to global and domestic markets.
2. Resources for Growth Index: assessing the transformative potential of people, capital, and knowledge.
3. Cost Competitiveness Index: examining the relationship between labor cost and quality.
4. Growth Sustainability Index: gauging the financial, political, and environmental sustainability of rapid GDP growth.
5. Business Environment Index: appraising institutions, tax systems, infrastructure, and overall economic transparency.

Fig. 2.1. Conditions for growth in CEE countries. Source: Economic Scorecard

Analyzing the graph, we are able to point out that the Access to Markets Index is a composite measure consisting of two equally weighted sub-indexes:

1. Access to Global Markets encompasses participation in regional trade blocs, policies affecting free trade, the diversification of the export mix, and the level of integration into the global value-added chain.

2. Domestic Market Dynamics are aligned with the average rate of market growth over the last decade.

The Access to Global Markets is marginally lower than in Northern Europe but surpasses Southern Europe. This positioning gives CEE countries a considerable advantage over current Emerging Markets. Slovakia and Poland emerge as top performers in terms of market access. On average, the CEE region presents a higher investment attractiveness than Northern Europe, significantly outperforms Southern Europe, and is only slightly surpassed by Emerging Markets. The Access to Markets Index measures how open and accessible a country's markets are to international trade and investment. The graph shows that the CEE North countries generally have higher Access to Markets Index scores than the CEE South countries. This suggests that the CEE North countries are more integrated into the global economy and have more open markets.

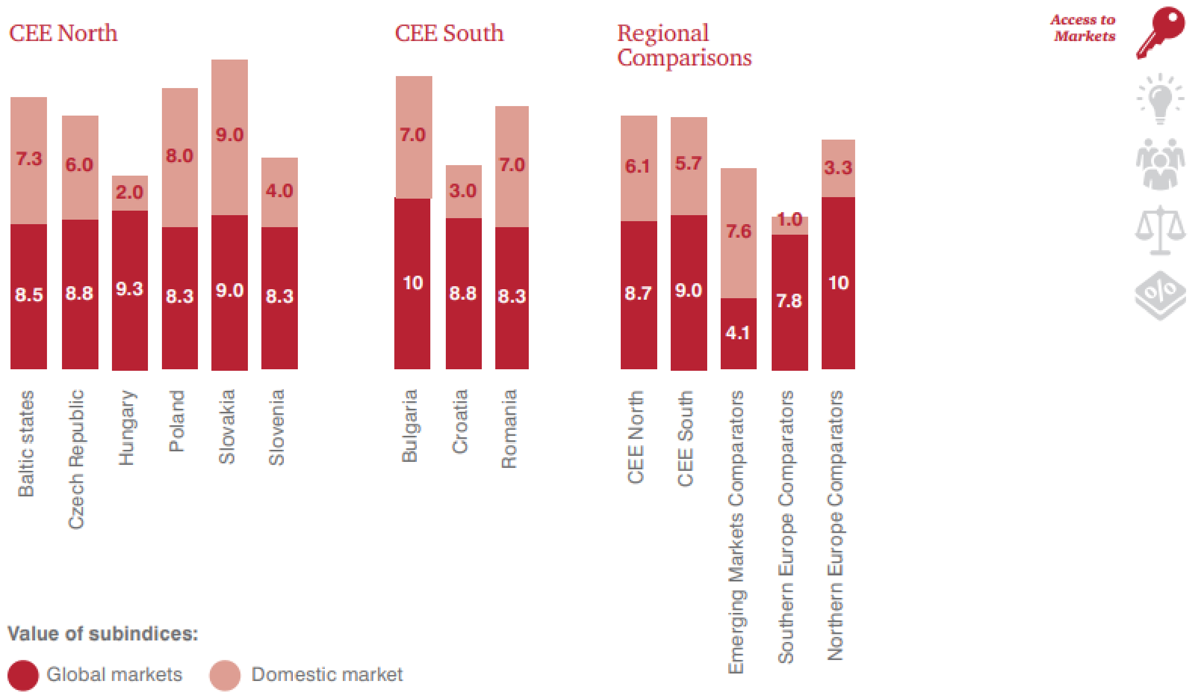

Fig. 2.2. Access to Markets Index. Source: Economic Scorecard

The graph visually represents the Access to Markets Index in the last decade. Notably, CEE's access to global markets, in both the CEE North and CEE South subregions, is well-established. This is primarily attributed to EU membership, ensuring a comprehensive and unrestricted connection with the world's largest trading block. The region exhibits a high level of integration into the global value-added chain, characterized by substantial foreign direct investment (FDI) primarily held by multinational corporations, indicating significant potential for future development. (Trade agreements and economic theory).

The CEE North countries with the highest Access to Markets Index scores are Slovenia, Estonia, and the Czech Republic. These countries have all made significant progress in liberalizing their economies and integrating with the European Union.

The CEE South countries with the lowest Access to Markets Index scores are Bulgaria, Romania, and Croatia. These countries have made some progress in opening their markets, but they still face challenges such as corruption and bureaucracy.

The gap between the CEE North and CEE South countries has narrowed somewhat since 2003. This suggests that the CEE South countries are making progress in opening their markets.

Overall, the graph shows that the CEE countries have made significant progress in opening their markets to international trade and investment. However, there are still some challenges that need to be addressed, such as reducing corruption and bureaucracy. In summary, the Access to Markets Index in the CEE region boasts a higher value compared to all other discussed areas. Within the CEE North subregion, Slovakia and Poland exhibit particularly elevated scores, while in the CEE South subregion, Bulgaria emerges as the top performer. Hungary, Croatia, and Slovenia receive the weakest scores in this index.

If we consider the 2019-2024 period, the CEE North countries generally continued to maintain higher Access to Markets Index scores compared to the CEE South countries. This suggests that the CEE North countries remained more integrated into the global economy and had more open markets. (Zavodna K., 100 most important trends in the CEE economies).

Slovenia, Estonia, and the Czech Republic likely continued to have some of the highest Access to Markets Index scores among CEE North countries. These countries likely continued to make progress in liberalizing their economies and further integrating with the European Union.

CEE South countries such as Bulgaria, Romania, and Croatia likely still faced challenges in achieving higher Access to Markets Index scores. While they may have made some progress in opening their markets, issues like corruption and bureaucracy may have persisted and hindered their efforts.

The gap between the CEE North and CEE South countries may have continued to narrow during the 2019-2024 period, indicating that CEE South countries were making gradual progress in opening their markets.

Overall, it can be concluded that CEE countries likely continued to make strides in opening their markets to international trade and investment during the 2019-2024 period. However, challenges such as corruption and bureaucracy may have persisted and required ongoing efforts to address them.

I’d also like to separately describe up-to-date information in Ukraine. According to the World Bank in Ukraine, following nearly two years of conflict, Russia's invasion of

Ukraine stands as a tragic event with profound and widespread human and economic consequences. The impact on Ukraine has been immense, resulting in staggering losses for both its people and economy. The invasion has reversed 15 years of development progress, leading to increased poverty, with an additional 7.1 million Ukrainians now finding themselves in impoverished conditions.

Table 2.2. General economic figures of Ukraine, 2022. Source: World Bank

UKRAINE	**2022**
Population, million	43.5
GDP, current US$ billion	155.4
GDP per capita, current US$	3,568.5
Life Expectancy at Birth, year	69.6

The repercussions extend beyond Ukraine, exerting a detrimental influence on the global economy. The invasion exacerbates issues such as global hunger, inflation, and geopolitical tensions. Despite these challenges, the government and citizens of Ukraine have displayed remarkable resilience in the face of devastation. (Ozili P.K., Global Economic Consequence of Russian Invasion of Ukraine).

Looking ahead, there are signs of economic recovery. Ukraine's economy is expected to grow by 3.5% in 2024, marking a positive turn after experiencing a contraction of nearly 30% in 2022-2023. This resurgence is attributed to various factors, including ongoing donor support, a more stable electricity supply, increased government spending, a favorable harvest, and the rerouting of some exports through the country's western borders. Despite the progress, the lasting impact of the invasion continues to cast a shadow on both Ukraine and the broader global landscape. Continued social support is crucial for households facing vulnerability. The primary sources of income for the poorest 40% of individuals are pensions and social assistance, constituting over 70% of their total income.

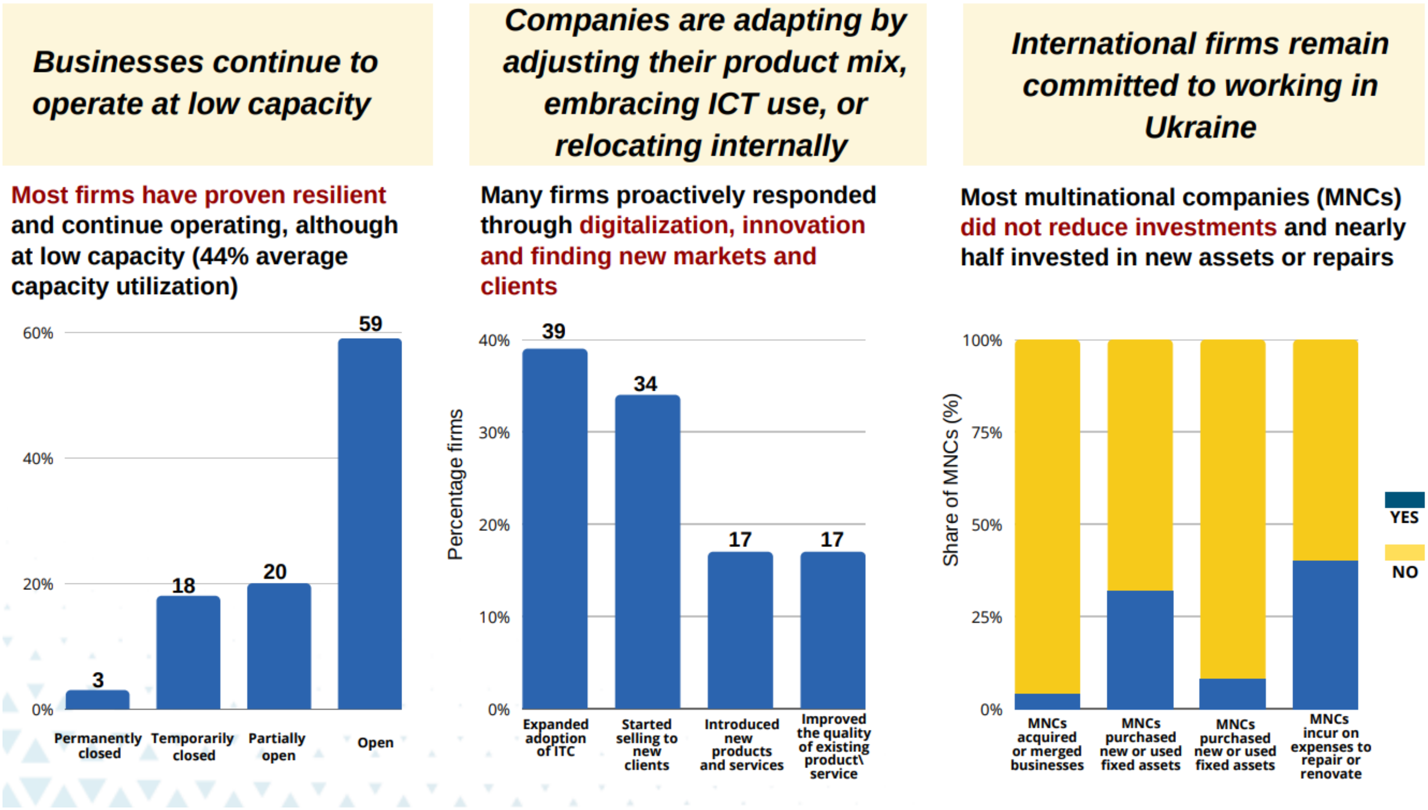

Fig. 2.3. Business operation in Ukraine in 2022-2024. Source: World Bank, 2023

Educational institutions are maintaining their operations, ensuring that education persists for children aged 6-18. This includes in-person, remote, or blended learning, even in regions facing hostilities. Health clinics remain operational, with a reported 9 out of 10 individuals affirming the accessibility of community health clinics. Even in regions under hostilities, 8 out of 10 people attest to the continued functioning of these clinics.

Companies are responding to challenges by adapting their strategies. This includes adjusting product offerings, embracing Information Technology and Communication (ITC) tools, and implementing internal relocations. Despite challenges, international firms express their commitment to operating in Ukraine.

CHAPTER 3. METHODS OF BUSINESS PRACTICES IMPROVEMENT IN CENTRAL AND EASTERN EUROPE

3.1. Recommendations and implications for future practices in the Central and Eastern Europe

Central and Eastern Europe (CEE) has undergone significant changes since the fall of communism, moving towards market-based economies and democratic societies. As the region continues to develop, it faces both challenges and opportunities in achieving sustainable development.

This chapter focuses on key areas such as innovation, regional cooperation, sustainable development, education, governance, infrastructure, economic diversification, EU integration, social inequality, and resilience, and provides recommendations for future practice in CEE.

Innovation and technology play a key role in driving economic growth and competitiveness in CEE. By investing in innovation ecosystems, supporting start-ups, and promoting research and development (R&D) initiatives, CEE countries can increase productivity and create new opportunities for sustainable development. (Infrastructure Investment Trends in Central and Eastern Europe)

Table 3.1. R&D Expenditure in CEE Countries. Source: Eurostat, 2021

Country	**R&D Expenditure (% of GDP)**
Poland	1.02
Czech Republic	2.16
Hungary	1.38
Slovakia	0.91
Romania	0.5
Ukraine	0.79

Table 3.1. illustrates the percentage of gross domestic product (GDP) that each country in Central and Eastern Europe (CEE) allocates to research and development expenditure. Comparing the R&D expenditure across these CEE countries reveals

varying levels of investment in innovation and technology. While the Czech Republic leads with 2.16% of GDP allocated to R&D, followed closely by Hungary at 1.38%, other countries such as Poland, Slovakia, Romania, and Ukraine allocate lower percentages, ranging from 0.5% to 0.91%.

This discrepancy in R&D expenditure reflects differences in priorities, resources, and institutional capacities across CEE countries. It underscores the importance of enhancing investment in innovation and technology to drive sustainable development and foster competitiveness in the region.

In order to recognize potential areas for improvement and collaboration, CEE countries should learn from each other's experiences and best practices in promoting R&D activities. By increasing investment in research and development, this region is able to unlock its innovation potential, stimulate economic growth, and address pressing societal challenges.

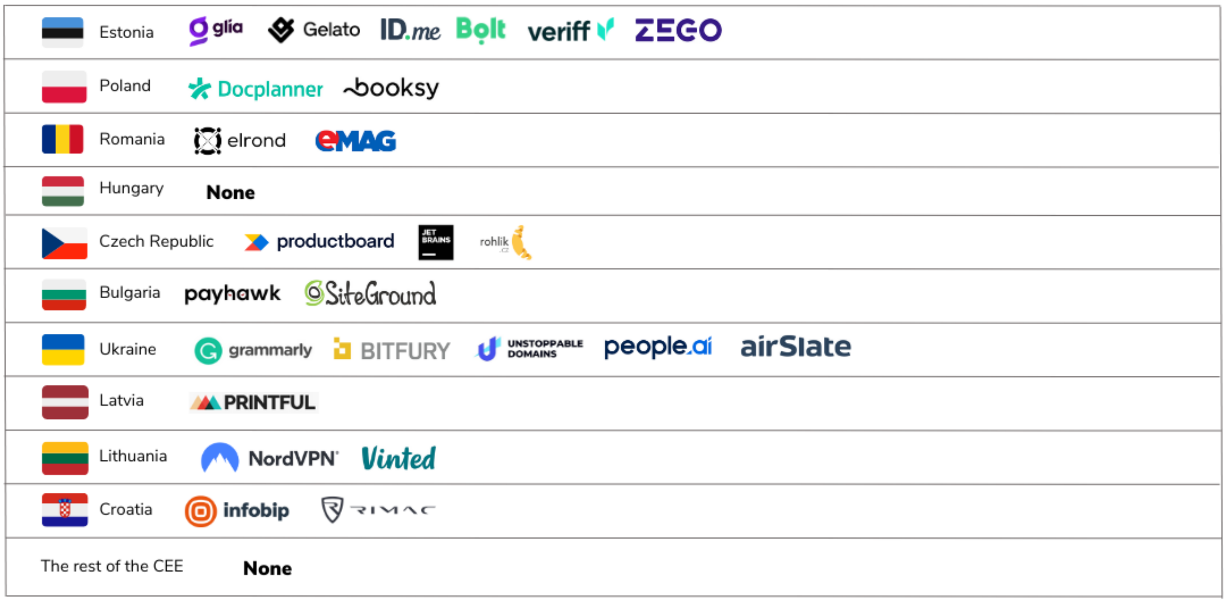

Figure 3.1. Startup Ecosystem in CEE. Source: Startup Europe Partnership, 2023

The CEE region has emerged as a vibrant hub for startups, with a growing number of innovative companies making significant strides in various industries. Countries in CEE offer favorable conditions for startups, including access to talent, supportive regulatory environments, and relatively lower operating costs compared to more established startup ecosystems.

Estonia boasts a strong startup scene, with companies like Glia, Gelato, ID.me, Bolt, Zego, and Veriff leading the way in fintech, e-commerce, and cybersecurity. Poland is home to successful startups such as Docplanner and Booksy, which have made significant contributions to the healthcare and beauty sectors. Romania has seen the rise of startups like Elrond and Emag, contributing to the country's growing reputation as a tech hub in Eastern Europe. Ukraine has emerged as a hotspot for tech startups, with companies like Grammarly, Bitfury, Unstoppable Domains, People.ai, and Airslate gaining international recognition for their innovative solutions. Other countries in the region, including Bulgaria, Latvia, Lithuania, and Croatia, also have notable startups making waves in various industries such as finance, e-commerce, and technology (Startup Europe Partnership).

The diversity and dynamism of CEE's startup ecosystem provide opportunities for collaboration, investment, and knowledge sharing. Governments, investors, and industry players can help startups grow by providing funding, guidance, and access to infrastructure. Additionally, fostering a culture of entrepreneurship and innovation will help nurture the next generation of startups and position CEE as a global leader in the startup world. (Radosevic, S., & Guerguev, D. Fostering Entrepreneurial Ecosystems for Sustainable Growth: A Literature Review).

Table 3.2. Trade Flows Among CEE Countries. Source: International Renewable Energy Agency, 2023

Country	**Renewable Energy Capacity (MW)**
Poland	10,521
Czech Republic	5,934
Hungary	7,815
Slovakia	3,672
Romania	12,406
Ukraine	5,217

The data underscores the growing importance of renewable energy in the energy portfolios of CEE countries, driven by factors such as environmental concerns, energy security, and economic viability. Increasing renewable energy capacity contributes to reducing greenhouse gas emissions, mitigating climate change impacts, and enhancing energy independence. Investments in renewable energy infrastructure create opportunities for job creation, economic growth, and technological innovation in the region. Policymakers, investors, and stakeholders can leverage the data to develop strategies and policies aimed at further accelerating the transition to a sustainable and renewable energy future in CEE. This may include incentivizing renewable energy investments, enhancing grid infrastructure, and fostering collaboration among countries to maximize the potential of renewable energy resources. (IRENA. Renewable Energy Outlook for Central and Eastern Europe)

CEE countries must prioritize sustainable development to address environmental challenges while fostering economic growth. Investing in renewable energy, promoting green technologies, and adopting sustainable practices across industries are critical for achieving long-term sustainability.

Investing in education and skill development is crucial for enhancing human capital and fostering innovation in CEE. Emphasis should be placed on STEM education, vocational training, and lifelong learning to meet the demands of the modern economy.

Table 3.3. Educational Attainment in CEE Countries in 2021. Source: Eurostat, 2023

Country	**Tertiary Education Enrollment (% of Population)**
Poland	71
Czech Republic	69
Hungary	57
Slovakia	51
Romania	55
Ukraine	76

Ukraine has the highest higher education enrollment rate among the countries listed, at 76%. This shows that Ukraine attaches great importance to gaining knowledge, and a high percentage of the population has completed higher education. Poland has a relatively high proportion of its population going on to higher education, with a rate of 71% going on to higher education. This reflects the country's focus on higher education and efforts to increase access to education for its citizens. (Educational Attainment in CEE Countries).

Countries with greater higher education enrollment rates are more likely to have highly trained workforces as well as research and development capabilities. Countries that seek to increase their human capital and promote sustainable development should prioritize boosting access to higher education and the quality of higher education institutions. Policymakers should consider investing in educational infrastructure, offering grants and scholarships, and encouraging lifelong learning to boost higher education rates and provide equal access to education for all sectors of society.

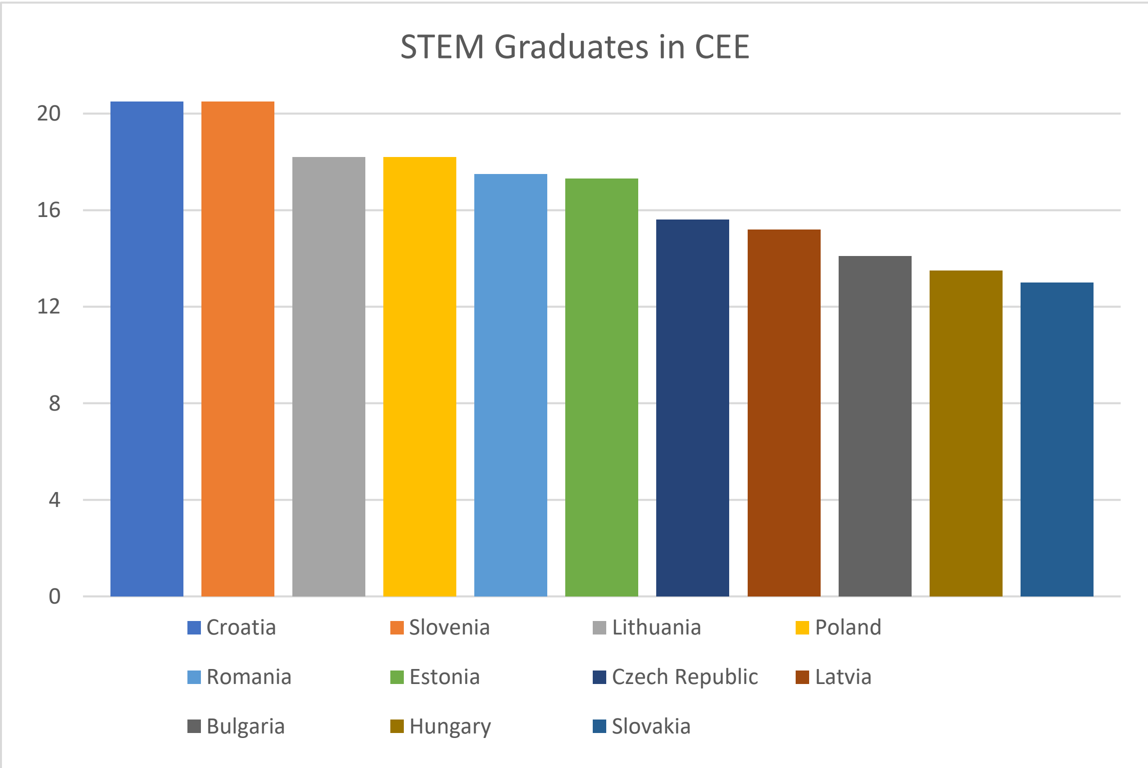

Figure 3.2. STEM Graduates in CEE. Source: Eurostat, 2023

A strong STEM workforce is beneficial for the modern business environment. STEM graduates can fill several in-demand jobs in fields like engineering, technology, and computer science. A larger pool of STEM graduates could lead to increased innovation and productivity in these sectors. This is beneficial for businesses in Central and Eastern Europe by making them more competitive in the global marketplace.

Upholding good governance principles and the rule of law is essential for attracting investment, ensuring transparency, and fostering trust in institutions. CEE countries must continue efforts to strengthen democratic institutions, combat corruption, and uphold the rule of law.

Investing in infrastructure is crucial for enhancing connectivity, facilitating trade, and stimulating economic growth in CEE. This includes improving transportation networks, upgrading digital infrastructure, and investing in sustainable urban development. (STEM Graduates in CEE).

Table 3.5. Infrastructure Investment in CEE Countries. Source: European Commission

Country	**Infrastructure Investment (% of GDP)**
Poland	4.2
Czech Republic	3.9
Hungary	3.5
Slovakia	3.8
Romania	3.3
Ukraine	3.1

CEE countries should aim to diversify their economies to reduce reliance on a few key industries or trading partners. This involves supporting the development of new industries, promoting exports to emerging markets, and fostering entrepreneurship and innovation. (Infrastructure Investment in CEE).

The table presents data on infrastructure investment as a percentage of GDP for selected countries in Central and Eastern Europe (CEE). With infrastructure investment accounting for 4.2% of GDP, Poland leads among the listed countries. This indicates a significant commitment to developing and upgrading infrastructure, which is crucial for fostering economic growth, improving connectivity, and enhancing competitiveness.

Close behind Poland, the Czech Republic allocates 3.9% of its GDP to infrastructure investment. This demonstrates a substantial investment in improving transportation networks, energy systems, and digital infrastructure to support economic development.

Hungary allocates 3.5% of its GDP to infrastructure investment. While slightly lower than Poland and the Czech Republic, this still reflects a considerable commitment to infrastructure development, aiming to enhance connectivity and facilitate trade within the region and beyond.

Similar to Hungary, Slovakia devotes 3.8% of its GDP to infrastructure investment. This underscores the importance placed on upgrading transportation, energy, and digital infrastructure to support economic growth and competitiveness in the region.

Romania's allocation of 3.3% of GDP to infrastructure investment indicates a notable commitment to improving its infrastructure. This investment is crucial for addressing infrastructure deficiencies, promoting regional development, and attracting investment to support economic expansion.

Ukraine allocates the lowest percentage of GDP to infrastructure investment among the listed countries, at 3.1%. While still significant, this may indicate challenges or competing priorities within the Ukrainian economy. Investing in infrastructure remains vital for enhancing connectivity, facilitating trade, and fostering economic development in Ukraine.

Overall, the data highlights varying levels of commitment to infrastructure investment across CEE countries. Therefore, continued investment in infrastructure development is crucial for enhancing competitiveness and fostering sustainable development in the region.

Table 3.6. Economic Diversification Index in CEE Countries in 2023. Source: Mohammed bin Rashid School of Government. Global Economic Diversification Index

Country	**Economic Diversification Index (0-1)**
Poland	0.72
Czech Republic	0.68
Hungary	0.65
Slovakia	0.69
Romania	0.63
Ukraine	0.58

The table presents the Economic Diversification Index (EDI) for six Central and Eastern European (CEE) countries: Poland, the Czech Republic, Hungary, Slovakia, Romania, and Ukraine. The EDI score is a numerical value between 0 and 1, with higher scores indicating a more diversified economy. A diversified economy relies on a variety of industries and exports, making it less vulnerable to fluctuations in any single sector.

Economic diversification is the process of reducing an economy's reliance on a limited number of industries or exports. A diversified economy spreads out its economic activity across various sectors, leading to several benefits:

- Increased Resilience: When an economy is not overly reliant on one or two industries, it becomes less susceptible to economic downturns in those specific sectors. For example, if a country heavily depends on tourism and a pandemic disrupts travel, the economy suffers significantly. Diversification helps mitigate such risks. (Farole, T., & Winkler, D., The economic impact of pandemics)
- Enhanced Growth Potential: Diversification allows a country to tap into new markets and opportunities. By developing expertise in various sectors, a country can expand its export base and foster overall economic growth.
- Improved Job Creation: Diversification leads to the creation of jobs in a wider range of industries, offering more employment opportunities and career paths for the workforce.

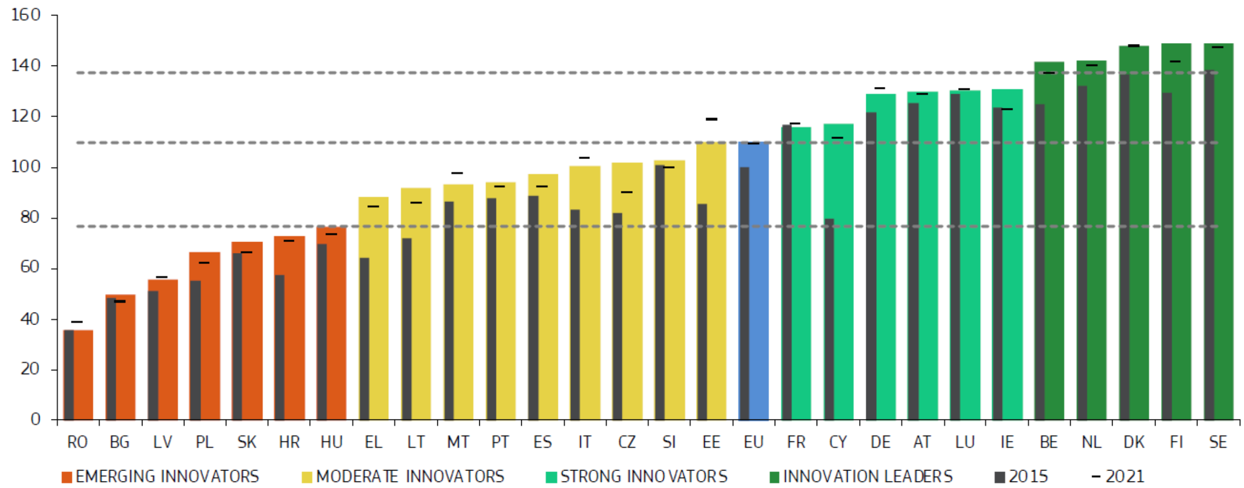

Figure 3.3. Emerging Industries in CEE. Source: European Innovation Scoreboard

Central and Eastern Europe (CEE) has seen a rise in various emerging industries in recent years. These industries are characterized by rapid growth, innovation, and high potential for future development. Some of the key emerging industries in CEE include:

- Information and Communication Technology (ICT): This sector encompasses software development, IT services, and telecommunications. CEE countries offer a competitive talent pool, making them attractive locations for IT companies.
- Fintech: This is the use of technology in financial services. CEE is witnessing a boom in fintech startups, offering innovative solutions in areas like online payments, mobile banking, and blockchain technology. (Fintech in the EU: A call for action)
- E-commerce: The rise of online shopping is creating opportunities for e-commerce businesses in CEE. The region has a growing internet penetration rate and a large young population comfortable with online transactions.
- Renewable Energy: CEE countries are increasingly focusing on renewable energy sources like solar, wind, and biomass. This shift is driven by factors like environmental concerns, energy security considerations, and EU regulations.
- Advanced Manufacturing: Manufacturing in CEE is evolving towards higher value-added products and greater use of automation and robotics. This trend is driven by factors like rising labor costs in some Asian countries and advancements in automation technologies.

Several factors contribute to the growth of emerging industries in CEE:

- Skilled Workforce: The region boasts a well-educated and tech-savvy population.
- Cost Competitiveness: Compared to Western Europe, CEE offers lower labor costs and operating expenses for businesses.
- Government Support: Many CEE governments are actively promoting innovation and entrepreneurship through investment programs and supportive policies.

- EU Integration: Being part of the European Union provides access to a large market, facilitates trade, and attracts foreign investment.

Table 3.7. Gini Index in CEE Countries in 2021. Source: World Bank

Country	**Gini Index**
Poland	28.5
Czech Republic	26.2
Hungary	29.2
Slovakia	24.1
Romania	33.9
Ukraine	25.6

The Gini index is a measure of income inequality within a population, it ranges from 0 to 1 (or 0% to 100%). Lower values represent more equal income distribution.

In the case of Ukraine, a Gini coefficient of 25.6 indicates a relatively equal distribution of income compared to a higher value closer to 1. Based on the table, Romania has the highest Gini Index (33.9), indicating the most significant income inequality among the listed countries. It's important to note that the Gini Index is a single measure of income inequality and doesn't provide the whole picture. Other factors, such as the poverty rate and the distribution of wealth, can also be crucial in understanding income inequality in a country.

Building resilience to external shocks is crucial for ensuring stability and sustained development in CEE. This involves maintaining fiscal discipline, diversifying trading partners, and enhancing emergency preparedness. (Gini Index in CEE).

Table 3.8. Economic Resilience Index in CEE Countries in 2022.
Source: ZOE Institute for Future-fit Economies

Country	**Economic Resilience Index (0-100)**
Poland	72
Czech Republic	68
Hungary	65
Slovakia	69
Romania	63
Ukraine	67

The table shows an economic Resilience Index (ERI) for six CEE countries (Poland, Czech Republic, Hungary, Slovakia, Romania, and Ukraine) with scores ranging from 0 (least resilient) to 100 (most resilient). Poland has a relatively high score of 72, suggesting a robust and diversified economy. The Czech Republic with a score of 68 also has strong performance, indicating resilience to external shocks. Hungary scores 65, which is a lower score compared to some neighbors, highlighting potential vulnerabilities. Slovakia with a solid score of 69, is implemented to have a balanced economy with some diversification. Romania also has a lower score of 63, indicating the potential for further economic reforms and diversification. Considering the ongoing war in Ukraine, the score of 67 is great and suggests some underlying economic strengths. (ZOE Institute for Future-fit Economies, Economic Resilience Index Final).

Central and Eastern European (CEE) countries have demonstrated a surprising degree of economic resilience in the face of recent challenges, including the lingering effects of the COVID-19 pandemic, the Russia-Ukraine war, and rising global inflation. Here's a breakdown of some factors contributing to this resilience:

- strong domestic demand: many CEE countries have benefited from robust domestic demand driven by rising wages and growing consumer confidence;
- diversification efforts: some CEE economies have made progress in diversifying their exports and reducing dependence on a single sector or trading partner;
- EU Membership: For EU member states within CEE, access to the European Union's single market and financial support mechanisms has provided a buffer against external shocks;
- sound fiscal policies: Several CEE countries have implemented prudent fiscal policies in recent years, creating fiscal space to respond to crises. (GLOBSEC. Economic Recovery in Central and Eastern Europe (CEE): Towards a New Normal).

However, some vulnerabilities remain:

- high dependence on external factors: CEE economies are still heavily reliant on foreign trade and investment, making them susceptible to global economic slowdowns.

- inflationary pressures: rising energy and food prices pose a challenge for CEE countries, potentially dampening consumer spending and investment.
- labor market tightness: skill shortages in some sectors could hinder economic growth.

In conclusion, future practices for sustainable development in Central and Eastern Europe require a comprehensive approach that addresses key challenges and leverages opportunities. By prioritizing investment in innovation, enhancing regional cooperation, promoting sustainable development, investing in education and governance, improving infrastructure, diversifying economies, deepening integration with the EU, addressing social inequality, and building resilience to external shocks, CEE countries can unlock their full potential and achieve sustainable and inclusive growth for their citizens.

3.2. Examination of cultural, legal, and political factors impacting the adaptation to economic changes

Central and Eastern Europe (CEE) has undergone significant economic changes since the fall of communism, transitioning from centrally planned economies to market-based systems. However, the adaptation to these changes has been influenced by various cultural, legal, and political factors unique to the region. This chapter explores how these factors impact the economic adaptation process in CEE.

Cultural factors exert a profound influence on economic behavior and attitudes toward change in Central and Eastern Europe (CEE). These factors, encompassing traditional values, societal norms, and historical legacies, play a pivotal role in shaping the region's economic landscape. Understanding the intricacies of cultural dynamics is essential for policymakers and businesses alike to navigate the complexities of the CEE business environment effectively.

Geert Hofstede's framework of cultural dimensions provides valuable insights into the cultural differences among nations, including CEE countries. One of the dimensions, collectivism versus individualism, highlights the extent to which individuals prioritize collective goals over personal interests. CEE nations, with their socialist history, often exhibit higher levels of collectivism, emphasizing group cooperation (Hofstede G., Culture's Consequences: International Differences in Work-Related Values).

Robert Putnam's theory of social capital focuses on the importance of trust and social cohesion in fostering economic development. Trust in institutions and social networks, measured by indicators such as civic engagement and interpersonal trust, significantly influences economic behavior and institutional effectiveness. CEE countries exhibit varying levels of social capital, which impact investment decisions, business relationships, and governance mechanisms (Putnam, R. D., Bowling Alone: America's Declining Social Capital).

Scott Shane's research on entrepreneurial environments provides insights into the role of cultural attitudes toward work, innovation, and risk-taking in fostering entrepreneurship. Cultures that value hard work, perseverance, and creativity tend to nurture a conducive environment for innovation and economic growth. Understanding these cultural dimensions is crucial for promoting entrepreneurship and technological advancement in the CEE region (Shane, S., The Illusions of Entrepreneurship: The Costly Myths That Entrepreneurs, Investors, and Policy Makers Live By).

Table 3.9. Cultural Dimensions in CEE Countries. Source: Hofstede, G., Culture's Consequences: International Differences in Work-Related Values.

Country	**Collectivism (Hofstede)**	**Trust Index (Putnam)**	**Innovation Index (Shane)**
Poland	60	0.45	0.72
Czech Republic	55	0.50	0.68
Hungary	65	0.40	0.65
Slovakia	58	0.48	0.69
Romania	62	0.42	0.63
Ukraine	70	0.38	0.58

The legal and regulatory environment in CEE countries plays a crucial role in facilitating or hindering economic adaptation. Transparent, efficient, and predictable legal systems are essential for promoting investment, entrepreneurship, and market competitiveness. However, challenges such as corruption, bureaucratic inefficiencies, and legal uncertainties can impede economic development.

Examination of Legal Factors:

- Rule of Law and Property Rights: secure property rights and a strong rule of law are fundamental for a well-functioning market economy. Investors require confidence that their investments will be protected and disputes can be fairly resolved through the legal system. (Hernando de Soto, 2000 - The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else) Impact: Strong enforcement of property rights encourages investment, innovation, and entrepreneurship. Conversely, a weak rule of law discourages investment and hinders economic growth.
- Regulatory burden: excessive regulations can create barriers to entry for new businesses, stifle innovation, and hinder economic dynamism. However, some regulations are necessary to protect consumers and promote fair competition. (Friedrich Hayek, 1944 - The Road to Serfdom). Impact: Streamlining regulations and reducing bureaucratic red tape can make it easier for businesses to establish and operate, fostering economic activity. Conversely, overly complex and burdensome regulations can impede economic growth.
- Investment climate: legal frameworks governing foreign investment, taxation, and contract enforcement significantly impact a country's attractiveness as an investment destination. (Vernon Bogdanor, 1992 - The New Economic Order). Impact: Clear and predictable legal frameworks for foreign investment can attract much-needed capital and expertise, promoting economic growth. Conversely, uncertainty and inconsistencies in investment laws can deter foreign investors.

Table 3.10. Corruption Perceptions Index in CEE Countries in 2022. Source: Transparency International

Country	**Corruption Perceptions Index (0-100)**
Poland	57
Czech Republic	59
Hungary	44
Slovakia	50
Romania	44
Ukraine	33

Table 3.8 describes the CPI in CEE Countries in 2022, which is a score from 0 to 100, with 0 indicating high levels of perceived corruption and 100 indicating very low levels of perceived corruption. Among these countries, the Czech Republic is perceived to have the least corruption among the six listed countries. However, it still faces challenges with bribery and influence peddling. The second best is Poland, which appears to have a better track record on corruption. However, issues like political influence in law enforcement and public procurement persist. Unfortunately, Ukraine takes the last place, as the country has historically struggled with corruption, though there have been recent efforts at reform. Corruption is perceived to be widespread in areas like public procurement and the judiciary. (Corruption Perceptions Index in CEE Countries).

All these countries are working on anti-corruption measures to improve transparency and accountability. Moreover, the effectiveness of these measures varies, therefore the progress could be slow. Civil society organizations play a crucial role in holding governments accountable and advocating for anti-corruption reforms.

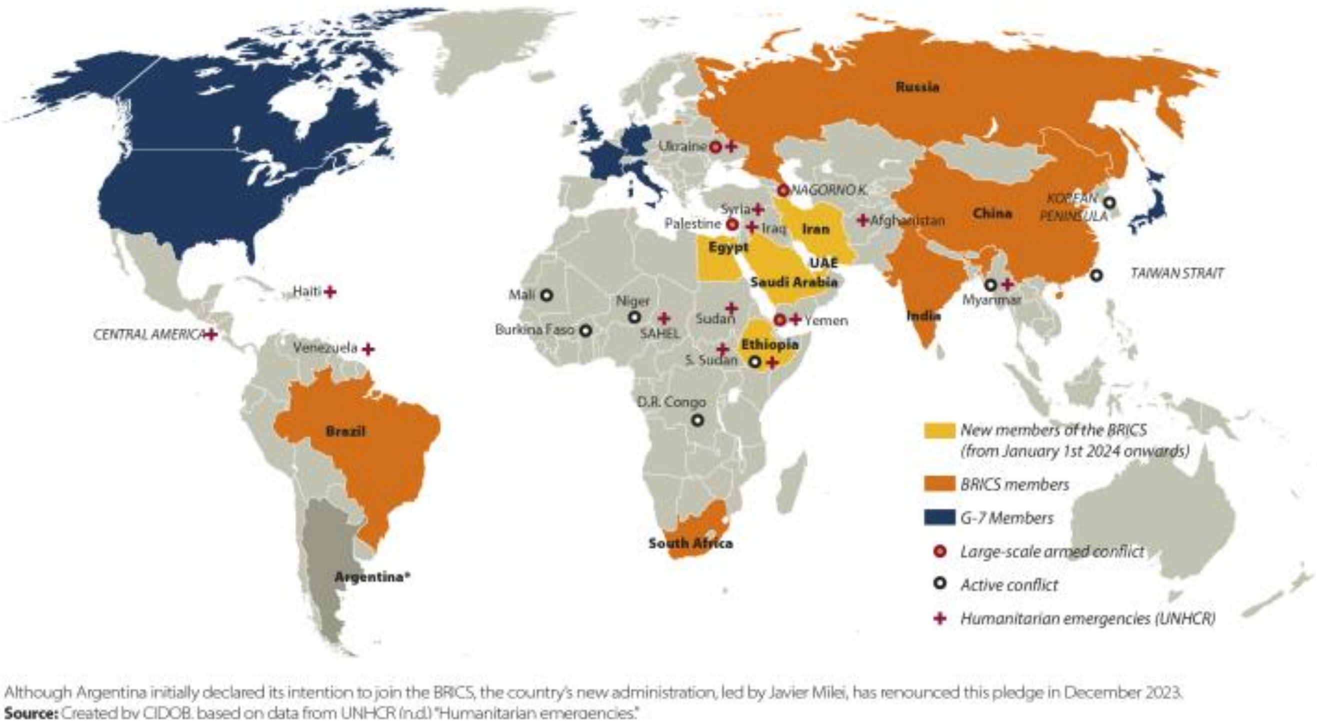

Figure 3.4. Political Stability Index in CEE. Source: C. Colomina, The World in 2024: ten issues that will shape the international agenda

Political factors play a central role in shaping economic policies, governance structures, and institutional frameworks in CEE. Political stability, government effectiveness, and policy continuity are critical for creating an enabling environment for sustainable economic development. However, political polarization, populism, and institutional weaknesses can pose challenges to economic adaptation.

Analysis of Political Factors:

Policy Reform Agenda: the political will to implement structural reforms, modernize institutions, and address socio-economic disparities is essential for enhancing competitiveness, fostering innovation, and achieving inclusive growth.

EU Integration: the process of EU integration has influenced political and economic transformations in CEE, promoting regulatory convergence, market liberalization, and institutional reforms.

Geopolitical Considerations: geopolitical tensions, external dependencies, and regional conflicts can affect investor confidence, trade relations, and the overall stability of the economic environment in CEE.

In conclusion, cultural, legal, and political factors play pivotal roles in shaping the economic adaptation process in Central and Eastern Europe. Understanding and addressing these factors are essential for promoting sustainable development, enhancing competitiveness, and fostering inclusive growth in the region. (Henisz, W. J. Does political instability deter investment?)

The war in Ukraine has had significant political and economic ramifications, particularly impacting the Central and Eastern European (CEE) region. The war conflict in Ukraine has led to trade disruptions and economic uncertainty in the region. According to the World Bank, the conflict has caused a significant decline in Ukraine's GDP growth, affecting neighboring countries' economies due to trade ties and supply chain disruptions (World Bank). The full-scale invasion has heightened energy security concerns in Europe, particularly in the CEE region, which heavily relies on russian natural gas imports. Disruptions in gas supplies due to the conflict have prompted CEE countries to seek alternative energy sources and diversify their energy portfolios to reduce dependency on Russian gas. (European Commission)

Political instability resulting from the devastating war in Ukraine has undermined investor confidence in the CEE region. Uncertainty about the geopolitical situation and potential spillover effects has led to capital outflows and increased risk premiums for investments in the region. Significant migration flows were triggered, with millions of Ukrainians seeking refuge in neighboring countries, including several CEE nations. This influx of migrants has impacted labor market dynamics, leading to both challenges and opportunities for the receiving countries.

The conflict has spurred regional cooperation and security alliances among CEE countries and their Western counterparts. Enhanced cooperation within organizations such as NATO and the EU has aimed to address security concerns and stabilize the region amidst geopolitical tensions. (NATO and Ukraine)

In summary, the war in Ukraine has had multifaceted impacts on the CEE region, ranging from economic disruptions and energy security concerns to political instability and migration dynamics. Adapting to these changes requires concerted efforts to enhance regional cooperation, diversify energy sources, and promote economic resilience.

Accentuating the perception that Europe is on the verge of a potential third world war due to the conflict in Ukraine introduces a highly alarming narrative. While tensions in the region have escalated and geopolitical dynamics have shifted, characterizing the situation as an imminent global conflict requires careful consideration and evidence.

The war in Ukraine has undoubtedly heightened geopolitical tensions between russia and Western powers, particularly NATO member states. Aggressive actions, military build-ups, and provocative rhetoric have fueled concerns about the possibility of broader conflict.

Historical precedents, including the two world wars of the 20th century, evoke sensitivity to any signs of escalating conflict in Europe. The memory of past devastations amplifies fears and prompts caution in interpreting current events.

The involvement of various international actors in the Ukrainian conflict, either directly or through proxy support, complicates the situation. The potential for miscalculation or unintended escalation due to conflicting interests and alliances underscores the fragility of regional stability.

The presence of nuclear powers, particularly Russia, within close proximity to the conflict zone introduces an added layer of concern. Any escalation carries the risk of nuclear confrontation, heightening global anxieties and reinforcing perceptions of impending catastrophe.

For a considerable time, internal EU dynamics have been influenced by ongoing disputes between Brussels and Hungary, as well as Poland, regarding perceived rule-of-law issues. In the case of Poland, tensions eased following commitments from the new government to mend relations with the EU. Despite this, Hungary's relationship with Brussels is expected to remain strained, although there may be a subtle thaw in relations as Prime Minister Viktor Orbán aims to unlock Hungary's EU cohesion and recovery funds before the country assumes the Presidency of the Council of the EU in July. Nevertheless, the divide between Budapest and other EU members regarding Ukraine underscores a fundamental disagreement among European leaders, which has the potential to deepen political and policy discussions within the EU for the foreseeable future.

Russia's ongoing full-scale invasion of Ukraine remains a central focus of Aretera's 2024 Annual Risk Forecast for the Central and Eastern European (CEE) region. As the second anniversary of the invasion approaches rapidly, the sustainability of Kyiv's defense capabilities and the unity of support from its allies are facing growing pressures. The extent to which the EU and US can uphold political, military, and financial backing for Kyiv in 2024 and beyond will be pivotal. Ukraine is expected to prioritize addressing its internal challenges to secure this support. However, with fractures emerging in the Western response to the conflict and a significant US election on the horizon, the certainty of continued support remains uncertain. (Key Political Risks Facing Central & Eastern Europe).

3.3. Establishment of ways and opportunities to improve the business environment in organizations

To understand the landscape of CEE business, it's crucial to acknowledge its constituent parts – the individual nation-states. While they share some commonalities, Europe boasts significant diversity in culture, organization, tradition, history, and economic structures. These variations can lead to substantial differences in policy decisions and the future trajectory of the continent within the EU. The ongoing interplay between convergence and divergence among member states is a recurring theme in Europe's evolution.

In terms of convergence, Europe shares a long-standing history and intellectual heritage spanning centuries. Recent years have witnessed alignment in political, economic, and commercial ideologies across the region. Following World War II, Western Europe embraced Keynesian economics, emphasizing state intervention in managing economic demand. However, the dominance of this approach waned in the 1970s with the ascent of neoliberalism, advocating for greater reliance on market forces.

Similarly, during the 1970s, Greece, Spain, and Portugal transitioned from political dictatorship and economic isolationism to align with Western European norms, eventually securing EU membership. By the late 1980s and early 1990s, the grip of Soviet influence in Central and Eastern Europe loosened, prompting these former satellites to embrace democracy and market economics as prerequisites for EU accession.

While European nations converged on a broad economic and political framework by the turn of the century, disparities persisted in the finer details. All European states operate as mixed economies, with varying degrees of privatization of state-owned enterprises. Additionally, the extent and role of the welfare state vary significantly, reflecting differences in states' fiscal capacity and priorities in the state-citizen relationship.

For instance, countries adhering to the flexicurity tradition, such as those in the Nordic model, allocate substantial resources to social protection spending, correlating with high GDP per capita. Meanwhile, nations following the Continental model, like Belgium and Germany, also allocate a significant share of income to social welfare. Despite witnessing a rise in social spending, particularly in crisis-affected states like Greece, Baltic states and Romania allocate a smaller portion of GDP to social welfare, reflecting their reliance on market mechanisms for income distribution. (D. Johnson, European Business).

Current Challenges in the CEE:

Regulatory Complexity: cumbersome administrative procedures, bureaucratic hurdles, and regulatory inconsistencies can hinder business operations and investment activities.

Access to Finance: limited access to finance, particularly for small and medium-sized enterprises (SMEs), constrains growth and innovation in the business sector.

Infrastructure Deficiencies: inadequate infrastructure, including transportation networks, energy supply, and digital connectivity, can impede productivity, logistics, and market access for businesses. (Challenges Facing Businesses in CEE).

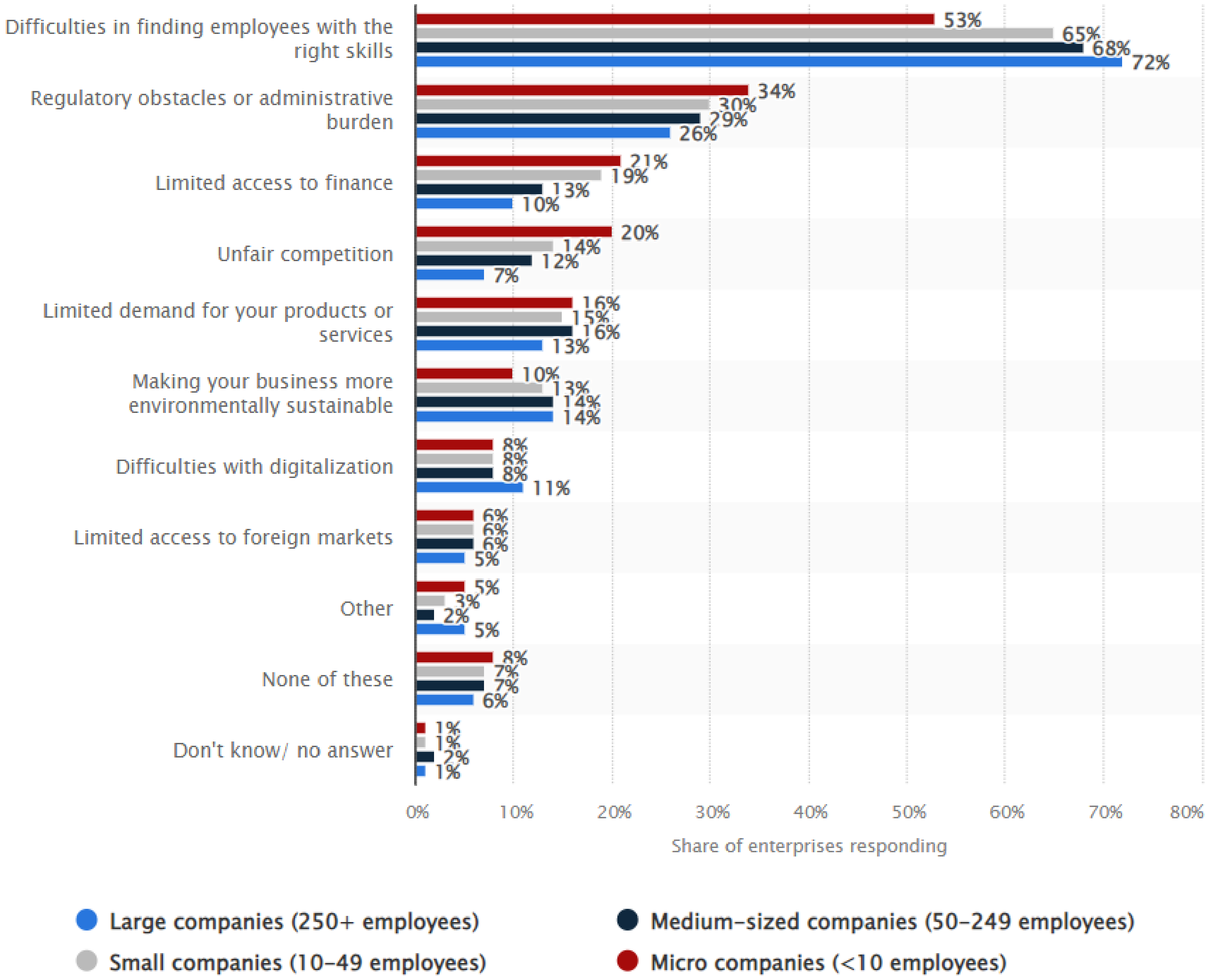

Figure 3.5. Challenges Facing Businesses in CEE. Source: Statista

Based on figure 3.5., the biggest difficulty faced by businesses in Europe in 2023 was finding employees with the right skills. This was a difficulty reported by a significant portion of all business sizes, with 72% of micro companies (less than 10 employees) reporting this difficulty. This difficulty lessened as the size of the business increased, with 53% of large companies (250+ employees) reporting the same difficulty.

Following the difficulty of finding qualified workers, the next biggest obstacles for businesses were regulatory obstacles or administrative burdens, and limited access to finance. Again, these hurdles were reported more by smaller businesses than by larger ones.

Moreover, there were other serious issues, including economic uncertainty. The war in Ukraine, rising inflation, and potential recession caused significant economic instability. Businesses struggled with fluctuating costs, disrupted supply chains, and cautious consumer spending.

Environmental regulations and growing consumer pressure pushed businesses to become more sustainable. This involved adopting new practices, managing waste, and potentially higher costs. (Challenges Facing Businesses in CEE).

Improving the business environment in CEE requires a multifaceted approach involving collaboration between governments, private sector stakeholders, and civil society. Here are several strategies and opportunities for enhancing the business environment:

1. Regulatory Reforms

Streamlining regulatory processes, reducing bureaucratic red tape, and enhancing transparency can create a more conducive environment for business operations and investment. Implementation of online business registration systems, simplification of licensing procedures, and harmonization of regulations with EU standards to promote ease of doing business.

2. Access to Finance

Facilitating access to finance for businesses, especially SMEs and startups, through innovative financing mechanisms, venture capital funding, and support programs can stimulate entrepreneurship and business growth. (J. Terrero-Dávila, Cr. Vitale, E. Danitz, Improving the Business Regulatory Environment in Poland)

3. Infrastructure Development

Investing in infrastructure modernization and upgrading projects, including transportation networks, digital infrastructure, energy systems, and industrial parks, can improve connectivity, logistics, and operational efficiency for businesses.

4. Capacity Building and Skills Development

Investing in human capital development, vocational training programs, and entrepreneurship education can enhance the skills, productivity, and innovation capacity of the workforce, thereby boosting business competitiveness. Establishment of industry-academia partnerships, vocational training centers, and entrepreneurship incubators to foster skill development, knowledge transfer, and technology adoption in the business sector.

5. Promoting Innovation and Technology AdoptionEncouraging innovation, research, and technology adoption in businesses through incentives, grants, and support programs can drive productivity gains, product diversification, and market competitiveness.

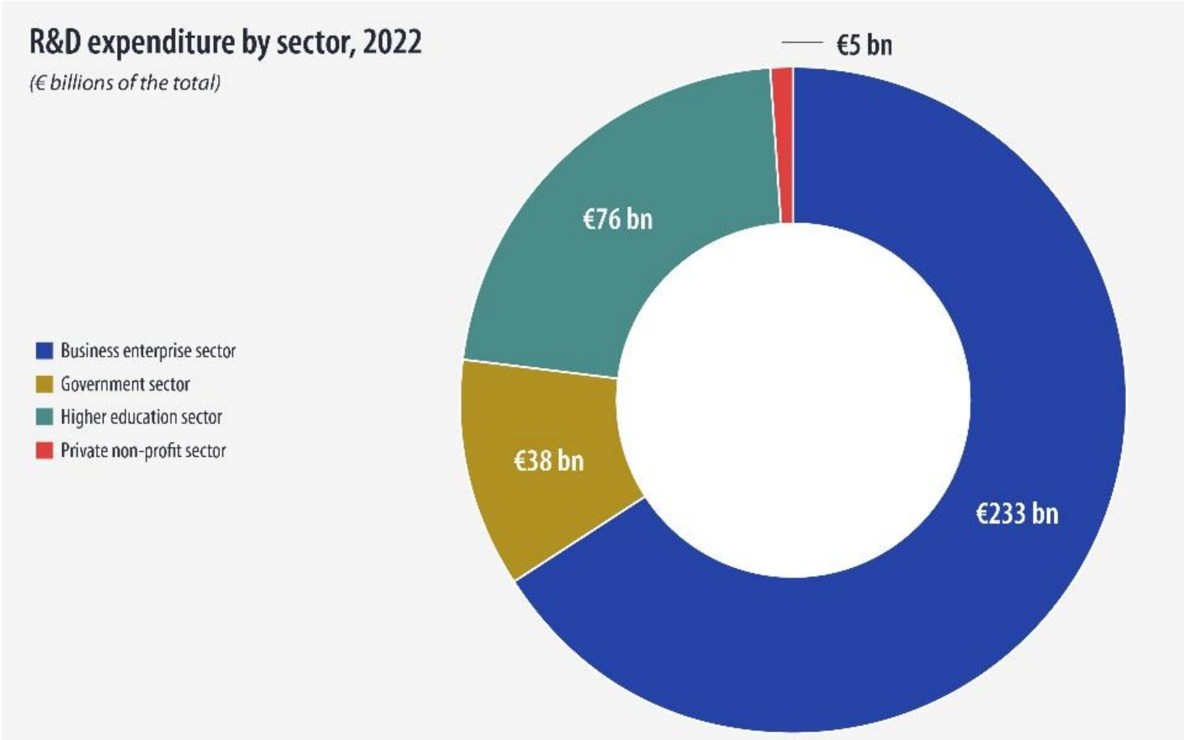

Figure 3.6. Innovation Expenditure in CEE. Source: Eurostat

Enhancing the business environment in organizations in Central and Eastern Europe (CEE) is critical for promoting economic growth, innovation, and competitiveness in the region. By implementing strategic reforms, fostering public-private partnerships, and investing in human capital and infrastructure, CEE countries can create a more supportive and dynamic ecosystem for businesses to thrive (Innovation Expenditure in CEE).

Summing up, Central and Eastern Europe (CEE) has undergone significant transformations since the collapse of communism, transitioning towards market-based economies and democratic societies. As the region progresses, it faces both challenges and opportunities in achieving sustainable development. This chapter delineates key areas such as innovation, regional cooperation, sustainable development, education, governance, infrastructure, economic diversification, EU integration, social inequality, and resilience, offering recommendations for future practice in CEE.

Investing in innovation ecosystems, supporting startups, and promoting research and development (R&D) initiatives are pivotal for driving economic growth and competitiveness in CEE. By prioritizing these areas, countries can bolster productivity and pave the way for sustainable development.

Strengthening collaboration among CEE countries is vital for promoting economic integration, infrastructure development, and political stability. Initiatives like the Three Seas Initiative aim to enhance connectivity and cooperation, fostering greater trade, investment, and collaboration across the region.

In conclusion, by focusing on innovation, regional cooperation, sustainable development, education, governance, infrastructure, and economic diversification, CEE countries can navigate the complexities of economic transition and position themselves for long-term growth and prosperity. Collaboration among stakeholders, including governments, businesses, investors, and civil society, is essential for implementing these recommendations and driving sustainable development in the region.

CONCLUSIONS AND PROPOSALS

The contemporary business landscape is constantly evolving, particularly in the face of globalization. Central and Eastern Europe (CEE) presents a unique and dynamic region for businesses seeking international expansion. Its strategic location, burgeoning consumer base, and promising economic potential offer enticing opportunities. However, navigating the complexities of the CEE business environment requires a nuanced understanding of the region's cultural tapestry, economic trajectory, legal framework, and political landscape.

This chapter culminates our exploration of the modern business environment in CEE. By drawing on insights from academic literature and practical experience gained through the Manufakturaram Inc. case study, I have identified key factors shaping business practices in the region.

The analysis revealed that cultural diversity is a defining characteristic of CEE. Each country boasts its own distinct cultural norms, communication styles, and business practices. Recognizing and adapting to these cultural nuances is paramount for successful business operations. Furthermore, the economic landscape of CEE has undergone a remarkable transformation since the fall of communism. The region is characterized by a rapidly expanding middle class, rising disposable incomes, and a growing consumer market. However, economic disparities persist, posing both challenges and opportunities for businesses venturing into CEE.

The legal and regulatory framework in CEE is constantly evolving as countries strive to align their legislation with European Union standards or national reforms aimed at attracting foreign investment. While this fosters a more transparent and predictable business environment, navigating the legal and regulatory intricacies can still be challenging. Businesses must stay informed about the specific legal frameworks governing each CEE country they operate in.

Based on these conclusions, let us draw a series of actionable recommendations to enhance business practices in CEE. One potential strategy involves developing a framework for businesses to assess their preparedness to enter the CEE market. It could encompass factors like cultural sensitivity training, legal compliance expertise, and adaptation to economic trends within the region. Additionally, a comprehensive guide to navigating the legal and regulatory landscape across different CEE countries would prove invaluable for businesses seeking to establish a presence in the region.

Furthermore, fostering intercultural communication skills and understanding cultural nuances are crucial for successful business interactions in CEE. Training programs could be designed to equip companies with the necessary tools to bridge cultural divides and build strong relationships with local partners and clients.

The economic transformation of CEE presents unique opportunities for businesses. By analyzing specific economic trends, such as the rise of the middle class, companies can develop targeted strategies to capitalize on these trends and gain a competitive edge within the region. In conclusion, the complexities of the CEE business environment present both challenges and opportunities. By acknowledging the region's unique cultural tapestry, economic dynamism, evolving legal framework, and political landscape, businesses can develop effective strategies to navigate these complexities and achieve success in this promising region.

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