Interview: Daniela Homan – Executive Director, AmCham Austria



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Daniela Homan, executive director of AmCham Austria, the representative and advocating voice of US companies in Austria, provides an in-depth analysis of the strategies being employed by the chamber and highlights the current concerns of US subsidiary CEOs in Austria. She also provides an overview of how the market has evolved and what opportunities Austria holds for foreign investors in the future.

Could you please introduce to our international readers the activities of AmCham Austria?

The American Chamber of Commerce in Austria (AmCham Austria) is a private organization consisting of over 350 members, with 250 being US companies and the rest being Austrian-based companies with US ties. We facilitate collaboration between members, allowing AmCham Austria to act as the collective voice.

We have been conducting events for over 25 years with the overriding theme to discuss international trade between the US and Austria, especially at present with the change in US administration and the free trade talks taking place. We advocate topics and issues that are common between members, and identify areas where we should focus our efforts.

What current strategies and missions are being driven by AmCham Austria?

First and foremost, we are looking to establish a free trade agreement with the US. We believe that the abolishment of trade barriers benefits any participating nation and we have discussed this in depth at conferences, published information on newspapers and digital forums, as well as talked to the relevant personnel undertaking this process to bolster the argument in favor.

Secondly, we are striving for overall digitalization as we see this as the future of business. Many in the public sphere fear this paradigm shift due to the increased possibility of staff cuts, but we have pre-warned them to prepare for the inevitable. Furthermore, the CEO of Uber and European executive of Google were recently in Austria to conduct talks in relation to developing this digital age of business. We invite the faces of these innovative companies so they could deliver their ideologies and methodologies, allowing us to pinpoint the best facets of all sectors and tailor our approach for Austria.

Finally, we directly work with large US companies like Pfizer and Roche to convince their offshore headquarters to further invest in the advanced Austrian market. This facilitation involves ensuring the Austrian government and head officials are aware that it is of paramount importance that Austria is considered a leading destination for large multinational companies and foreign investors.

What obstacles must US companies overcome when positioning themselves within the Austrian business environment?

Austria is a clear European competitor and market for US companies and overall foreign investment; however, there are some clear parameters new international companies must conform to when entering the Austrian system.

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Firstly, every large company located within Austria must put in place an employees' union. This union constructs agreements between the employer and employees, attempting to establish a mutually beneficial system. This is a concept that generally takes time to get accustomed to; though in the long run it creates a harmonious work space between both parties.

Companies overall are appreciative of the Austrian labor force, blue and white collar, and they are considered valuable assets due to being well educated and skilled, with salaries equally not a concern. What disgruntlement there is comes from non-wage labor costs; an obligation for Austrian employers. For example, if the wage of an employee is 100 thousand euros (114 thousand USD), the company may have to pay a salary of up to 130 thousand euros (148 thousand USD), due to the inclusion of health insurance and other benefits. This subsequently leads to the nation having

an incredibly high standard of living, though can be a deterrent to many US companies taking the leap into the Austrian market.

Finally, in the past Austria established a business taxation rate hovering around 25 percent; although in recent years many neighboring countries have bettered this, offering closer to 19 percent. The government will have to look into this to make Austria a more attractive market in the future for foreign investors.

Furthermore, politically, at present Austria finds itself wedged between a few factors. Firstly, we find the entire European market awaiting the outcome of the Brexit fiasco in Britain which has created uncertainty. Many organizations may relocate to Ireland, an attractive investment market due to their tax allocations.

This outlook on the market potential is very precise, how were you able to draw such conclusions?

AmCham Austria, with the help of PwC Austria, ran a survey interviewing 100 CEOs of the 350 US subsidiaries in Austria, non-members and members of ours. These interviews were administered to gain information on the overall business environment, understanding how companies are placed as well as their plans over the next 12 months, that is hiring staff, expanding and so on. The CEOs were asked to rank areas of operation depending on their importance, and determine within these chosen areas if they were satisfied with how they function within Austria.

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When they first ran this survey system in eastern Europe, PwC realized it was possible to forecast the business ecosystem when the market is in a stable state. Therefore, it is possible to predict future shifts depending when parameters change and by how much. Where the complications come in to play is when an event like the 2007-2008 global financial crisis (GFC) occurs and the model doesn’t function as the environment overall is too volatile. Too combat this we asked CEOs to deliver six-month business forecasts; therefore, creating a more precise short-term model, and in turn making it more efficient if we experience another rollercoaster market event.

How has the domestic market changed over the years in relation to exports and imports?

Only post-1989 were US companies attracted to Austria, that is after the fall of the iron curtain. Geographically Austria is located between eastern and central Europe, so are an ideal access point for multinational company headquarters and we continue to have excellent relationships with both

sides of Europe, despite having a central European mentality.

Germany is the largest trade partner, being responsible for 30 percent of our trade, and we are inevitably tied with them economically. Encouragingly for AmCham Austria, the US is our second largest market, with Austria exporting to the US more than importing. Since the GFC, the overall market has required some time to recover, despite throughout these years unemployment rates in Austria continuing to be some of the lowest in Europe.

Saying all this, Austria is not in need of drastic change – on the other hand – our attractiveness is not as it was many years ago as neighboring nations, like Switzerland, offer similar investment opportunities. Austria's high wages are at times hard to cover in areas like production, leading primarily to an influx of marketing and sales organizations. Saying that, the instability of the European Union in general has led to US company concerns, though Austria must endeavor to adapt business processes and improve its potential to continue being attractive in the competitive EU.

What is your final message to US companies wanting to enter the Austrian market and establish themselves?

One of the great aspects of Austria is the decentralization of business. Local communities are built on the establishment of large organizations in the area. US companies coming to Austria will be able construct agreements with local authorities and strike deals in areas such as like real estate and tax allocation, allowing them to totally immerse themselves within the Austrian culture and ecosystem.

More specifically from a pharmaceutical perspective, Austria has an impressive reputation in attracting large investors, with the entire system designed around industry leading standards and regulations. Large US pharmaceutical companies, like Pfizer, already have an expansive scientific workforce and many smaller entities have recently focused heavily on the ever-expanding generics market.

Above all, American companies need to understand that laws and legislation are easily changed, although the world-class infrastructure and high quality of life found in Austria is developed over decades. Austria is full of agencies and organizations designed to give advice on all levels – so much so – it is an obligatory requirement for companies to be a member of the Austrian chamber of commerce. This innovative and world-class system allows AmCham Austria to act as a voice and create public awareness for our members, as we bolster Austria's reputation as a haven for US companies and develop future investment opportunities.

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