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# **Is the „latecomer advantage” a valid concept for Central European transition economies?**

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# Latecomer advantage – advantage of backwardness

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- Thorsten Veblen (1915), Alexander Gerschenkron (1962)
- Being technologically late and economically underdeveloped is obviously a disadvantage but:
  - Followers can surpass intermediate stages of technological development,
  - Available experiences make adaptation easier and less costly,
  - Learning from someone's mistakes.
- Applies to countries (race of nations) but also companies.

# Characteristics of the CEE countries facilitating technological absorption

- “Civilization fundamentals” i.e. historic and cultural links with Western Europe
- Existence of core institutions of a market economy before World War II
- Relatively high level of economic development - solid manufacturing base established after 1945
- High level of secondary and tertiary education

# Disadvantage of “*homo sovieticus*”?

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- Lack of entrepreneurial and innovative attitudes resulting from the communist past
- Author’s own research on entrepreneurship: Period of “real socialism” in CEE lasting 40-45 years had limited impact. “Civilization fundamentals” mattered most
- “*Homo sovieticus*” may have stronger impact for other Soviet bloc countries (Belarous, Russia, Ukraine, Kazachstan)

# Favourable external conditions for proactive imitation by CEE companies

- Historic coincidence of the collapse of communism and ICT revolution
- Better access to information on available technologies
- Co-operative forms of doing business – sub-contracting, franchising
- FDI spillover effects
- Shift from “closed” to “open innovation” on global technology markets
- Cross-industry innovation
- Imitative strategy better than first mover advantage (Shenkar)?

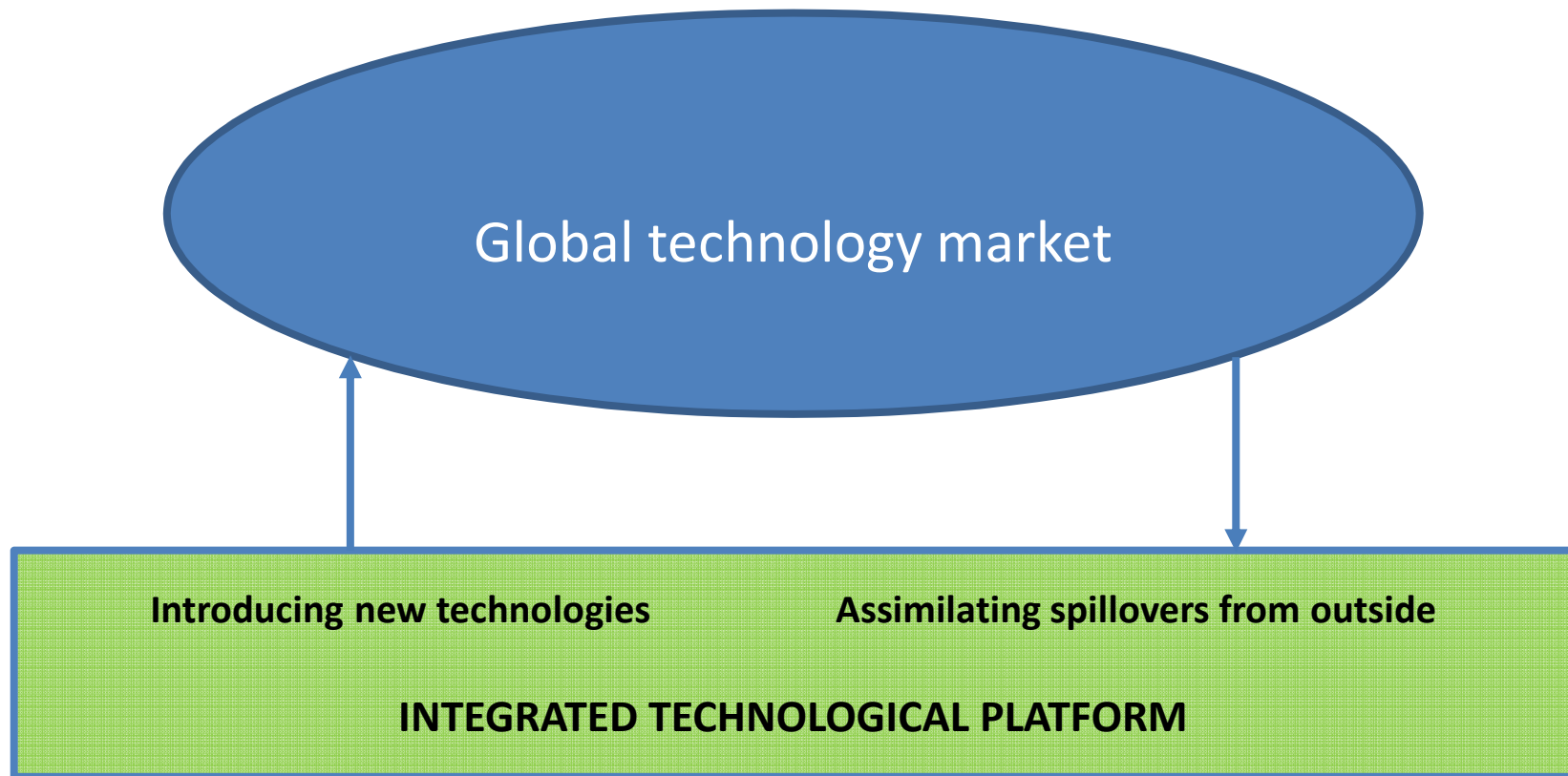
# The case of SELENA

*„When we have opened our first plant making form for construction industry in 1998-2002” I told our R+D team: “Guys no innovations, until we copy everything what is available on the Western market. Only after we learn how to make their products we may compete with innovative solutions. And this was a key factor of our success...”*

*We should not be afraid of copying. OK we may call it in a more elegant way like imitation, diffusion or whatever term professors want to use. But when we strive to increase effectiveness of our industry, we must catch-up with the world, first”.*

*Krzysztof Domarecki – Founder of Selena*

# From imitation to innovation (O. Shenkar)



# Policy implications

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- Challenge the “mere imitation” thinking (W. Baumol).
- False dilemma: “imitative diffusion” vs “creative diffusion”.

**Innovative economy**

**=**

**Stream of new technologies**

**+**

**Fast dissemination of existing technologies to the lower industry segments.**



# Practical lessons from experiences and failures of mature economies

- Academic spin-offs - do they really matter?
- Do we really need more technology parks and incubators?
- Venture capitalist – are they effective in stimulating innovations?

# Conclusions

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- Latecomer advantage is a valid concept for catching up transition CEE economies.
- It does have important implications for policy making and shaping corporate strategies.
- As to the academic community...

**While teaching and researching innovations we must be more innovative!**

**Thank you  
for  
your attention.**

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