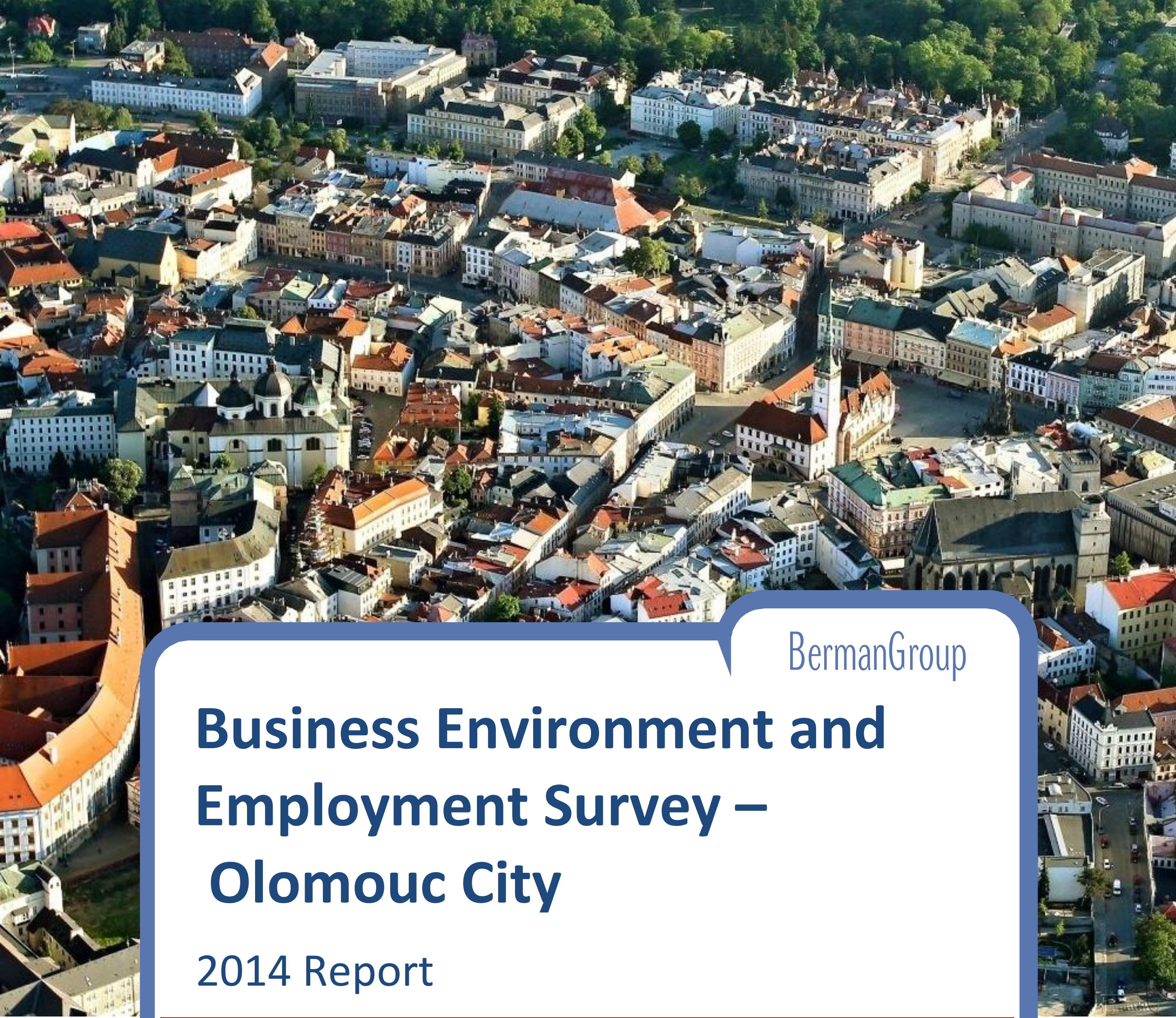

BermanGroup

Business Environment and Employment Survey – Olomouc City

2014 Report

City of Olomouc

- Client: **City of Olomouc**
- Contractor: **Berman Group**
- Date: **November 2014**

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2 Introduction and Methodology

The Business Attitude Survey whose results we are hereby presenting is this time slightly different from the surveys that have been performed by the City Office every two years among the major businesses of Olomouc since 2000. It consists of two parts – brief analysis of 51 major employers registered in the municipality and immediate vicinity, and interviews with 36 managing directors / CEOs of the companies and institutions selected from the target group with whom appointment could be made within the set deadlines. Apart from the objectives equal to the previous surveys, i.e. collection of objective data on the entities performing economic activities in the City, and subjective views of the entrepreneurial environment in Olomouc, major topic of the interviews was the issue of employment and availability of workforce.

After the introduction follows summary of main findings of the survey, divided in two categories - positive and negative.

The next section is analysis of major employers in Olomouc area, based on the data published in MagnusWeb database; this list was subsequently consulted with Olomouc Labor Office. The analysis includes all the entities with headquarters in the area of interest, as well as the major employers with subsidiary / plant located here. The information was made even more accurate as a result of studying annual reports and other documents, publicly available at www.justice.cz. Thus collected data describe about 40% of the City's economy, and we believe they provide pretty realistic idea of the importance of individual activities for local economy.

The fifth chapter includes results of the survey itself, performed in the enterprises and institutions. Berman Group and OK4Inovace interviewers conducted 36 interviews with managing directors and CEOs. In this respect we would like to appreciate that vast majority of the contacted interviewees gave their helpful consent to the visit and interview. The bigger is the responsibility of the public administration for the results not being neglected, and the views of business community taken into account when defining the strategic targets of the City of Olomouc.

3 Summarized Findings from the Survey

This section consists only of a summary of findings without comments. The results are described in detail in the following chapters.

The positive findings considered most significant:

- ***Economic performance, employment, added value and profits are growing.*** The biggest 50 companies drive local economy (making for more than 40% of it), and we are glad to observe that all the monitored indicators are growing.
- ***Machinery as an engine of local economy.*** Local pump manufacturing and other machinery companies have succesfully recovered from the economic crisis and became the strongest sector of local economy.
- ***Corporate development plans.*** It is positive that the businesses as a whole continue to plan creation of new jobs and investments in technologies, looking for new markets and trying to push forward via innovations.
- ***Innovations, R&D.*** Most of the interviewed businesses realize their future development is possible only provided that their ability to compete is increased on the basis of research, development and innovations. Companies with their own R&D departments are more active in the field of future investments, being largely export-oriented.
- ***Investments.*** The enterprises invest regularly in modernization of technologies and reconstruction of properties. Overall volume of the investments under preparation is almost CZK 1.5 billion.
- ***Utilization of subsidies.*** 23 respondents have already utilized EU Structural Funds, other 2 are preparing projects. The subsidies were mostly aimed at acquisition of new technologies, building repairs, environment-friendly manufacture, and "soft" projects like education or retraining.

There were also negative findings:

- ***Permanent lack of qualified manpower in many specializations.*** The local businesses have repeatedly criticized lack of qualified people in a number of professions and crafts. Dissatisfaction with the quality of secondary school graduates persists despite some positive exceptions.
- ***Discontent with the condition of some roads within industrial zones.*** The situation is improving, however there still are zones (Sladkovského, Železniční, Šlechtitelů) where sidewalks and parking lots are missing, resp. the road has not been reconstructed yet.
- ***Some problems mentioned in previous surveys have not been addressed.*** Public sector has already started to improve the situation (using the results of BAS 2012). New measures are mainly related to education, Regional administration is systematically supporting technical education and some of the findings were rflected in new planning documents (RIS3, ITI, measures implemented by OK4Inovace etc.). Because of complexity of the issue immediate results cannot be expected.

4 Analyses of 51 Largest Employers in Olomouc

When analyzing business entities in Olomouc and its neighborhood statistical indicators were processed for all companies with 200 and more employees with registered office (or major operations) in the City of Olomouc and selected neighboring municipalities (micro region), and this group was supplemented with other businesses and institutions of more than 100 employees. The analysis did not relate solely to the City, but also to the Olomouc micro-region and its hinterland, comprising the following municipalities: Olomouc, Bystrovany, Hlubočky, Hněvotín, Lutín and Senice na Hané.

Chart No. 1: **Representation of organizations by industries**

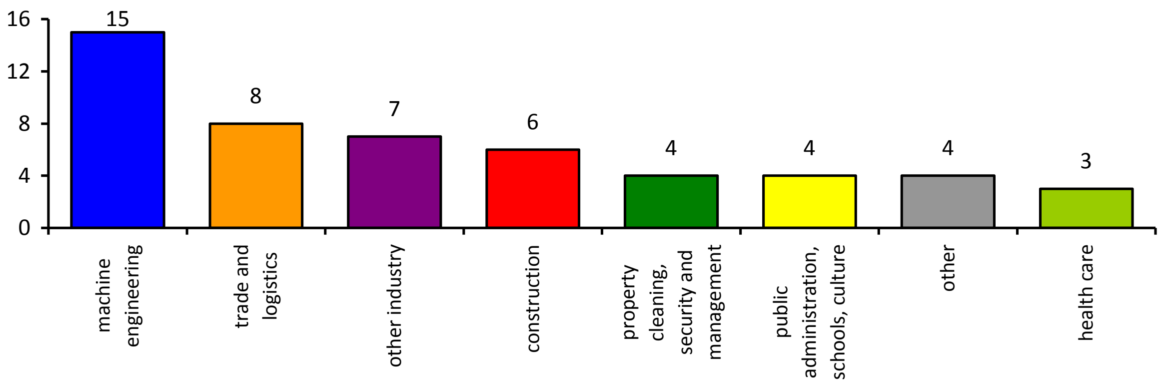


Chart No. 1 shows structure of the major companies and institutions by their activities. The main industry is machine engineering and metal works (high share of pump manufacture), followed by trade and logistics. Other processing industries (namely foodstuffs) and civil engineering are represented by more than 10% among the "TOP 51". The remaining economic activities (cleaning, security and property management; public administration, education and culture; health care) are represented by 3 or 4 entities, while the remaining 4 were classified as "others" (water management and sewers, printing and gambling)

According to the latest data there are 29 businesses and institutions in Olomouc area employing more than 200 staff. Palacký University and Faculty Hospital exceed 2,000 employees; Honeywell Aerospace and two other companies (Bartoň a Partner, s.r.o. and Forcorp Group, s.r.o.) are headquartered in Olomouc, but most of their staff is engaged outside the City - between one and two thousand employees. 4 businesses and 2 institutions follow with 500 to 1,000 staff (Olomouc Regional Authority, City Hall, M.L.S., Nestlé, AŽD and Mora Moravia). The aforementioned summary clearly hints at the basic orientation of local economy and the industries where we can find the major employers.

Chart No. 3 shows the structure of companies and institutions by revenues in 2013. Fourteen entities exceeded CZK 1 billion, while in seven the revenues did not reach CZK 100 million.

Chart No. 2: Size by number of employees

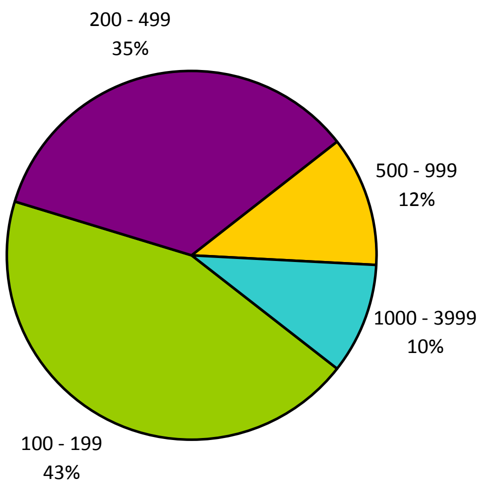
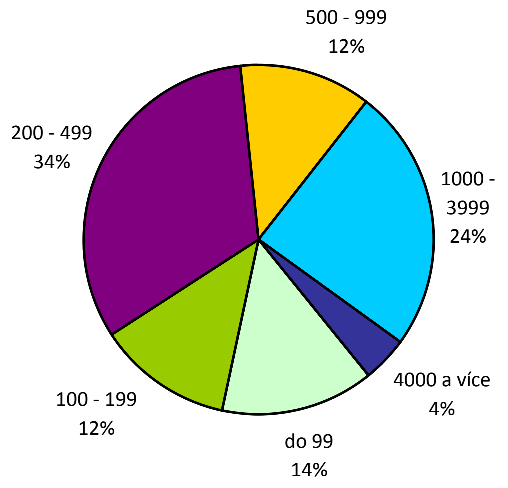


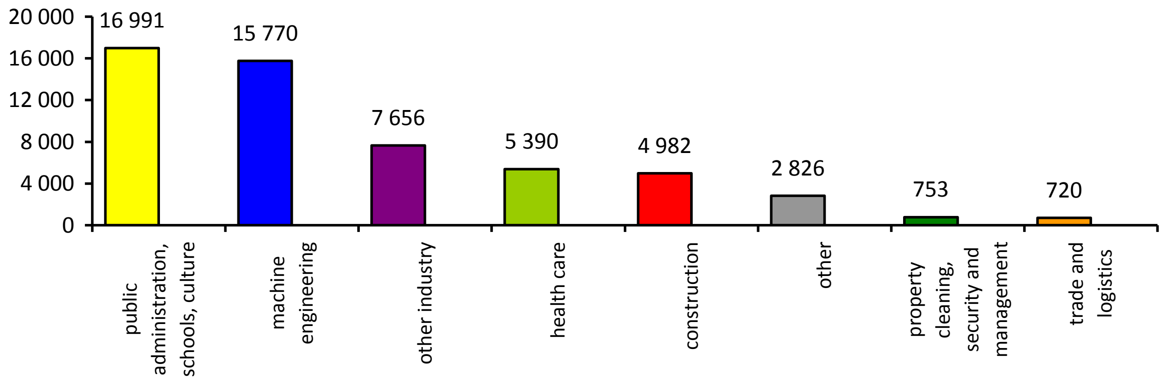
Chart No. 3: Size by revenues (CZK million, 2013)



Source: Annual reports, financial statements, survey results

Overall performance figures structured by industries illustrate their importance better than mere sums. Chart No. 4 shows that public institutions operate the highest budgets, followed by machine engineering, other industry, health care and civil engineering. On the other hand cleaning, property management and security and trade and logistics display rather low values.

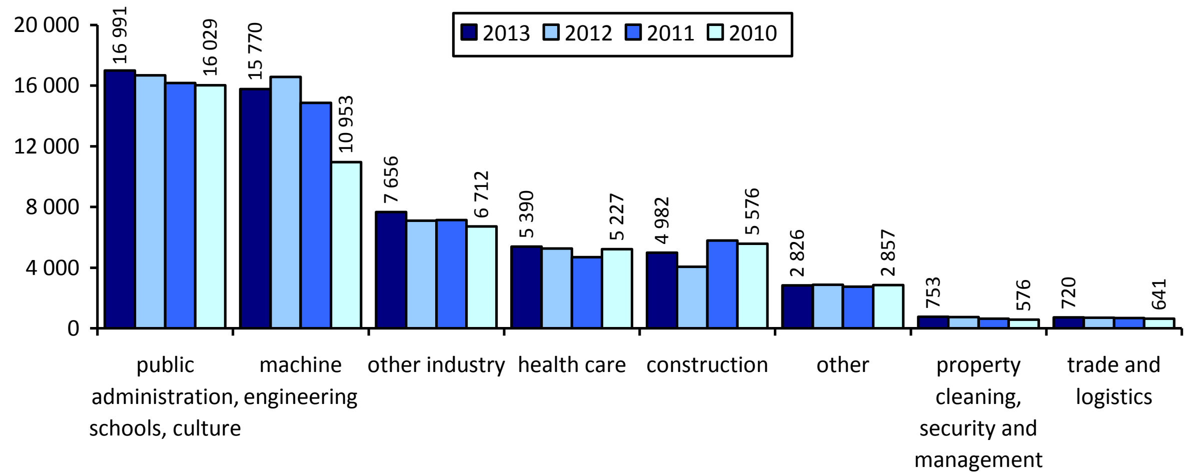
Chart No. 4: Revenues (CZK million) by economic activities (2013)



Note: Total expenditure is considered for public institutions.
Source: Annual reports, financial statements, survey results

As regards trends of the last four years (chart No. 5) the most important message is marked revenue increase in machine engineering between the ("crisis") 2010 and 2013, with maximum in 2012. The development in "other industry" category is definitely positive - continuous year-to-year growth. On the contrary civil engineering is subject to fluctuations, partially related to completion deadlines of major construction projects.

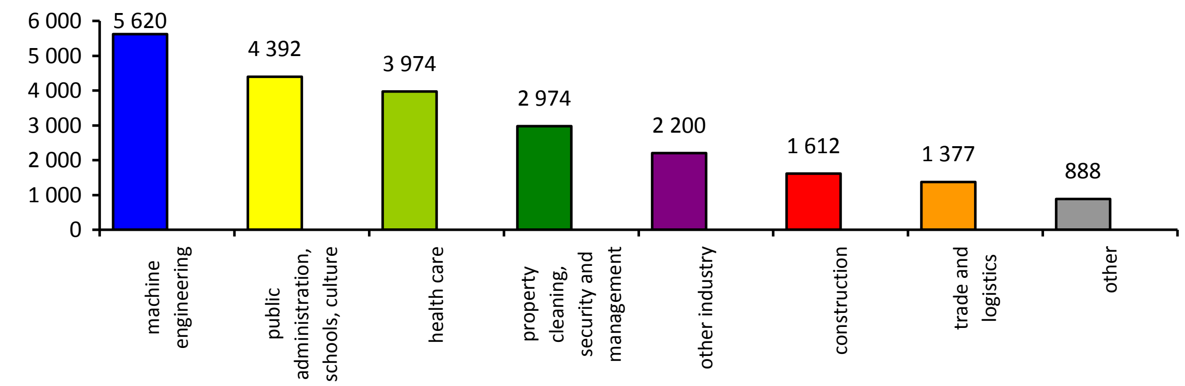
Chart No. 5: Trends in economic performance (CZK million) by activities (2010 – 2013)



Note: Total expenditure is considered for public institutions.
Source: Annual reports, financial statements, survey results

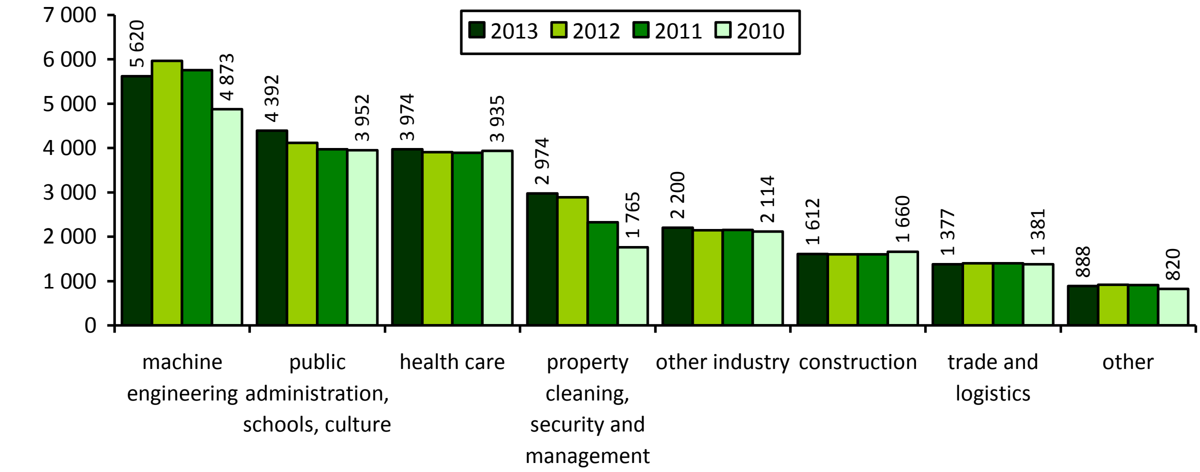
Considering the number of employees machine engineering takes the first place among the "TOP 51", followed by "non-industrial" activities: public administration, health care, cleaning and property management. While six economic activity classes have maintained more or less the same staff levels, there has been marked increase in machine engineering and (by percentage even higher) in the companies involved in property cleaning, security and management business. Total number of employees in 2013 was 23,037 (compared to 20,500 in 2010 - almost 15% increase).

Chart No. 6: Number of employees by economic activities (2013)



Source: Annual reports, financial statements, survey results

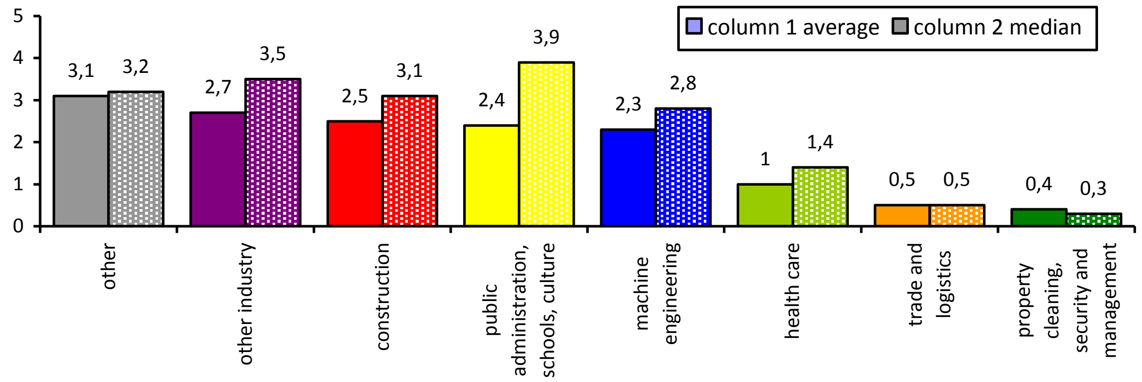
Chart No. 7: Employment trends by economic activities (2010 – 2013)



Source: Annual reports, financial statements, survey results

One of the indicators of economic productivity (chart No. 8) can be the annual revenues per employee, stating how much one employee in an organization "brings in". The economic activities are structured by average figures, which is of higher explanatory power here than median. The first place is taken by "others" category, namely thanks to the extremely high figures in the gambling industry. Industry, construction and public administration all displayed values around CZK 2.5 million per employee. Health care - rather surprisingly - falls behind. However, the average revenue per head at CZK 1 million translates more likely in an economically incorrect concept of revenues than low productivity in the field. The remaining two economic activities display low revenues both absolutely and relatively.

Chart No. 8: Revenues per employee (CZK million) by activities (2013)



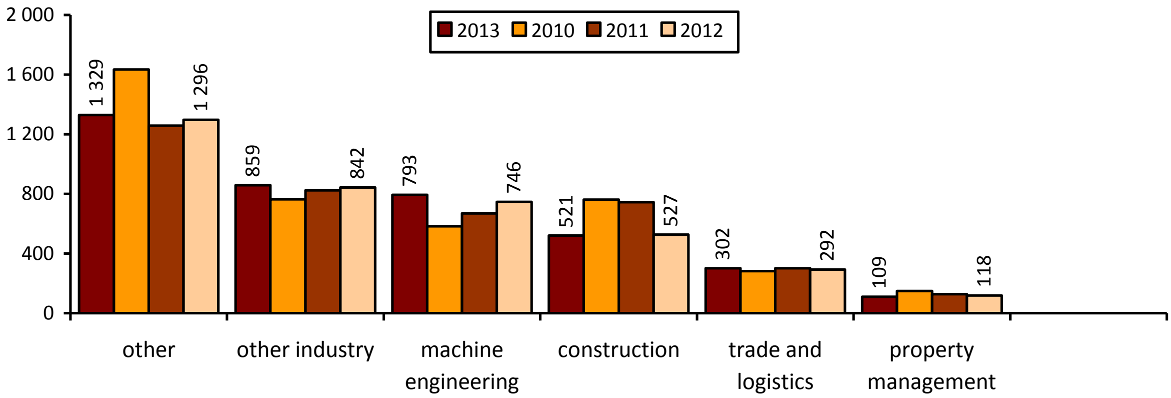
Source: Annual reports, financial statements, survey results

More telling image of local economy is provided by added value, but the relevant data are not available for public administration and health care. In absolute figures the highest added value was recorded in machine engineering, other industry and construction. The per-head figure seems to put forward the "other" activities. Industry as a whole is between CZK 750 and 850 thousand per employee, construction 500-600 ths., trade around 300 ths. and cleaning approximately 100 ths. koruna of added value per head

Chart No. 9: Added value trend (CZK million) by economic activities (2013)

Source: Annual reports, financial statements, survey results

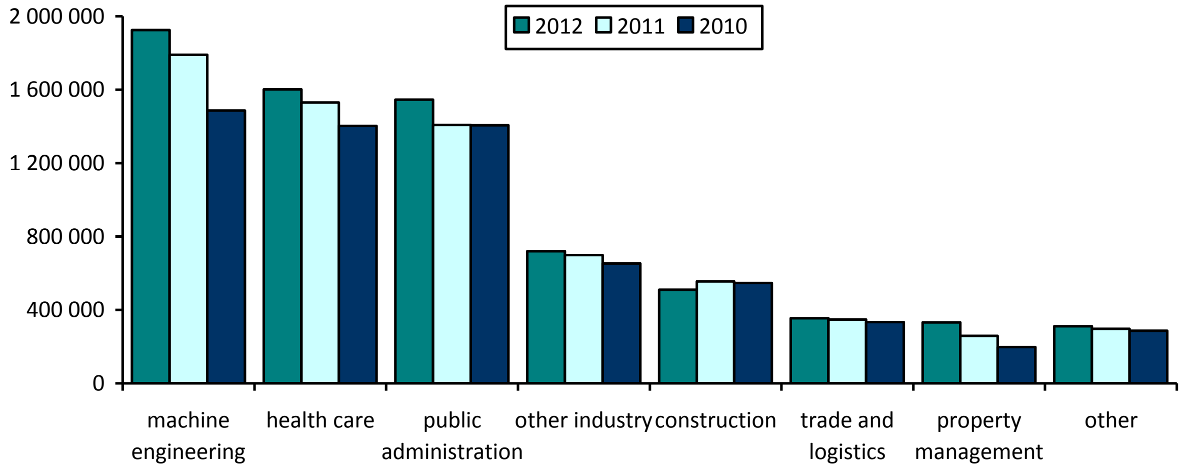
Chart No. 10: Added value trend (CZK thousand) per employee by activities (2010 – 2013)



Source: Annual reports, financial statements, survey results

Chart No. 11 shows what economic activities best promote the purchasing power of local population. The wage costs in 2012 in public administration and health care exceeded CZK 1.6 billion, and in machine engineering they were close to two billion. Other activities follow with considerably lower payroll volumes.

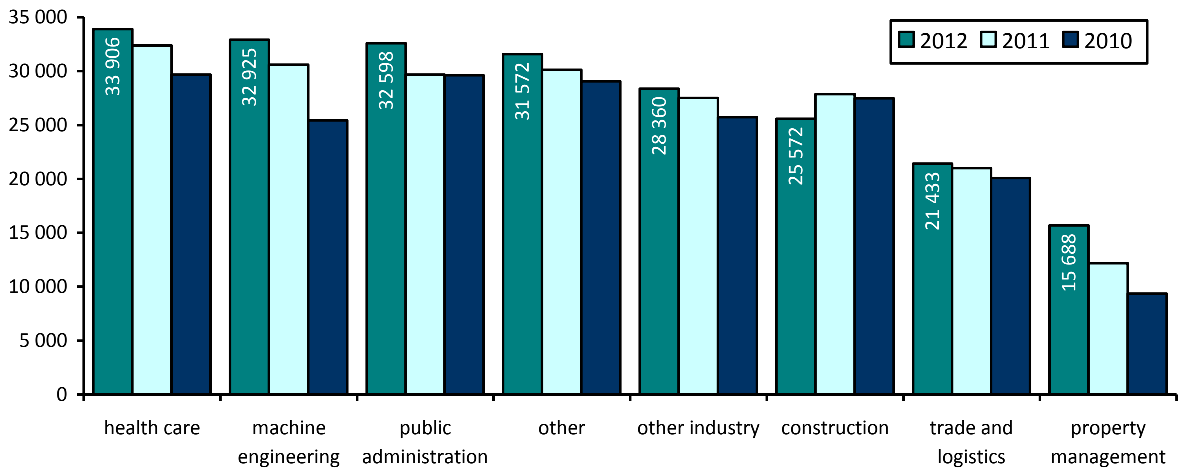
Chart No. 11: Wage cost trend (CZK ths.) by economic activities (2010 – 2012)



Source: Annual reports, financial statements, survey results

Obviously the number of employees matters here, therefore the next chart illustrates average wages. It is interesting that average wages do not differ much in the first four groups. People employees in trade and logistics, and particularly in property cleaning, security and management, earned markedly lower wages. Average gross wages have been growing everywhere with the exception of building industry, where there was decrease between 2011 and 2012 by about 7%.

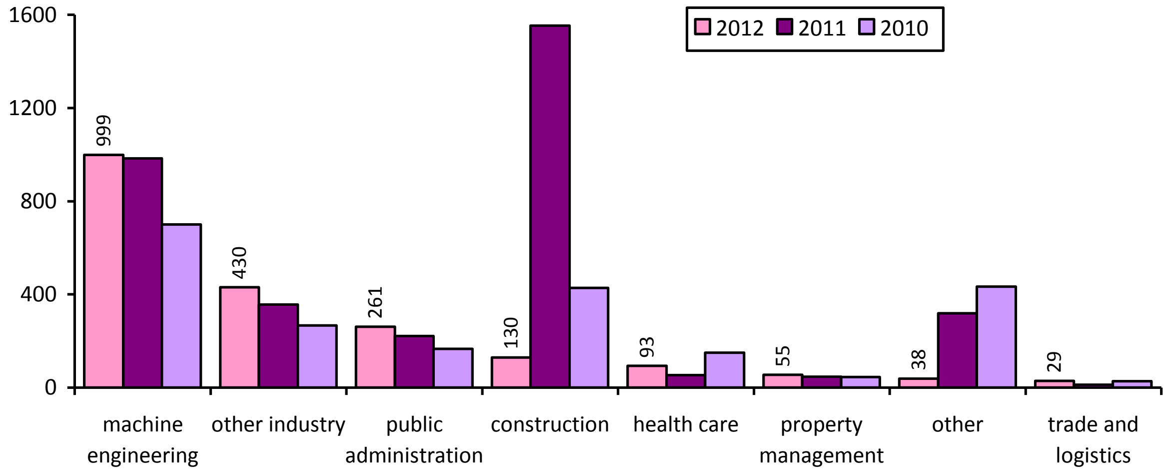
Chart No. 12: Average monthly wage trend by economic activities (2010 – 2012)



Source: Annual reports, financial statements, survey results

The last monitored economic indicator was the trading income. In absolute figures (similarly to the added value) the highest profit in the City is generated in machine engineering (1 billion in 2012).

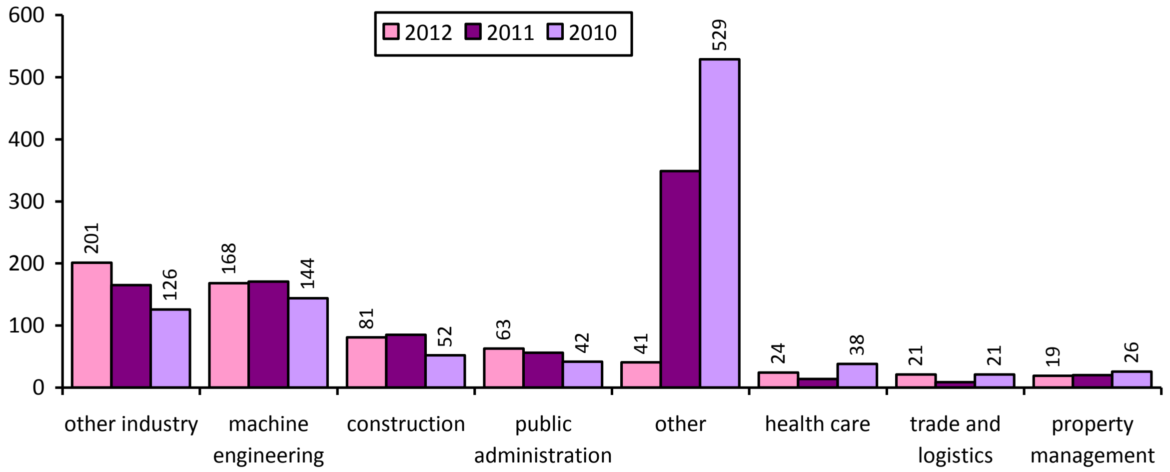
Chart No. 13: Trading income trend (CZK ths.) by economic activities (2010 – 2012)



Source: Annual reports, financial statements, survey results

In relative figures industry category falls between 150 and 200 thousand per employee, while construction displays values between 50 and 100 thousand koruna. Gambling industry has a major impact on the "other" category. Important fact: even the economic activities with lesser revenues earn some profit (cleaning / trade).

Chart No. 14: Trading income per employee trend (CZK ths.) by economic activities (2010 – 2012)



Source: Annual reports, financial statements, survey results

5 Results of the Survey in Companies and Institutions

5.1 Basic Characteristics

36 companies and institutions included in the list of major employers (see chapter 4) were interviewed during October and the first week of November. The analyzed sample is thus a subset of the list, classified into eight groups as follows: machine engineering (12), trade and logistics (5), construction (4), other industry (4), public administration, cleaning and other activities 3 each and health care (2).

There were 10 joint stock companies, 20 limited liability companies, 1 physical entity, 4 allowance organizations and 1 regional authority. Seventeen of the interviewed have headquarters in Olomouc, while nineteen cases are (mostly) manufacturing plants with HQ elsewhere in the EU (12), the world (2) or another place in CR (5).

5.2 Barriers of Business Development

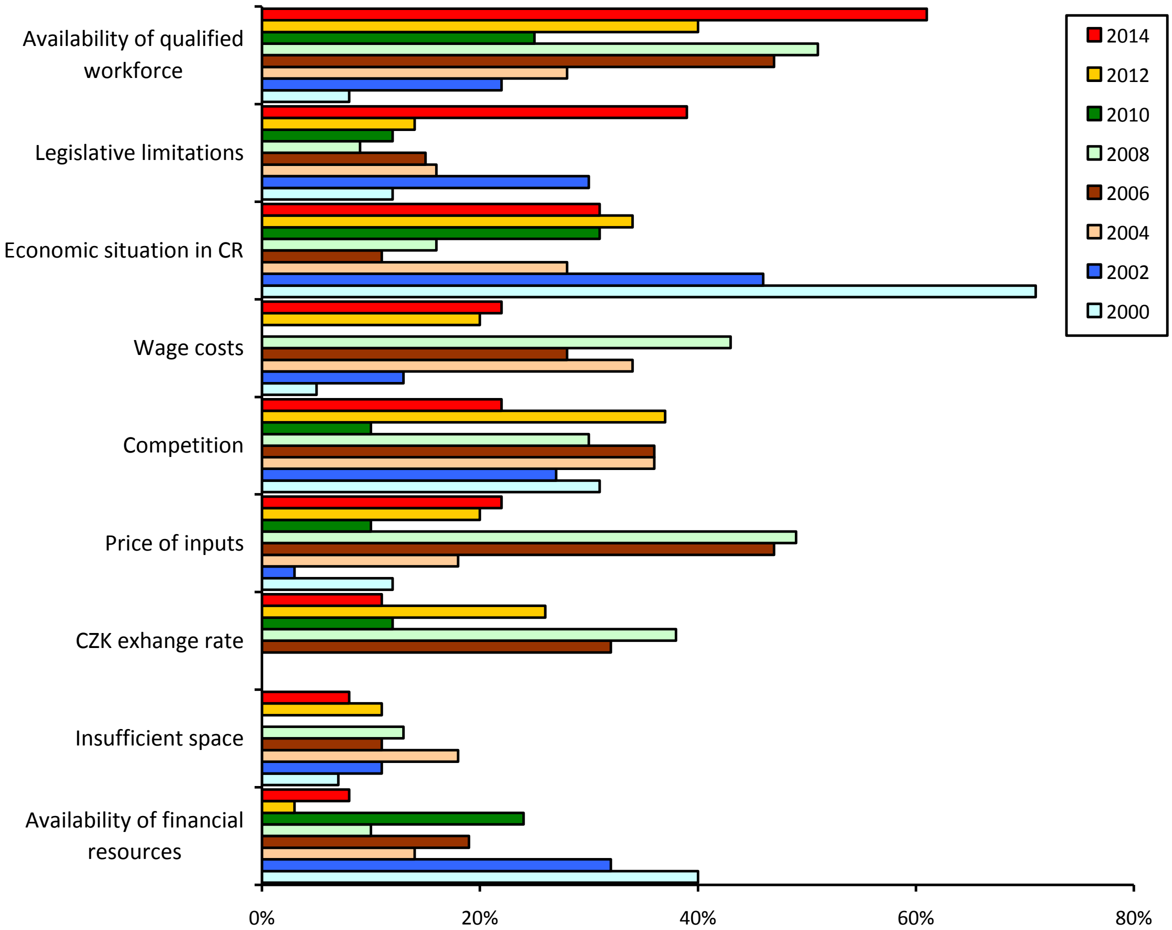
Traditional question asked in every survey is aimed at what prevents the businesses from further development, and what are the most serious problems. The weight of individual factors has been changing throughout the Czech Republic since 2000, and these changes provide more useful information than their mere sequence of importance as we can see in charts No. 15 (comparison with previous surveys) and No. 16 (this year's results by individual categories).

The most serious and frequently mentioned issue is the availability of qualified workforce, complained about by 61% of the interviewees (80 % in machine engineering, the least in public administration). This is why we have reserved an entire section below for the problem. The second place is taken by "legislative limitations" (39 % of the respondents, evenly distributed in all categories).) This is a complex and wide issue including for instance:

- Worse conditions (higher administrative demands) for new construction projects as a consequence of the new building act;
- Insecure funding of public services (health care, universities);
- Fundamental discontent with the public procurement act that acknowledges price as the main criterion at the expense of quality;
- Ever stricter conditions of occupational health and safety, which unfortunately affect only "the decent" businesses.

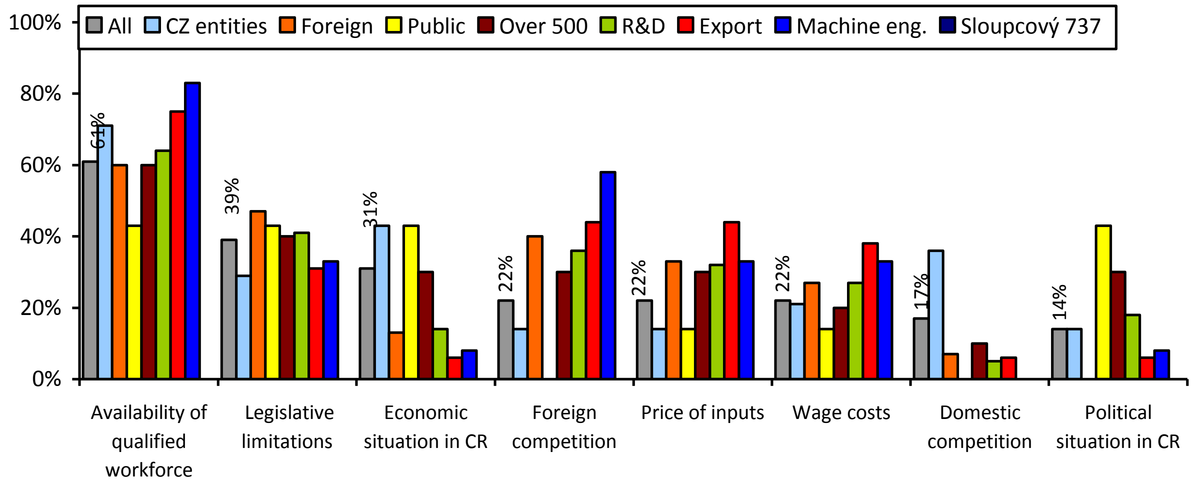
Third place: "economic situation in the CR" (31 %). The importance of this barrier has decreased compared to the last survey, and in the industrial companies the fall is even more pronounced. In the so-called export-oriented businesses (exporting more than 50 % of their production) this problem was mentioned just once. On the contrary this issue was mentioned mostly by the public institutions in connection with the u uncertain funding.

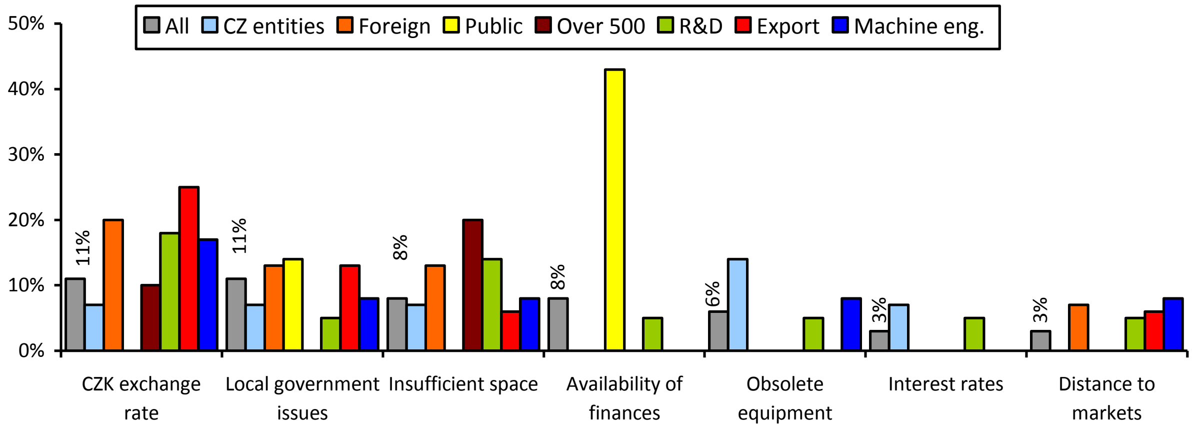
Chart No. 15: Development barriers (2000 – 2014)



Regarding other barriers it is worth to mention foreign competition for machine engineering companies and exporters, who also complain about the increasing labor costs. Lack of available financial sources for public entities comes as no surprise. In general, we have witnessed lower number of other answers than those taking the first places. Let's mention the issue of Czech koruna exchange rate - logically it was a positive move for the exporters, and at the same time nobody but one company importing from euro market complains about it, meaning in this respect the measure taken by the Czech National Bank has been right.

Chart No. 16: Development barriers, 2014





The comments below will illustrate the situation further:

- "The risks are generally known: cheap competition from South-Eastern Asia, namely China and India. Our challenge is to survive in the fiercely competitive environment by focusing on high quality and added value for customers due to R&D and advanced engineering."
- "The (net) wages are comparable to Romania and Bulgaria, while the tax burden (social and health care contributions) is much higher, which makes the Czech workforce lose its competitive edge."
- "The problems with legislation relate mostly to the labor law - it's been more and more expensive and difficult to employ people."
- "Problems with unfair competition - businesses not bothered by laws can compete with lower price."
- "The problem is nationwide atmosphere, where the feeling of responsibility disappears and people are not ashamed to steal from the employer."

5.3 Workforce and Employment

There were about 18,055 employees in the interviewed companies in October 2014. This figure is comparable with the end of the last year, and is by about 1,600 higher than five years ago. However, individual companies have experienced different developments, and five of them have laid off 20 and more percent of their workforce in the last 5 years. There are seven other companies that have compensated for the decrease with new jobs, and the balance is markedly on the plus side. The highest number of jobs was created in services, followed by machine engineering that recovered from the crisis of 2008-2010.

Average wage in 2010 and 2013 was established on the basis of annual reports (analogically to the survey completed 2 years ago), and it was CZK 27,100 in 2013 (increase by 8% from 2010). Average wage this year - according to those managers who provided the data - is about CZK 28,000, which corresponds to the most common reply that "wages have increased by 2-4%". The comparison in chart No. 17 shows health care and public administration offer the best average wages.

Chart No. 17: Gross wage median

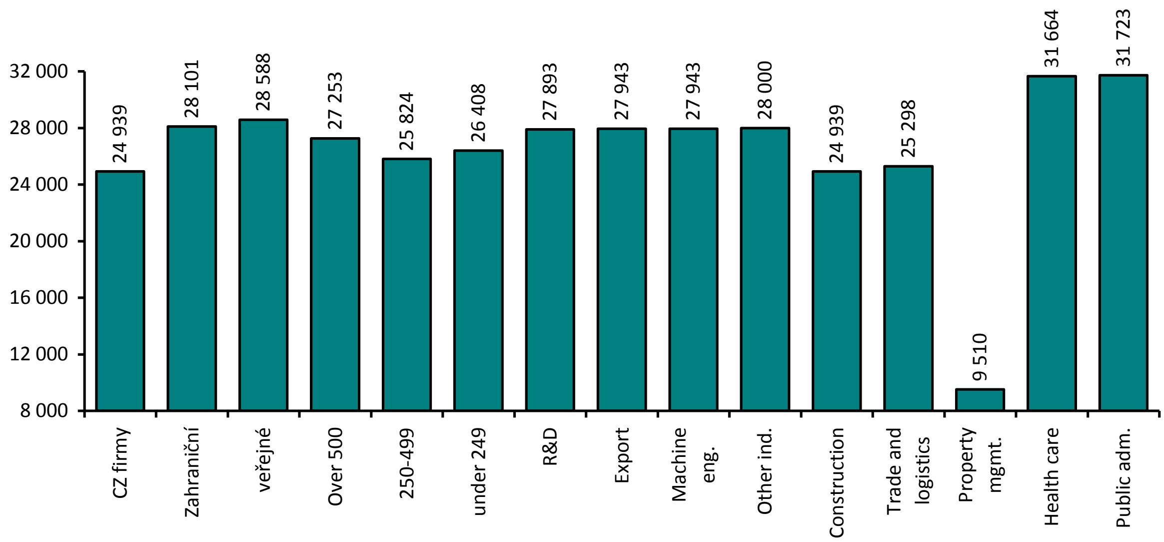
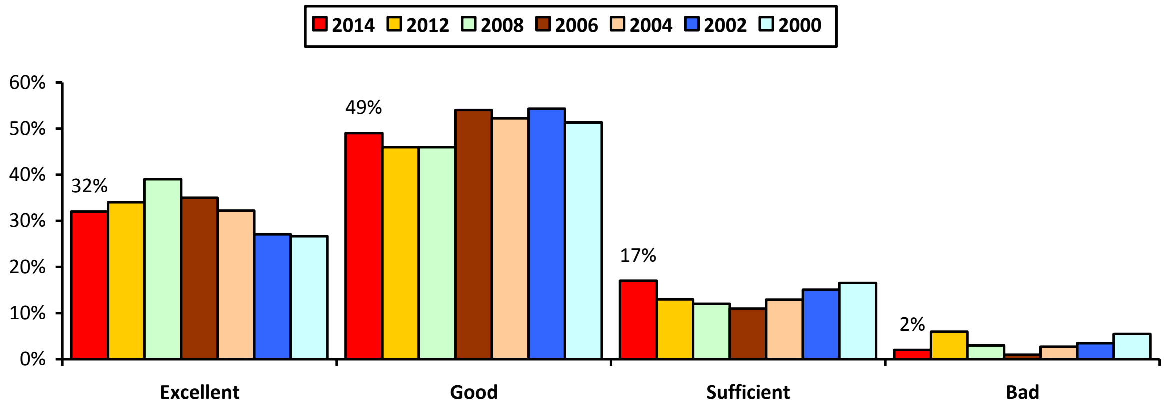


Chart No. 18: Workforce quality satisfaction (2000 – 2014)



Satisfaction of the business community with the quality of local workforce is a subjective indicator, yet in Olomouc it's been traditionally high. Chart No. 18 shows the situation has not changed much, even though the willingness of managers to speak of their personnel as excellent has dropped somehow.

The satisfaction with employees is one thing, but the (un)availability quite another - and this has been a permanent issue, because up to 61 % of the respondents miss qualified staff with key skills already, or they expect the same in near future. We see no improvement from the last survey, and the list of missing professions (technical, sometimes combination of technical qualification and language skills) has not changed either.

Let's see some actual comments to illustrate the situation:

- "It's technical and organizational skills that are missing, and among professions technologists and process engineers."
- "There are no real specialists, machinery professions in manufacture, and sales reps with technical background."
- "Our current staff is of high quality. But the question is what the situation will be in few years' time, when we start looking for replacements when the older guys retire."
- "We had a problem to hire good employees before 2008, the situation improved after 2009, because the crisis resulted in more qualified people available in the market."
- "What's missing in technical professions is the drive (own initiative); the people are not trying hard enough to find own solutions, and prefer external assistance."
- "Lower positions (I don't mean operators) are unable to decide themselves, and make mistakes even in the simplest operations."
- "It's a big problem to pay the top specialists."

It would be only natural to solve the lack of qualified people directly with schools, both secondary and universities. The experience of businesses in this respect varies. Especially machine engineering companies have mentioned good cooperation with vocational school in Lutín, Secondary Polytechnic School Olomouc, Kosinova, Sigmundova Secondary Technical and Machinery School, Brno University of Technology and Czech Technical University. Examples of good practice:

- Staff education programmes in schools
- Internships
- Trainee programmes for fresh graduates
- Financial motivation for outstanding students
- Company mentor taking care of interns
- Educational programmes for school teachers

On the other hand there is opposite experience:

- Insufficient quality we employ graduates, but there is no specific school where we'd pick our employees directly
- We've seen tragic quality of the bricklayers and carpenters leaving vocational schools
- School graduates are useless in general, the elder generation is much better - interested in work and reliable
- The quality of school graduates is only average, language skills are poor

Companies look for their employees most often using ads, personal recommendations and agency services. The experience with Labor Office programmes is rather varied. Replies in this area are divided more or less in half: "We know and use LO programmes" versus "We don't use the programmes, people from LO register are useless, or the administration is so demanding it's not worth the effort". There was no common characteristic in both groups, so it seems each and every company chooses its own way to deal with LO offer.

5.4 Economic Performance and Export

One of the most important characteristics describing the success of businesses is their economic performance measured by revenues, and the ability to achieve their goals in foreign markets. The sales figures have been collected in the annual reports and at justice.cz server, sometimes verified during the interviews. Total revenues of the reviewed entities in 2013 made for CZK 42.7 billion, continuously increasing since 2010 (in 2010 CZK 38 billion)

Chart No. 19: Export orientation

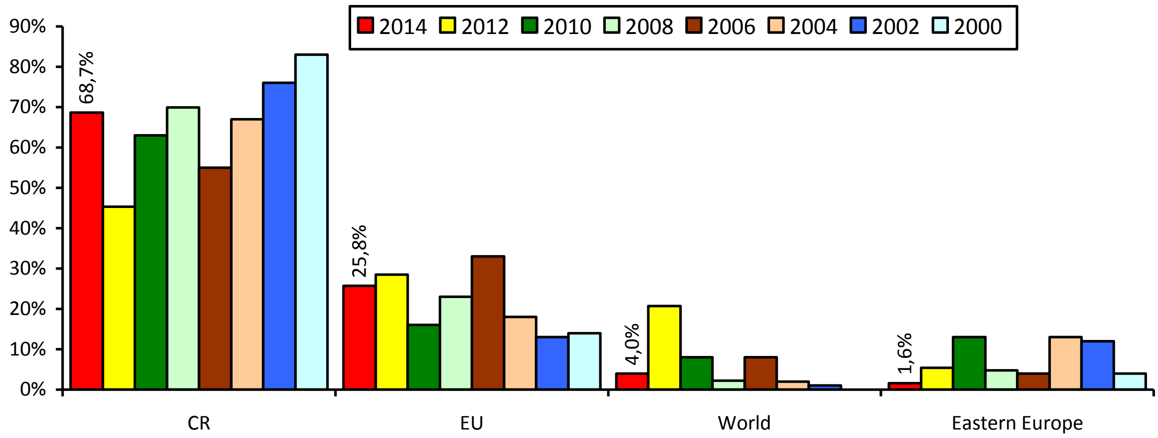


Chart No. 19 shows that the interviewed entities are not remarkably export-oriented, which is due to the inclusion of public institutions (administration, culture, health care), construction companies, cleaning, security and property management and other entities. And yet 16 businesses (almost all the interviewed industrial companies) export minimum 50 % of their production, most frequently in the European Union and 4 countries of the European Free Trade Association.

5.5 Ties with the Region

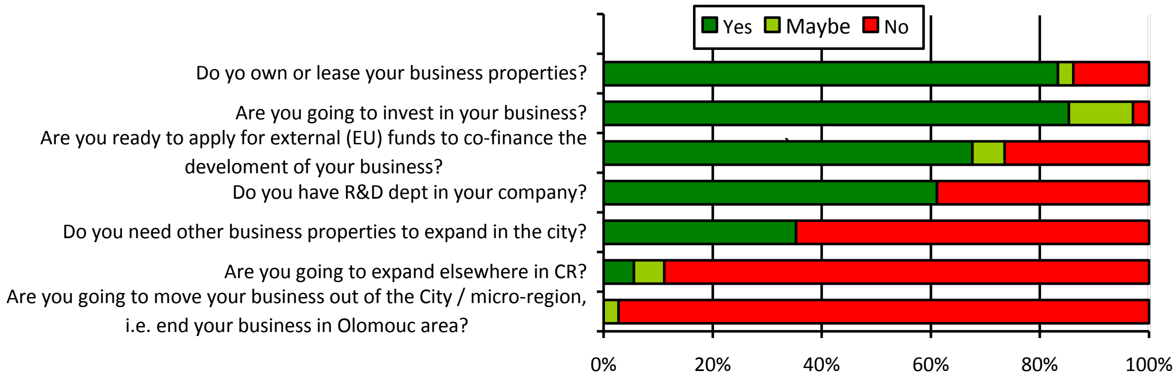
Ties with the region are directly linked to the issue of available business properties. Considering the focus of the survey it comes as no surprise there is above-average share of companies that own their properties (chart No. 20), reaching 83 %; one company owns part of the premises and leases the rest, while 5 companies are in leased premises.

Even though the investment activities have been attenuated in a number of European / Czech companies due to the negative expectations of future economic development, the interviewed businesses' outlook is very positive. 29 respondents (81 %) are preparing investment, other 4 (11 %) are contemplating it. However, in many cases this includes regular / continuous investments in technology modernization, or reconstruction of properties, whereas number of companies have already competed large investments. The total volume of prepared investments is almost CZK 1.5 billion, to bring about 325 new jobs. 95 % of the volume will be invested by 22 companies with their own research or development departments.

One third of the interviewees mentioned they needed new premises for expansion, most frequently warehouses.

23 respondents have already utilized EU Structural Funds, other 2 are preparing projects. The subsidies were mostly aimed at acquisition of new technologies, building repairs, environment-friendly manufacture, and "soft" projects like education or retraining. Clearly the highest volume of investments is related to the construction of R&D&I Center at Palacký University.

Chart No. 20: Properties and investments



The R&D departments are usually small, with up to 20 employees. The problem is that basically just hospitals cooperate in R&D projects with the Palacký University, and for others the partners are mostly technical universities in Brno, Prague and Ostrava. The companies with their own R&D capacities achieve demonstrably better results regarding sales per employee, export, average wages and planned investments. By supporting them local authorities can better encourage growth of the local economy.

Two businesses are going to expand elsewhere in the Czech Republic and other two are contemplating it, one company is thinking about leaving Olomouc in order to get closer to its major customer, or to find new ones.

5.6 Business Support Ideas

The respondents were asked traditional question: which business support instruments they would welcome from the City's authorities / public administration in general. The first part of the answer referred to the available services (the same in previous surveys), while new planned activities like innovation vouchers were included. The results are summarized in the chart No. 21.

This time the most frequently picked was the need to promote internships in companies, related to both the lack of qualified personnel and generation exchange, and the mismatch between the specialization of schools in Olomouc and requirements of industrial companies (in our survey represented mainly by machine engineering). The support for internships should be namely financial, organizational (identification of students really interested in work), and informational (promotion of technical and other professions, despite the fact large businesses have been doing this for some time).

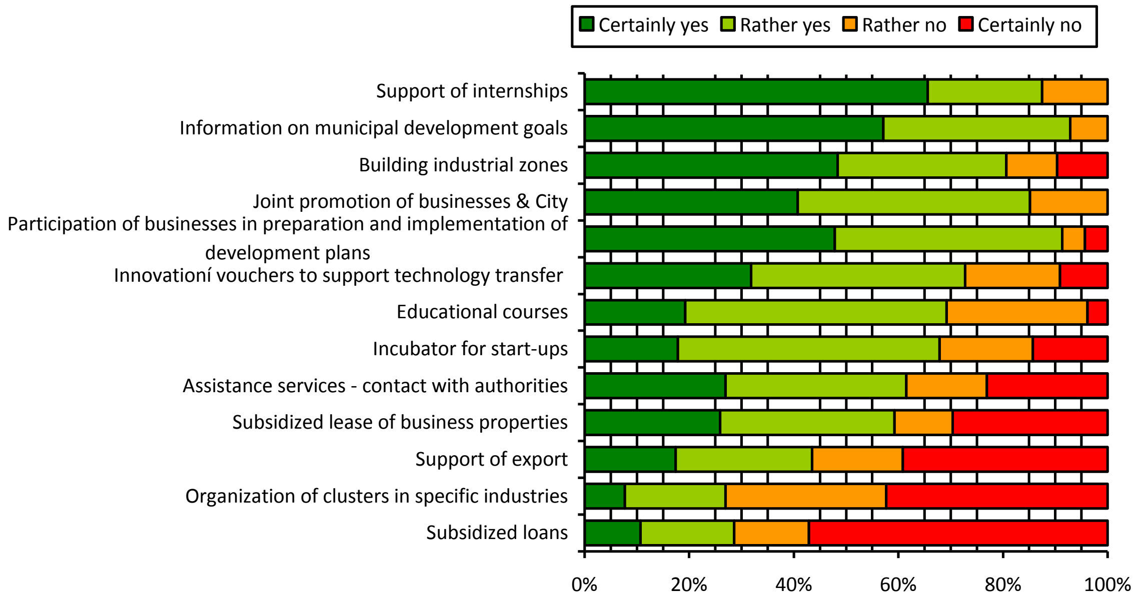
In the previous surveys companies have mostly called for being informed about the development goals of local government (strategy, zoning plan and especially investment projects), while this year it was the second most favored option.

Support of industrial zones is also strong, last but not least due to the fact one third of the respondents needs properties for expansion. Obviously many of them will use their own land, or they plan / would like to develop in the vicinity. The construction and care of the existing zones is perceived in generally positive terms.

Somehow surprisingly joint promotion of business and the city, and participation of businesses in development plans are considered more important than innovation vouchers to support technology transfers, and still the latter enjoy 75% support.

On the other hand two thirds of interviewees think the City should not provide preferential loans to businesses or organize clusters in given industries.

Chart No. 21: Business support services



Below are some verbatim comments and views on other possibilities of supporting business. They relate to the information, support for innovations and research, cooperation with schools, business environment and infrastructure.

Transport:

- "Better transportation access and services in the company premises."

- "There is one specific problem of prohibited truck transport from Velkomoravska street direction Prague - detour through a neighboring village (about 10 km) combined with toll make goods more expensive, which is borne by the customer."
- "Road repairs - one specific critical situation at a company HQ (Železniční / Na Zákopě)."
- “Bad communication with municipal department of transportation concerning roads reconstruction.”
- "More frequent public transport in the industrial zone and suburbs, sidewalks in the IZ (Sladkovského, Šlechtitelů) have not been completed, and somewhere people have to walk on the road, while the police are nowhere to be seen."
- "Perhaps the bus could come more often to the zone."

Education:

- "We appreciate the cooperation with Regional Chamber of Commerce on the programme of educational development and finding solutions to employers' needs related to workforce qualification."
- "Regional authority should deal actively with the state and system of education in our region. Needed professions should be supported (pattern maker). Some vocational specializations could be completed by graduation exam."
- "Quality of education and upbringing."
- "University should be a respected partner - this is changing with RIS3 strategy."

Promotion, image:

- "Better promotion of major employers in the region, assistance with solving safety issues around the premises. Improving the city's image."
- "Support of export, e.g. with the help of partner cities."
- "Common promotion of businesses and city hall may be harmful for both sides (personification)."

Reduce the red tape, 'do not obstruct':

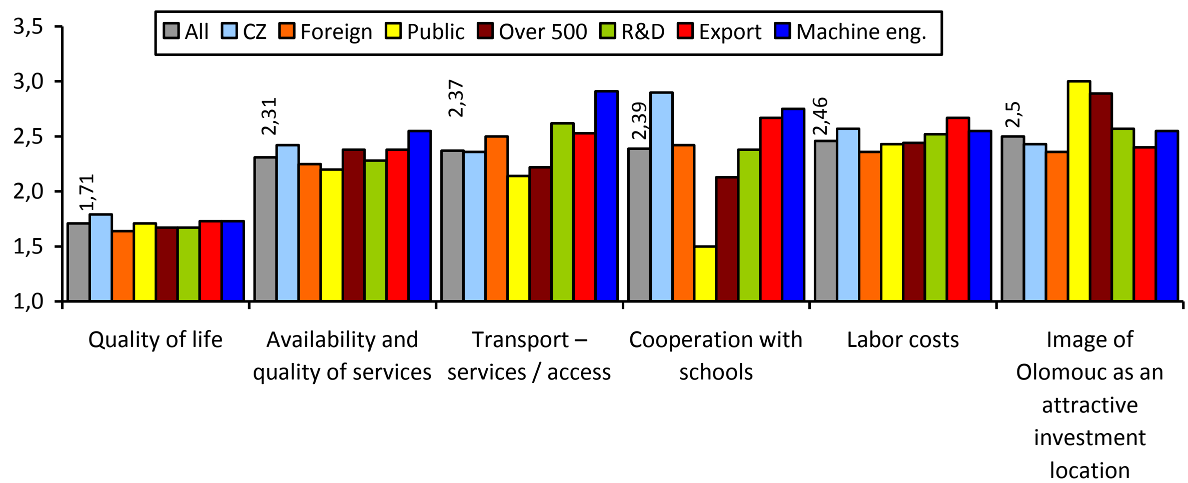
- "Faster issuance of building permits."
- "Do not interfere and stand in our way."
- “Better cooperation of the concerned authorities (environmental issues, sanitation, HSE).”
- “Financial Authority stands against positive changes in national legislation – it is difficult to deduct costs on research and development.”
- "Do no harm - it is best when business has no need to deal with local government / City Hall; there are too many new laws and regulations (heritage authorities, fire protection, sanitation… - but it's often impossible to accommodate them all, some one-stop-shop would be ok, but perhaps that is impossible, too."
- "Computerization of all services - at present it is time consuming to arrange administration, the communication is heavy footed and lengthy."

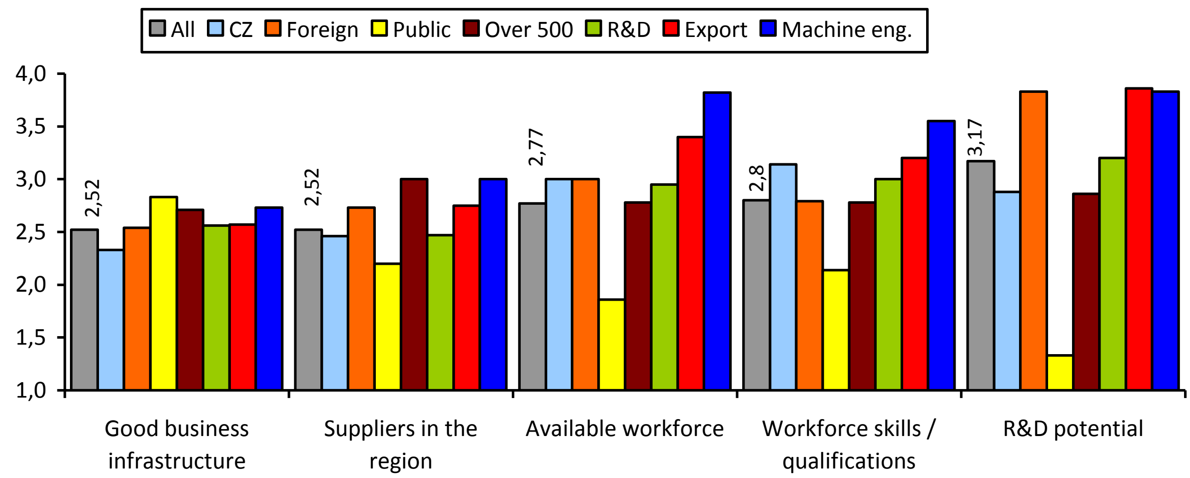
5.7 *Overall Impression*

Finally the interviewees were asked to evaluate the City of Olomouc in eleven categories, some of which have been touched upon in the paragraphs above. As seen in the chart No. 22, the results are consistent, the best feature being quality of life in the City with average score of 1.71 (school style, scale from 1 to 5). It's been confirmed once more that Olomouc with its traditions, heritage sites, environment, university, cultural life and opportunities for active leisure time is found very attractive by its old and new inhabitants. In this category the respondents ticked equally A and B (or 1 and 2 like in school).

Quality of other 7 categories seen in the chart below was seen as average (2.31 – 2.52), similarly across the selected eight categories, with the exception of public institutions and major employers (over 500 employees), who are happier with the cooperation with schools, and less happy with the image of attractive investment location.

Chart No. 22: Marks for the City of Olomouc





Even though some respondents see the local workforce and its price as a strength, generally the lowest satisfaction was recorded with availability and skills / qualification of the workforce, and the potential of research and development for business support was clearly seen as the worst with average score 3.17.

Overall impression from the City according to the eleven categories with average score of 2.48 can be characterized as good, whereas the most critical are machine engineering businesses (2.92) and exporters (2.74), and most positive trade and logistics businesses and companies dealing with property cleaning, security and management (2,05); public sector views were also more forgiving (2.15).

Below are the most frequently mentioned strengths of the City and its neighborhood:

- Constantly improving transportation accessibility (highway, railway) and services;
- Geographic location in the center of Moravia;
- Availability (currently higher offer than demand), price and quality of workforce;
- Industrial zones and their development;
- Industrial tradition;
- Good cooperation with the city hall and government bodies, synergies with the university;
- Civil amenities;
- Quality of life (beautiful place for living, sights, history, strong cultural and spiritual traditions, archbishopric seat, university, safety, potential).

Negative characteristics:

- Too much orientation on humanities, technical colleges and universities are missing!
- Lack of technically oriented qualified workforce, language skills, insufficient commitment at work;
- Structure of industry in the City, slow development, little diversity - e.g. no synergies among companies exchanging materials and components;
- Lack of available and affordable properties for business, absence of another industrial zone;
- Certain narrow-mindedness, smallness of people without vision and need for progress;
- Lengthy dealings with local government, tax bureau, occupational safety and other authorities' inspections without reason;
- Low purchasing power of local population;
- Quality of road network;
- Distance from Prague, insufficient road connection via Hradec Králové, small-town from the viewpoint of Brno and Ostrava, distance from Germany;
- Few events aimed at increased visibility of the City and region, image of an attractive investment location.

5.8 Future Prospects

Replies to the question "What is your corporate vision - where will your business be in 5 years' time?" were as follows:

- Most (13) institutions and companies see the stabilization of current situation and preservation (or improvement) of the quality of products and services as crucial.
- 10 enterprises strive to improve economic performance mainly on the basis of export, while the most interesting new markets are apparently China, or Asia in general.
- 11 companies see their future in the field of new products and services, and moving towards higher added value.
- 2 subsidiaries mentioned that parent company was in charge of the strategic agenda, and they had no influence over it.

The road to achievement of this vision (namely in machine engineering) leads through innovations of products and technologies. Another frequent method is striving for more flexibility, where the enterprises try to respond faster and better to demands of specific customers. It is a pleasant fact that innovation of products towards higher added value for customers is recorded also in trade, transport and services. Strategies of achieving the vision quite frequently include work with the employees, their education and development.

Speaking of competitive advantages, the businesses (once again mainly machine engineering) mention traditions and quality, flexibility and ability to satisfy the needs of their customers, plus team of experienced professionals. Service businesses mostly stress reliability, quality and scale of services provided, sometimes also lower price due to relatively lower wages compared to national average, recorded even in the fields demanding more human labor. Last but not least several participating enterprises enjoyed practical monopoly in the region, which is obviously a major benefit.

In most economic activities the market development is unfavorable - either straightforward decrease, or more and more pressure on prices. There is certain increase in some machine engineering areas, solely with the new technologies, and in some service categories. This is another reason why the interviewees responded this way - looking for other markets in geographically distant regions, increasing added value for customers / innovations. Companies do not want to wage new "price wars", because more often than not they are convinced that further lowering of prices of products / services would inevitably mean poorer quality.

Despite all the discussed problems the overall impression from future development in the visited entities is positive, namely thanks to the fact all respondents are eager and willing to tackle these problems actively.