

# Austria's competitiveness in times of digitalization: Still a prime location for HQs?

**Study Report 2019**



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**“The rate of technological change requires new skills and capabilities that cannot immediately be provided by our education system. Vienna is already a very attractive location for tech talent from other countries, but it also needs more reskilling opportunities for the local pool in the areas of entrepreneurship & innovation, coding, and data science.”**

Oliver Csendes,  
CEO at Pioneers



# Study Overview

## Executive Summary

In this report, we illustrate the results of our study examining how Austria is perceived as a headquarters (HQ) location in times of digitalization. This study represents a follow-up to our previous study on HQ digitalization<sup>1</sup>. Our main conclusions are as follows:

- **Austria as a location for HQs will remain attractive.** Austria's attractiveness as a hub for HQs will not change in the digital age. The majority of study participants thinks that Austria will be able to retain or even attract more HQs due to digitalization in the future (a mere 19% of the participants believe that Austria may lose some of its HQs). Furthermore, the results show that Austria seems well prepared in terms of availability of technological infrastructure and digitalization expertise (e.g., suppliers of technical solutions, startups, incubators or accelerators).
- **Austria lacks sufficient access to digitalization talent.** While the results seem to draw a positive picture so far, they also suggest that there is a perception of insufficient access to 'digitalization talent', such as data scientists or digital marketing experts, available in Austria. We encourage policy makers as well as representatives of universities and universities of applied science to step up their training and educational efforts in the relevant areas. The digitalization initiative of WU Vienna<sup>2</sup> is a first step in this direction. However, given the sharp increase in demand and the ongoing fast-paced technological evolution, we argue that also firms will need to invest much more into training and development.

## Study Motivation

Austria has been a hub for HQs from multinational corporations (MNCs), which represent an important contribution to a country's economy (ABA, 2015; Bloom & Grant, 2011). A previous study showed that Austria has increased the number of HQs over the last decades (Nell & Schmitt, 2018).

Yet, digitalization does not only have a wide-ranging impact on business models and operations, but also on the role of HQs (Nell, Schmitt, Preveden, Hauska, 2018). While there has been valuable research on HQs and their (re)location decisions (e.g., Valentino, Schmitt, Koch, Nell, 2018), it is still unclear how digitalization will affect HQ location choices.

## Goal of the study

With this exploratory study, we aim to answer the following questions:

- How do HQ managers assess Austria as a HQ location in times of digital transformation?
- Will this attractiveness change in the future?
- Are there different perceptions between corporate HQs, divisional HQs and across industries?

## Data collection

The study involves HQs located in Austria. Data was collected via an online survey and via face-to-face interviews. We received 85 usable responses in total (response rate of ~10%). Our sample frame of HQs was provided by Headquarters Austria.

Data collection took place between May and September 2018. Our responses come from highly diverse companies in terms of HQ type<sup>3</sup>, industry<sup>4</sup> and firm size:

- HQ type: 79% CHQ, 21% DHQ managers
- Industry: 46% services, 42% manufacturing, 12% finance
- Sales: 21% >1bn EUR, 51% between 100m EUR and 1bn EUR, 28% <100m EUR
- Employees: 19% >5k, 41% between 500 and 5k, 40% <500

## Key variables

We pre-tested the survey extensively before data collection to eliminate vague or ambiguous questions. While the questionnaire was in English, the majority of interviews took place in German.

The questionnaire consists of seven single items. We conducted several factor analyses and formed the following key variables:

- **Availability of technological infrastructure:** degree to which Austria provides appropriate technological infrastructure to digitalize HQs.
- **Availability of digitalization talent:** degree to which sufficient digitalization talent such as data scientists or digital marketing experts is available in Austria.
- **Access to digitalization expertise in Austria<sup>5</sup>:** degree to which Austria offers access to digitalization expertise in the following areas: consulting/law firms, supplier firms (e.g., of technical solutions), startups/incubators/accelerators, universities (of applied sciences).

## Limitations

While the study yields a broad understanding of Austria's location attractiveness for HQs and the impact digitalization may have on it, we acknowledge some limitations. First, we rely on self-reported, subjective data. Nonetheless, we argue that these personal anticipations and beliefs of our participants are valuable, as these managers are also responsible for location decisions in their HQs. Second, our study is based on a country-level analysis and does not take into account differences between regions. As the majority of participants are based in Vienna, our results may mostly represent perceptions in Vienna. Third, our sample procedure is not random, which may somewhat bias our result.

<sup>1</sup> Nell, P. C., Schmitt, J., Preveden, V., & Hauska, L. (2019). *Headquarters of the future: The impact of digitalization on headquarters structures and value added*. Retrieved January 17, 2019, from <http://epub.wu.ac.at/id/eprint/6787>

<sup>2</sup> [https://www.wu.ac.at/en/the-university/news-and-events/news/details-news/detail/translate-to-english-wu-rektorin-setzt-bei-zukuenftigem-team-akzent-auf-digitalisierung/?no\\_cache=1](https://www.wu.ac.at/en/the-university/news-and-events/news/details-news/detail/translate-to-english-wu-rektorin-setzt-bei-zukuenftigem-team-akzent-auf-digitalisierung/?no_cache=1)

<sup>3</sup> We combined 14 area divisions (regional HQs) with four product/functional divisions (divisional HQs) to form divisional HQs (DHQs).

<sup>4</sup> We clustered the industries according to SIC codes in manufacturing (01-39), services (40-59 & 70-99), and finance (60-69).

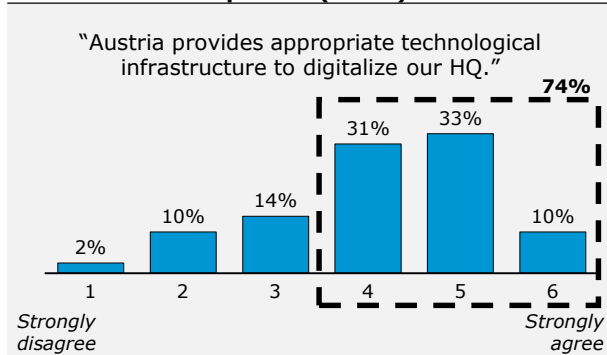
<sup>5</sup> Factor loadings are all >0.7 and Cronbach Alpha is >0.75.

# Location attractiveness of Austria (I)

## Austria provides appropriate technological infrastructure to digitalize HQs

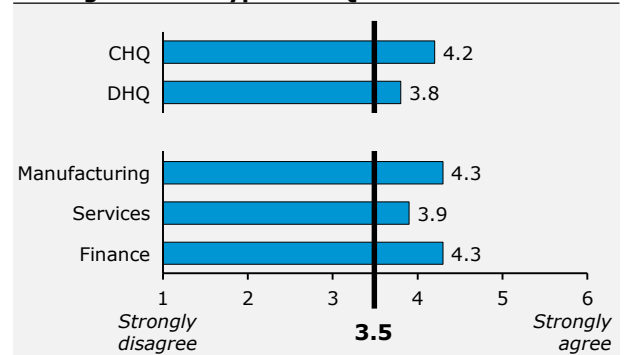
74% of managers agree that Austria provides appropriate technological infrastructure of the kind that is needed to digitalize the HQ (e.g., high speed networks or communication systems).

### Distribution of responses (N=81)



This opinion is stronger for CHQ managers ( $\bar{x}$  4.2) than for DHQ managers ( $\bar{x}$  3.8). Furthermore, the services industry regard technological infrastructure in Austria as slightly more critical than manufacturing and finance industries.

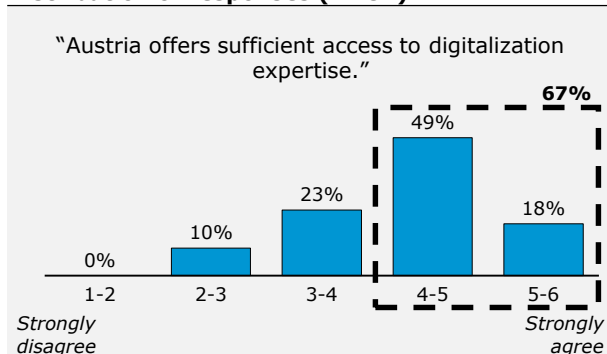
### Averages across types of HQs & industries



## Austria provides sufficient access to digitalization expertise

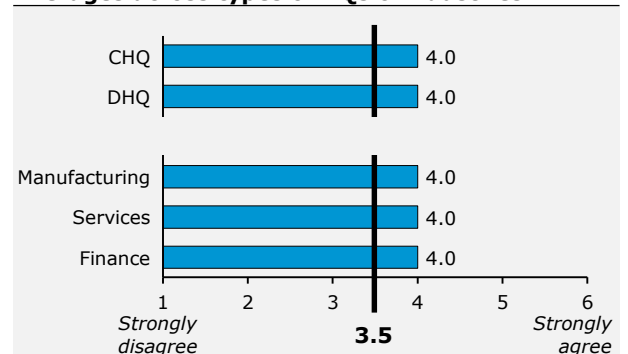
67% of our participants think that Austria offers sufficient access to digitalization expertise. This expertise can be found in different areas outside the HQ, such as services firms (consulting, law), supplier firms, universities or startups.

### Distribution of responses (N=82)



This perception tends to be very similar throughout the different types of HQs as well as across the different industries with an above average factor of 4.0.

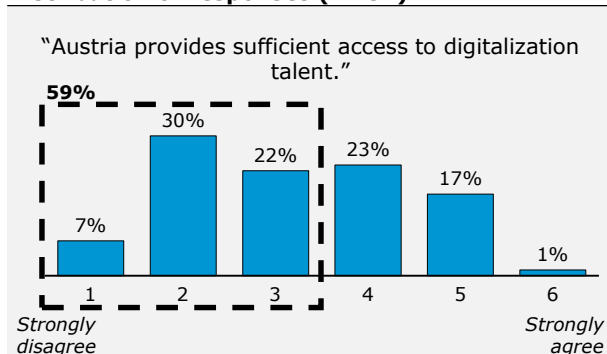
### Averages across types of HQs & industries



## Austria does not provide sufficient access to digitalization talent

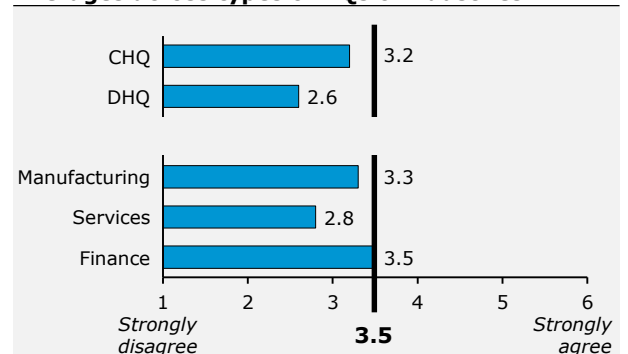
In contrast to the first two dimensions, the judgement of the availability of digitalization talent is more conservative. 59% of participants disagree that Austria provides sufficient access to such critical talent.

### Distribution of responses (N=82)



Compared across types of HQs and industries, the opinions vary as well ( $\bar{x}$  between 2.6 and 3.5) but average assessments do not extend beyond the expected mean of 3.5 for any of the areas investigated.

### Averages across types of HQs & industries



**Note:** We measured the items on a scale from 1 (strongly disagree) to 6 (strongly agree) with an expected average of 3.5.

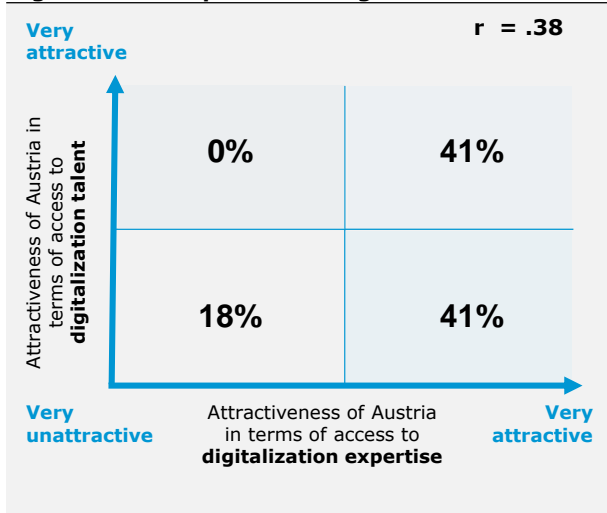
# Location attractiveness of Austria (II)

## Access to digitalization talent is the biggest barrier to HQ digitalization in Austria

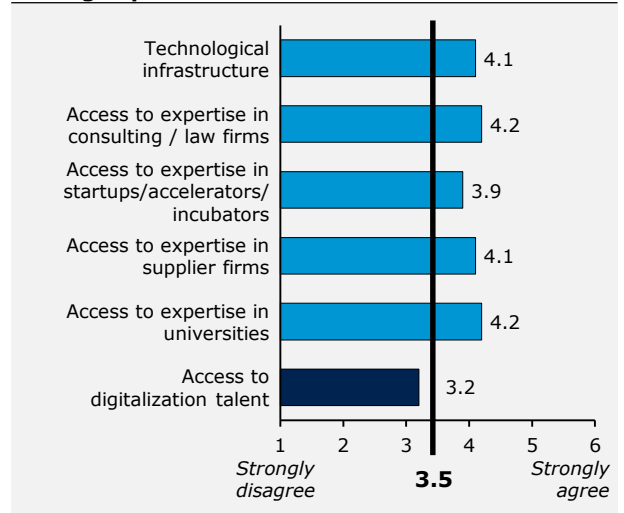
To identify the perception of Austria's attractiveness in terms of the availability of skilled people, we looked closer at the two dimensions that involve such 'soft skills'. We found that 41% of respondents perceive Austria attractive both in terms of access to talent as well as expertise and a further 41% state that this attractiveness only holds for access to expertise. 18% of participants judge both dimensions as being unattractive, whereas not a single response assessed Austria sufficiently attractive in terms of access to digitalization talent, but unattractive in terms of access to expertise.

Comparing averages for each dimension, the variable "access to digitalization talent" shows a major difference in responses compared to the averages of other dimensions. The majority of managers judge the availability of digitalization talent in Austria as insufficient (Ø 3.2). All other dimensions within our study show an average greater than the expected mean of 3.5.

### Digitalization expertise vs. digitalization talent



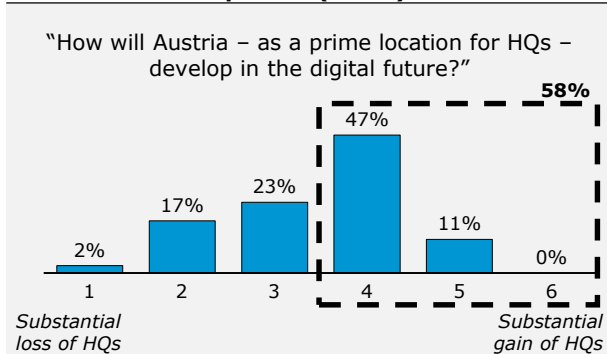
### Averages per resource



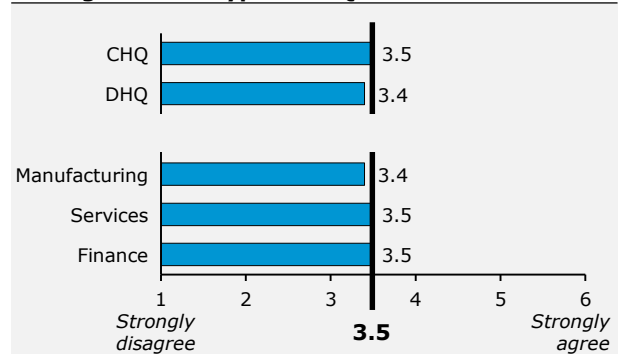
## Austria will still remain an important hub for HQs, even in times of digitalization

58% of participants disagree with the notion that Austria will (substantially) lose HQs to other locations that may be better hubs for digitalized HQs. The average of 3.5 in responses suggests that the status quo in terms of location attractiveness of Austria will not change drastically in the future.

### Distribution of responses (N=81)



### Averages across types of HQs & industries



**Note:** We measured the items on a scale from 1 (strongly disagree) to 6 (strongly agree) with an expected average of 3.5.



**"Austria ranks among the most innovative and successful countries in the European Union [...]. Multinational companies highly value Austria as a headquarters location."** (ABA, 2015, p. 3)

Reinhold Mitterlehner,  
Former Vice Chancellor of the Republic of Austria

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