

BermanGroup

Olomouc's Business Environment Survey

2018 Report

City of Olomouc

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1 Introduction and Methodology

The Business Environment Survey the results of which we are presenting here follows on a series of surveys among major enterprises in Olomouc that the City has made regularly every two years since 2000. The Berman Group interviewers, in cooperation with OK4Inovace, conducted 46 interviews with managers and CEOs of companies selected from a group of about 100 leading (largest) employers in industry and strategic services, complemented by small and medium-sized enterprises with high growth potential. The interviewers contacted those enterprises with which they were able to arrange a meeting in September and October 2018.

In this context, it is necessary to appreciate the helpfulness with which most of the addressed companies agreed with the visit and the interview. The more understanding the respondents showed, the greater the responsibility of the public administration, which should make sure that the outcomes of the survey will not go unacknowledged and the opinions of the business persons will be taken into account when defining the strategic objectives of the City of Olomouc.

2 Survey Summary

The following are the most important findings of the survey:

- Olomouc's local economy is most likely approaching the limits of its growth, which has been based on classical expansion. High productivity businesses predict further growth in revenue, investment, and the need for skilled workers. Other companies expect stagnation;
- The local economy is highly export-oriented, depending mainly on demanding Western markets. The sample examined in the survey includes a number of internationally competitive companies – both companies controlled by foreign investors and those owned by Czech owners;
- The 2017 revenues of the surveyed companies grew to a total of CZK 18.78 billion. A further increase of almost 6% is expected for this year. Their export performance is a favourable factor, with 57.9% of the production going to foreign markets, of which 48.3% to the European Union markets;
- The companies identified the decreasing availability of a highly skilled and qualified labour force, (fast) wage growth, and a variety of legislative constraints as major obstacles to their further growth;
- Olomouc-based companies have long complained about the lack of technically qualified workers of all categories. At the same time, they are basically satisfied with their current staff and see the main problem in the lack of availability, level of skills, and motivation of newly hired workers;
- The average gross wage per month reached CZK 33,000 in 2017 and is going to grow. Many companies warn that the rapid rise in wages significantly reduces their competitiveness;
- The ratio of employees engaged in the companies' own research and development is rather moderate (about 119 employees in 26 enterprises). The situation may improve in the future in the context of the upgrading of those companies that are part of larger corporations;
- Most companies have their own real estates / business premises, but some (18) lack space for further development. The companies reported a robust level of investing into new real estates and technology. Overall, total investments of more than CZK 1.6 billion can be expected in the coming years and about 130 new jobs should be created in connection with these investments;

- Expectations of the companies in terms of business support programmes implemented by the City are not unrealistic. In particular, better communication and more efficient administration would be appreciated. On the other hand, the problems of availability of qualified workforce and of business premises (plots of land and buildings) call for solutions involving better cooperation of all stakeholders.

• 3 Outcomes of the Survey in the Companies

3.1 Basic Characteristics

During September and October 2018, the interviewers visited 45 companies on the list of largest employers, which also included a number of small and medium-sized enterprises with growth potential. The list had been compiled in cooperation with the City Hall and OK4Inovations and based on the knowledge of the local innovation environment. One enterprise had completed an on-line questionnaire on the web. The visited companies were classified into 4 groups: mechanical engineering and metal sector (18), building industry (5), business-oriented & IT services (6), and other industries and services (17).

Among the companies visited, the limited liability companies prevailed (31), followed by joint-stock companies (14). Thirty companies out of 45 visited enterprises have their headquarters in Olomouc, while most of the others have them abroad (13) or elsewhere in the Czech Republic (3).

Small enterprises with up to 50 employees prevailed in the sample: there were 20 of them, employing 488 people in total. Further, there were 17 medium-sized enterprises, ranging from 50 to 250 employees, with 1,887 employees. Finally, 9 large enterprises with more than 250 employees participated in the survey; the fact that they employ 4,466 inhabitants of Olomouc and its surroundings shows how important for the local economy they are.

Based on the respondents' answers to questions about their respective companies' visions, strategy, and the sources of competitive advantage, the companies were distributed into the following categories, depending on their aspirations to be leaders in the changes in the world market. The respective categories are: a Leader (9) – a company willing to set trends and initiate changes in the world market. A Pioneer (15) – a company investing into finding and testing new solutions and their verifying on the market; such a company is often successful in narrowly specified areas. A Follower (9) – a company with ambitions to follow closely the footsteps of the Leaders and to be able to respond to their actions as quickly as possible. Such a company is directly competing with the Leaders and fosters its ability to react immediately. And finally, an Optimizer (11) – a company with no aspirations to be at the forefront of changes in the world market. It accepts changes while optimizing its existing products, their properties, and methods of production. The Optimizers are very often production branches of a foreign companies.

3.2 Barriers to Development of the Companies

A usual question of each survey is what prevents the enterprises from further development and what poses the biggest problems. The perception of the severity of various factors has been continuously changing throughout the Czech Republic and these changes often provide more useful information than the ranking itself. The Chart 1 on the next page shows the weight of the respective barriers depending on the number of answers (blue column) and the number of employees (red column).

The biggest and most frequently mentioned issue is the low availability of skilled workforce (appearing in the third consecutive survey), which is complained of by 60.9% of the surveyed companies, employing 71.5% of the total number of workers. Logically, this problem is felt more intensely by large employers (77.8%) than by small (45%) and medium-sized (70.6%) enterprises.

The new trend identified in this survey as a barrier to business development is the increase in the cost of wages. While 21.6% of enterprises had identified wage costs as a barrier to further growth in 2016, this year it was 47.8% of enterprises employing 63.1% of workers.

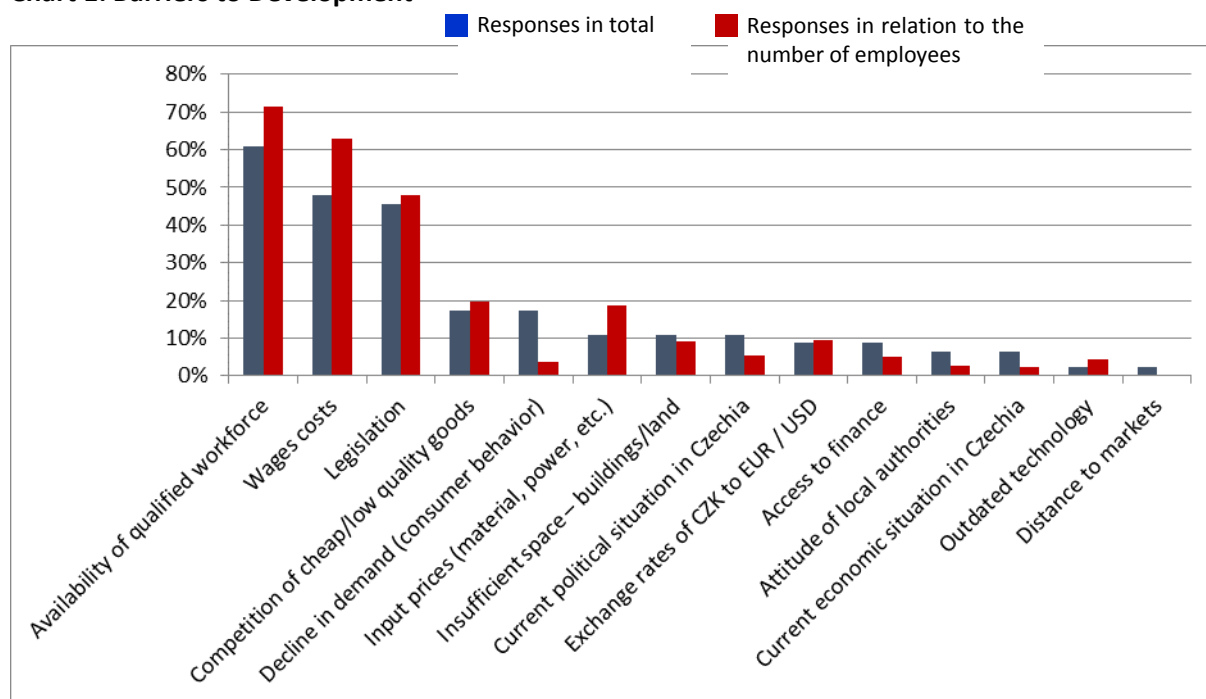
The issue of labour supply shortages is closely linked with rising wage costs and these two problems “in tandem” present one of the major barriers to the development of the local economy. In this

context, it is noteworthy that engineering and metalworking enterprises – a decisive sector of the local economy – cope with these problems most easily (38.9% complained about labour supply shortages and 47.4% about rising wages).

Small and medium-sized enterprises are generally less vulnerable to the impacts of labour supply shortages and wage costs; nevertheless, shortages of qualified staff are becoming a major obstacle to the development of this business segment (45% and 70.6% of SMEs, respectively, complained about labour supply shortages; 35% and 58.8%, respectively, complained about rising wages). We received some interesting comments from certain companies:

- “Labour supply shortages (with wages growing faster than labour productivity) together with exchange rate losses have resulted in a loss of profit of almost CZK 40 million. That is why the company will continue to move its production to Russia, China, and India where it has its branches. The number of employees will no longer grow but the company will rather focus on increasing the added value per employee.”
- “Quality and skills of engineers: they are poorly educated – all of them, not only the fresh graduates. The company tried to hire people who claimed to have the skills in their CVs, but it was a disaster.”
- “The profile of the company’s employees is ageing. Long-time employees are only slowly replaced by younger ones.”

Chart 1: Barriers to Development



The third most complained about issue is the “legislative restrictions”, identified as a barrier by 45.7% of the respondents (i.e., by 4.7 percent points more than in 2016). Furthermore, enterprises of all three segments (broken down by size) assigned the same importance to this issue. Most of these respondents came from the building industry (60%) but only 16.7% from IT and business-oriented services. In terms of concrete examples, the companies most often complained about the increasing administrative and regulatory burden imposed by the authorities, slowness of administrative procedures (in particular building permit procedures), and labour supply shortages (in addition to the general lack of workforce, they complained about lack of professional skills and rapid wage growth). Specific examples follow:

- “High taxes and frequent checks by the Social Security authorities, Tax Office, etc. Regular weekly on-the-spot checks make the work of a small company much more difficult, making everyone busy with paperwork.”
- “Unbelievable bureaucracy, formalistic legal environment, and demanding OSH requirements (the employees are required to formally sign stacks of paper stating that they have been trained).
- “Bureaucratic formalities – building permit procedures take longer than designing and engineering work proper.

The fourth most complained about issue is the “competition of cheap or low quality goods”. Nevertheless, only 17.4% of the interviewed companies (which employ 19.6% of the employees) consider it a major barrier. It particularly affects the building industry (60%), while companies providing business-oriented and IT services did not mention it at all. The percentage dropped roughly by one third compared to 2016.

On the fifth place (17.4% complaining companies, or 3.8% according to the number of their employees) is the “declined demand – change in consumer’s behaviour”. This factor was primarily complained about by small enterprises up to 50 employees in the business-oriented and IT services industry.

The other barriers were mentioned by a limited number of respondents and, if they have a more significant impact, it is only on a specific sector or business segment. The input prices (of material, power/energy, etc.) are a partial problem for large (20%) and export-oriented (20%) companies in the mechanical engineering and metalworking sector. The lack of space was often complained about by small companies supplying the business-oriented and IT services (33.3%). The availability of funds (access to finance) was perceived as a barrier by 60% of the building companies, with other companies not considering funding as a significant problem (8.7% in average). The CZK exchange rate against other currencies (8.7%) was most often mentioned by export-oriented foreign-owned companies (15.4%).

Numerous barriers, such as relationships with local authorities, distance to markets, outdated technology, or the overall economic situation in the Czech Republic, were mentioned only marginally. The following comments illustrate the situation:

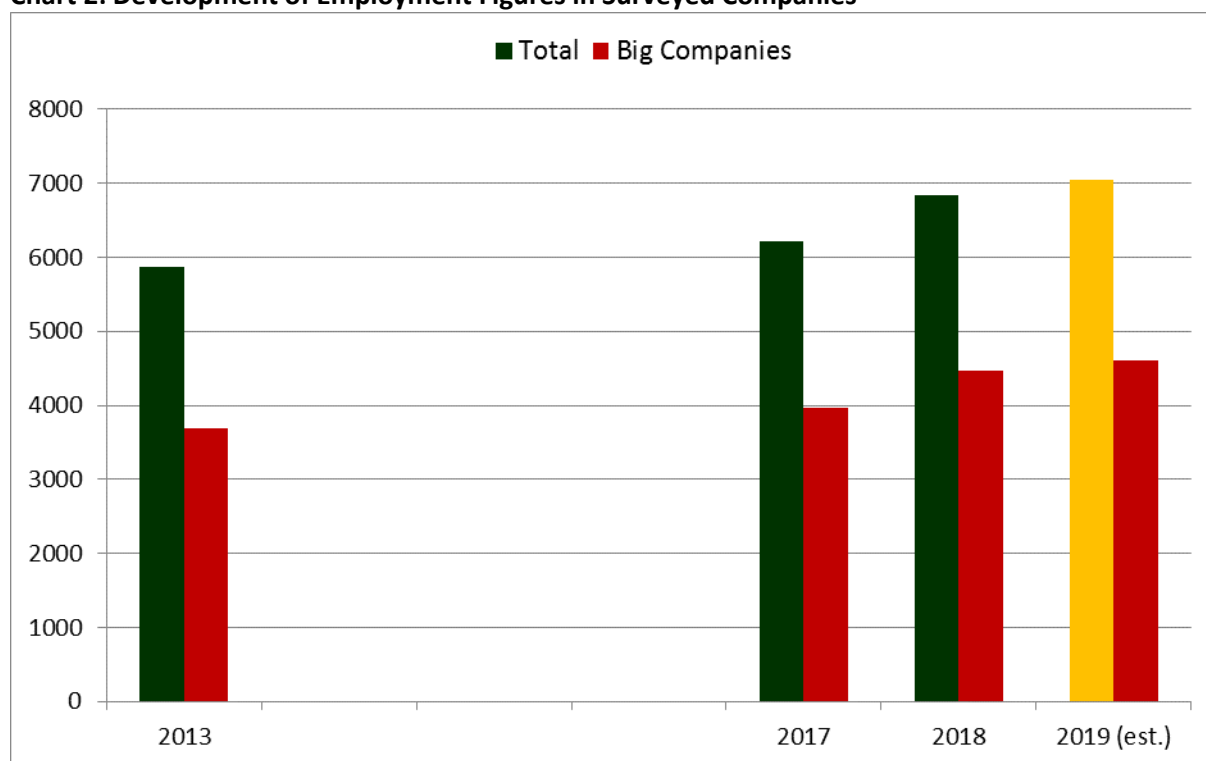
- “Our major customer is public administration, where there is a great pressure on the price due to the Public Procurement Act. We are undermined by lower-cost, lesser-quality competition.”
- “70% of the company’s sales are in foreign currencies (including Hungarian forint and Polish zloty), so we rather depend on the exchange rate. E.g., this year we have recorded a 10-percent loss on forint.”
- “Distance to market – it is a barrier because we must deliver across Europe within 48 hours. Insufficient space – we have a problem with a plot of land at Šlechtitelů Street, which has been dragging on for years due to a mistake of a contracted company. We hope it will be resolved soon and a new production plant will be built there.”
- “There is a strong demand to develop petrol engines. However, we see the future of the automotive industry in hydrogen vehicles rather than in electric cars.”
- “Generally, gambling directives [are perceived as a barrier]. In Olomouc, though, the situation has been favourable for a long time.”

3.3 Labour Force and Employment

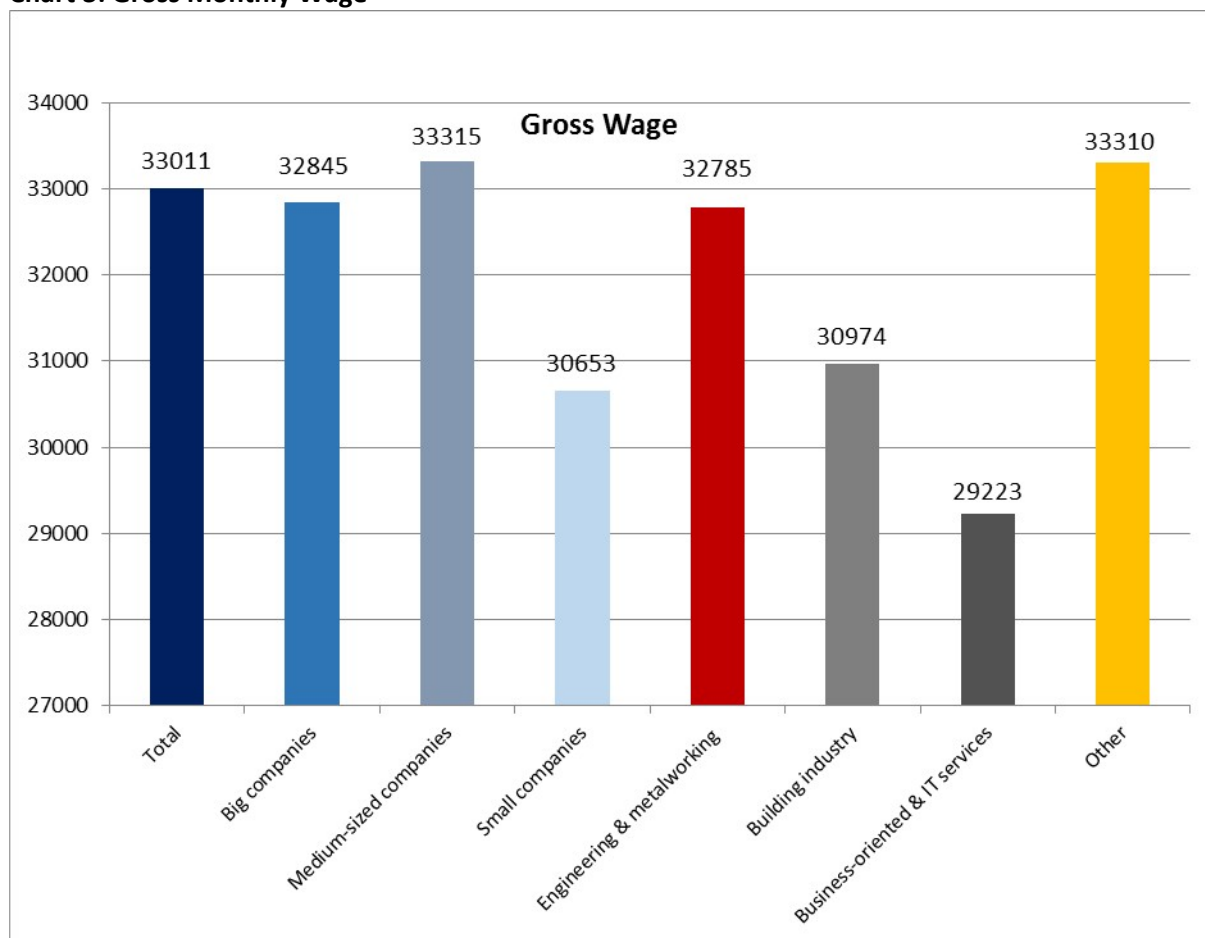
Approximately 6,840 employees were employed in the visited enterprises in the autumn of 2018. The Chart 2 shows the growing employment trends in the companies, which should continue next year. However, different companies have undergone different developments, and five of them have dismissed 5% of employees or more over the last 5 years. On the other hand, there are ten companies in the sample surveyed that have created new jobs at a high pace during the same period of time. The total increase has been 14.8% between 2013 and 2018.

Mechanical engineering and metalworking production grew fastest (+31.7%) in large companies over 250 employees, which is the main source of new job opportunities in the local economy (see Chart 2). The growth of employment in the small business segment (+27% compared to 2013) is also positive. A reverse trend is evident in the building industry, with a loss of about 1/5 jobs compared to 2013. The number of employees for the coming year is expected to be at the same level as this year.

Chart 2: Development of Employment Figures in Surveyed Companies



According to the statements of those managers who answered the questions (43 of 46), the average monthly wage will reach CZK 33,000 this year. Rapid wage growth in recent years fully corresponds with nationwide trends, and the companies expect further growth next year. Although the average gross wages in different companies range from CZK 25,000 to CZK 80,000, we can see that the wage conditions are quite balanced when examining the wage level in the respective sectors and/or business segments (see Chart 3). With some simplification, we can say that the highest wages are paid by medium-sized companies in the “other industries and services” category.

Chart 3: Gross Monthly Wage

Three quarters of the companies surveyed (mainly big and medium-sized enterprises according to the number of employees) feel a lack of workforce with key skills and qualifications. We have not found any improvement over previous surveys, and the list of missing professions (such as skilled workers, technicians, and operators) has also changed very little. There is a new trend reflected in a lack of capable traders. Furthermore, all sectors have ageing workers in key occupations and highly experienced employees who leave their companies to go into retirement. For illustration, we provide some comments from the companies:

- “We lack CNC operators, i.e. skilled and educated operators / technology programmers who are able to prepare the production including machine programming. We don’t need commonplace operators. The lack of people already puts limits on the development of the company. We could produce more as the demand is high.”
- “The personnel turnover is relatively small, between 7 and 8%. Now we are trying to recruit workers from Serbia through a mediation of an employment agency. We already employ 10 workers from the Serbian region of Banat. These people have similar cultural habits [like our people]. We give our current employees a reward of CZK 20,000 if they recommend us a suitable employee to hire.”
- “[We lack] carpenters, ironworkers, engineers, and construction workers.”
- “We want to keep the company small as it is now, with 25 employees using advanced robotics. We practically don’t have any staff turnover in our company.”

- “We lack employees in general. We would like to invest in a new production hall, but we don’t have enough people to work there.”
- “We lack moulders – vocational schools of this kind were closed and there are no experts available who could teach this subject.”
- “People seeking employment lack business skills and any ambition at all; they are not willing to work hard.”
- “People know nothing about robotics, operating and programming of sophisticated production facilities, and their maintenance.”

The companies try to cope with the lack of skilled workers by cooperating with schools – both secondary schools and universities. More than half of respondents have cooperated with schools in the Olomouc Region and one third with schools outside the Region. More than once they mentioned good cooperation with Sigmund Technical Secondary School in Lutín, High School of Polytechnics in Olomouc, Secondary School of Electrical Engineering, Secondary School of Mechanical Engineering, Secondary Technical and Business School in Olomouc, and with universities, such as UPOL Olomouc, VUT Brno, TBU Zlín, VŠB-TU Ostrava, and even with schools in Poland. Examples of good practice include:

- “Traineeships, apprenticeships, mandatory internships, graduation theses, bachelors’ and diploma theses.”
- “Thanks to this collaboration, 7 people became employees of our company last year.”
- “We cooperate mainly with the Vocational School (SOU) of Lutín. 3 to 4 students come for apprenticeship to our company each year and stay here for 2 years. Usually, we offer them an employment contract thereafter. This is the surest way to recruit new employees.”
- “Internships and scholarships – Secondary School of Mechanical, Technical Secondary School in Lutín, School of Engineering in Uničov.”

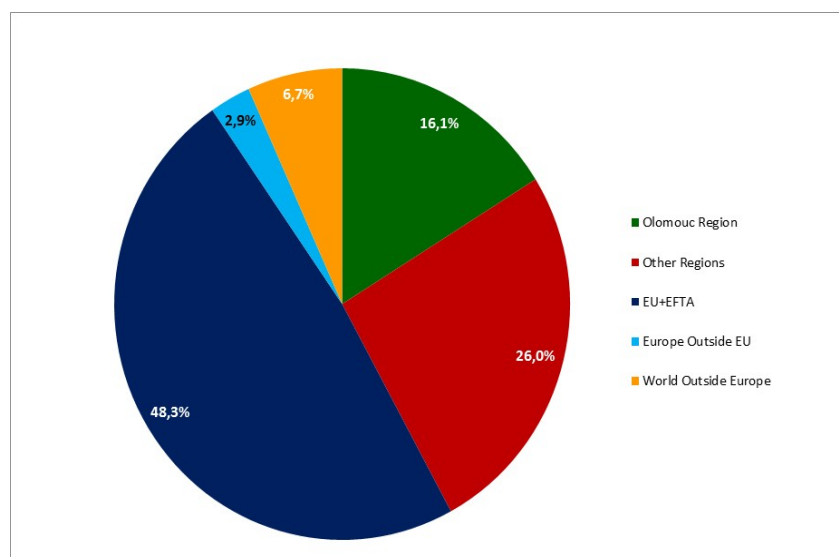
Sometimes, experience is otherwise, though:

- “We wanted to cooperate [with schools], but the Electrical Engineering School informed us that they already had a lot of cooperation, which would have left us with those [students] nobody else wanted.”
- “The quality of geoinformatics graduates from UPOL is poor and, hence, we suspended cooperation in this area. It was wasted money and time.”
- “We don’t have enough funds to pay scholarships, etc.”

3.4 Performance & Exports

One of the key features in the success of a company is its performance and ability to position itself on foreign markets. Performance data was taken from the annual reports on the justice.cz server and verified during the interviews. The total performance of these enterprises was CZK 18.8 billion in 2017, and an increase to CZK 19.8 billion is estimated for this year. Thus, the

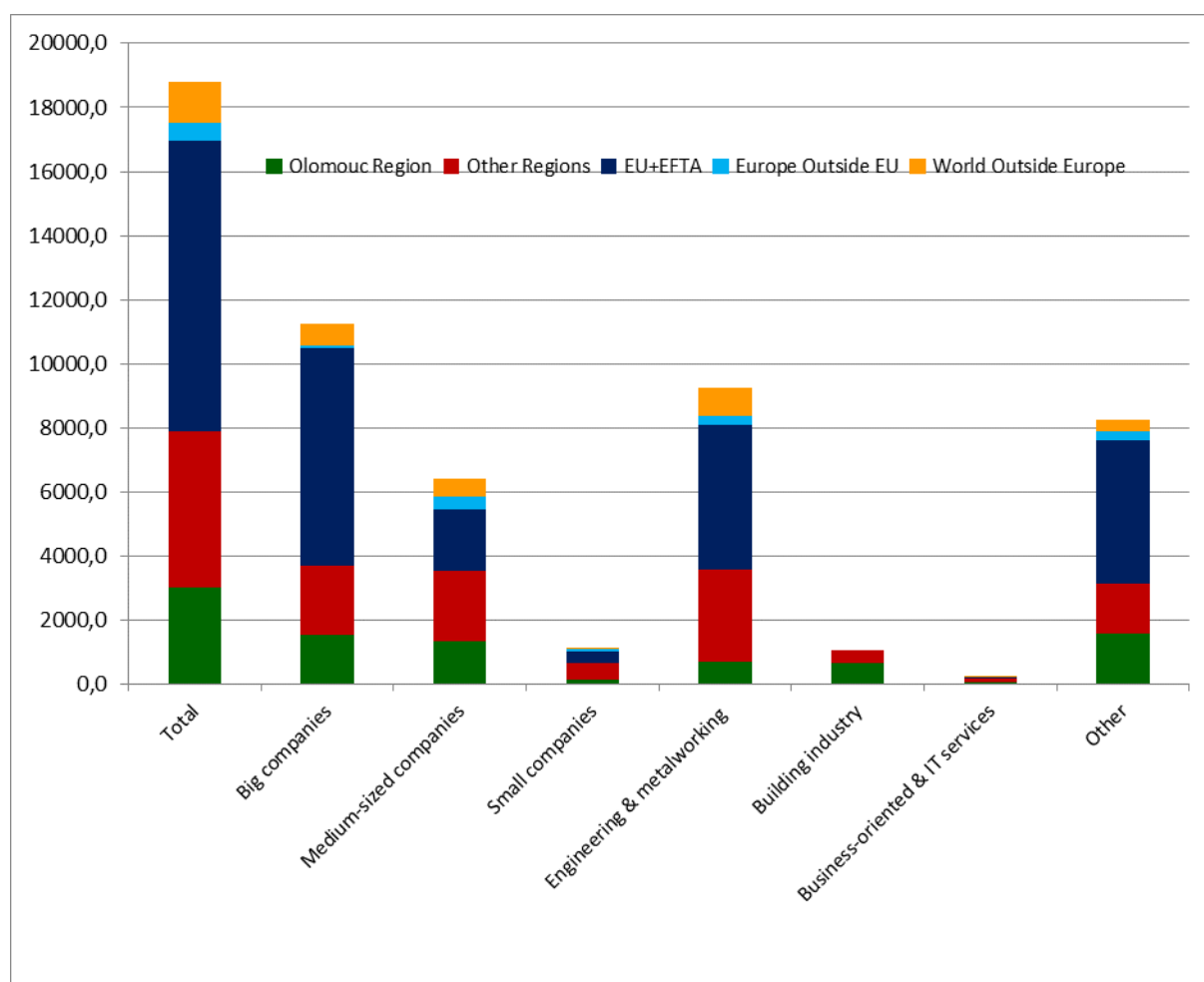
Chart 4: Markets to Which Local Companies Export



turnover per employee is almost CZK 2.75 million. For this year, 23 enterprises reported a further increase in performance, while 19 expect stagnation, and 2 expect a fall in output (2 companies made not comment). Growing and stagnant enterprises are more or less equally represented in the observed segments in terms of their size. From the sectoral point of view, the building industry has been stagnating while the mechanical engineering and metal industry has been growing. What clearly distinguishes enterprises with growing turnovers from the stagnant ones is the productivity expressed in sales per employee, which reached CZK 3,414 million for the growing ones and CZK 1,866 million for companies expecting stagnation or drop in sales in 2017.

The Chart 5 shows that the visited companies as a whole are not more export-oriented than is an average, due to a relatively large representation of building companies and services. Still, a total of 20 enterprises (almost all industrial companies that participated in the survey) export at least 50% of their production, most often to the EU countries. The most important foreign markets are Germany (for 11 companies) and Slovakia (9), Italy (7), Poland (5), Great Britain (3), and France (3) – we mention the countries that were mentioned more than twice.

Chart 5: Sales according to Markets (thousands CZK)

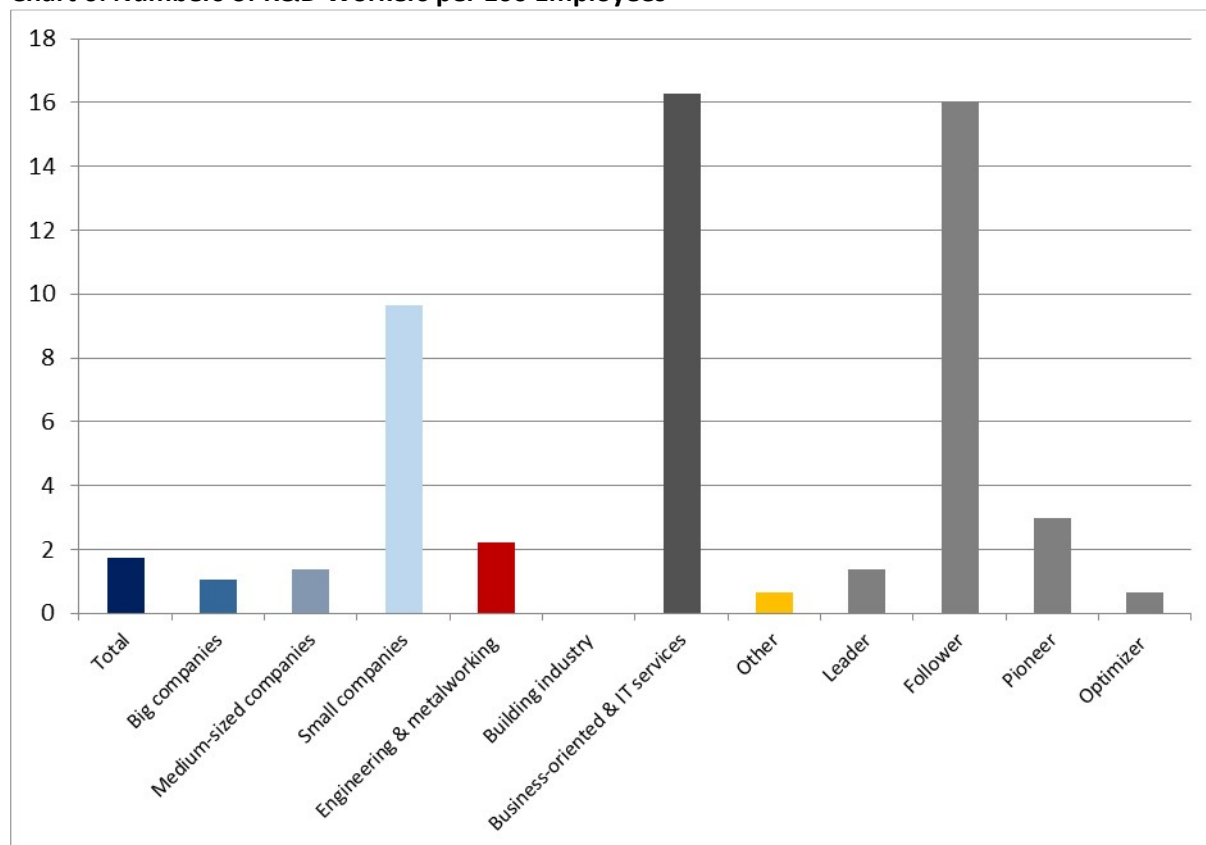


3.5 Research, Development, Innovation

In-house research and innovation is an increasingly important factor of competitiveness. Compared to the 2016 survey, both the total number (26) and the percentage (56%) of companies employing the R&D personnel has dropped. The total number of R&D workers is 119, which is more or less an

average result (1.73 per 100 employees). It should be noted that one of the large enterprises refused to report the number of R&D workers claiming this information confidential. With almost 10 R&D workers per 100 employees, small enterprises appear to be the most innovative segment in this survey – especially because small businesses were selected for the survey in view of their focus on R&D activities. The highest share of R&D workers in the business-oriented & IT services sector is logical. It is interesting from a corporate strategy point of view how small the proportion of R&D workers is in companies that aspire to the position of a Leader. Eight of the nine leaders are branches of companies located outside of Olomouc and the most likely explanation is that R&D functions are provided by other branches of these companies.

Chart 6: Numbers of R&D Workers per 100 Employees



In spite of often complaints about how “unfortunately” the curricula at Palacký University are focused, the survey identified 4 companies working together with Palacký University on R&D issues, which is the same number as those cooperating with VŠB-TU Ostrava.

The companies expect that innovation activities may help them improve the quality of their products or services (47.8% of respondents) and expand the range of products or services (41.3%). Other benefits are: entering new markets or an increase of the market share (13%), improved production flexibility (13%), and reduced material and energy performance (13%), but these are of lesser importance. Big companies have somewhat different attitude: for them, it is important to reduce labour costs per production unit and they also put more emphasis on reducing material and energy performance (22.2%).

The lack of qualified workers (28.3%) is the main limiting factor in innovation activities, with the high costs (13%) and excessive economic risks (13%) closely following. Providers of business-oriented and IT services also complain about the lack of flexible regulations and standards (16.7%) and the low interest of customers in innovative products (16.7%).

22 enterprises use grants and subsidies to support innovation and technology transfer, 7 are considering their use, and 17 have reservations about grants and subsidies.

3.6 Real Estates and Investments

An overwhelming majority of companies (76%) own real estate for their business, while others (especially small enterprises) rent their premises. 12 companies stated they would invest in real estate to expand their capacity. The interviewed respondents expect to develop approximately 10,000 square meters of production and storage areas in the coming years, mostly as an extension to the existing premises, or on the plots of land already owned by the companies. Several companies stated that they were considering to develop their premises somewhere else (outside of Olomouc) due to labour supply shortages and a lack of currently available space.

Many companies are going to invest in technology and make better use of existing space.

The Chart 8 also suggests massive upcoming investment activity: 38 respondents (82.6%) are preparing investments, another 3 companies (6.5%) are considering them. In many cases, these are regular investments in modernizing technologies or in the reconstruction and/or extension of existing buildings and premises. The total amount of planned investments exceeds CZK 1.6 billion and will bring about 135 jobs. The most significant investment activities are being prepared by larger, export-oriented companies in the "other industries and services" category, which are going to invest almost 10.5% of their annual turnover (8.63% is an average), and will also create most of the announced new jobs.

Chart 7: Business Premises

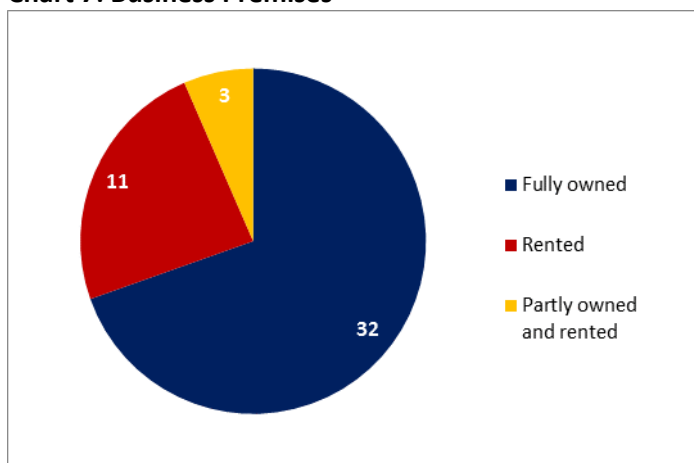
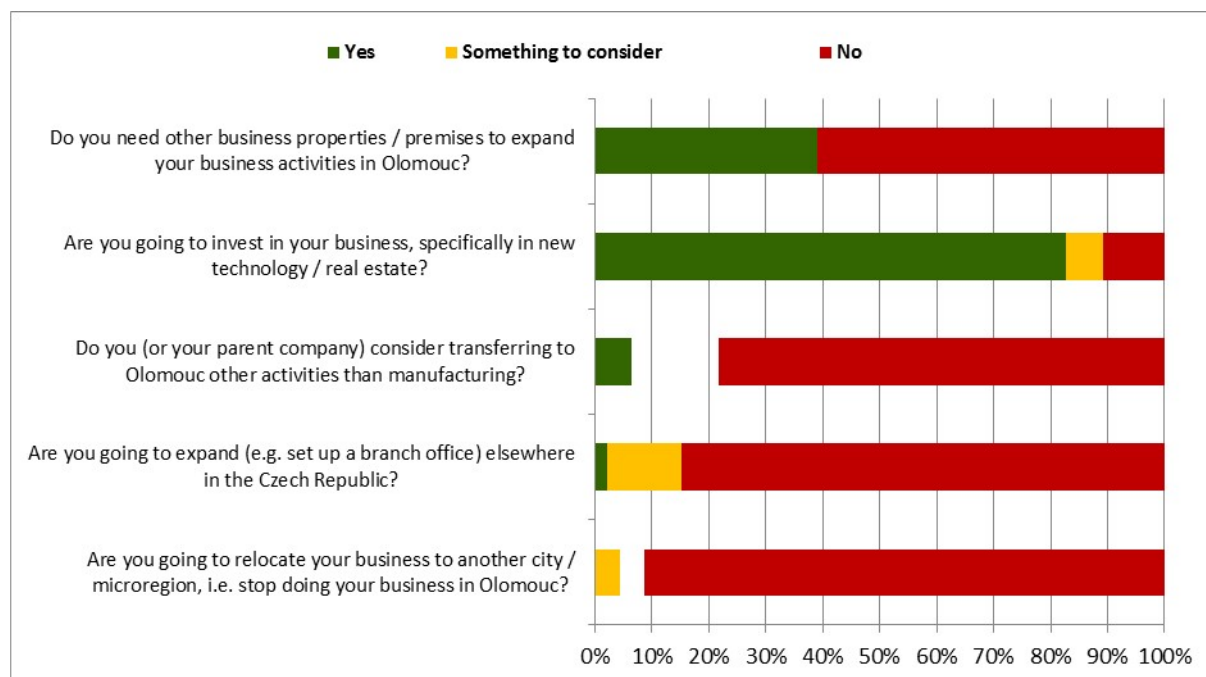


Chart 8: Real Estates and Investments



Three companies owned by foreign investors stated that their parent companies were preparing to transfer their activities with higher added value to Olomouc. Two of these transfers are planned for

the next two years; in the first case, they will depend on the availability of quality office space, in the second case, the branch is given a priority in the development strategy of the parent company.

One of the companies surveyed is preparing an extension elsewhere in the Czech Republic and another six are considering this option. Two companies consider terminating their business in Olomouc and relocating the company to another region.

Whether or not a company is well established and grounded in a region, depends – apart from other things – on its involvement in local supply chains and on the share of regional suppliers. Most of the companies surveyed cooperate with regional suppliers; however, their share in the overall supplies is not significant and their number has stagnated or slightly declined over the last five years.

This is a general trend resulting from large enterprises' efforts to optimize supply chains and reduce logistics costs. Only five (predominantly medium-sized) companies stated they were trying to increase the number and share of local suppliers. For most other companies, the location of their suppliers was not important and they rather focused on the quality of the goods or services supplied (50.0%) and more favourable prices (34.8%). Dissatisfaction with the quality of the deliveries (52.5%) or with the price (41.3%) was the most frequent reasons for terminating cooperation with suppliers. In such cases, the previous supplier was replaced by an existing one (41.3%) or by a completely new supplier (58.7%).

Facilitating the establishing of business relationships, such as organizing match-making actions to link suppliers with customers across the region in different areas, could therefore be a way to support local subcontractors and, at the same time, help big companies to become part of the local and regional economy.

3.7 Cooperation with the City Hall

Answers to the question: "What activities of the City Hall would help you in your business?" revolve around transport and traffic issues: transport concepts, infrastructure, accessibility, and specific problems of industrial zones:

- "Improving the accessibility of the 'Šlechtitelů' Industrial Zone; currently, it is operated by one bus per hour connecting the Zone with the City centre."
- "Extending the cycle path as far as the 'Šlechtitelů' Industrial Zone; installing racks for bicycles with electric bicycle chargers."
- "Constructing the bypass around the other [eastern] side of the City linking Olomouc with Šternberk. The busy traffic needs to be solved."
- "Traffic lights should be maintained and repaired at night, not during rush hours."
- "Our company is self-sufficient and we don't need much. However, the traffic situation in the City and the exit from the industrial zone should be solved. The junction at Novosadská Street is horrible, it deserves a roundabout."
- "The traffic infrastructure in the City should be improved."
- "Improving the traffic infrastructure in the vicinity of the company site and the access to the site."
- "The City traffic construction and maintenance planning needs a clear strategy so that we know in advance what is going to be repaired, and how long it will take."
- "The bus stop should be moved from the main road closer to our site. It would be used by employees of WEBA, and also of OL TRANS, which is located here."

- "Linking the industrial zones to cycle paths is necessary. There are too many cars around here."
- "The railway crossing at Holice should be replaced by an overpass."
- "A bridge should be built across the River Morava at Václava III Street."
- "Improving local transport to Chomoutov in terms of the number of buses operating the line."
- "More buses should go to the 'Šlechtitelů' Industrial Zone; pavements should be completed in the Zone."
- "Making the neighbouring towns (Šternberk, Litovel, Uničov) easily accessible. If shuttle buses and/or trains would operate more frequently than once per hour and commuting to Olomouc will become more comfortable, labour supply shortages can be solved. People would commute to Olomouc if it were easily accessible."
- "Constructing a commuter parking lot at the outskirts of the City, the Eastern Tangent Road, and the Northern Bypass is crucial."
- "We need new pavements in front of the plant, and better lighting at the underpass beneath the bridge – a lot of females work in our company and they return home in the evening. The immediate neighbourhood is not particularly friendly."
- "Installing better road marking in the City – truck drivers often get lost."
- "Improving the traffic conditions in the City is the must, everything else is OK."
- "The road at Sladkovského Street, especially the connection with Holická Street, is in a terrible state. Please fix it!"
- "Improving the transport links to Šternberk."
- "In the past, we experienced problems with the accessibility of the Hněvotín Industrial Zone. The thing was put right by VPG (the company renting out the production halls)."
- "Improving the accessibility of enterprises for trucks."
- "Improving the transport permeability inside and around the City."
- "Establishing more public transport lines in industrial districts (e.g. Libušina Street)."

Requirements concerning education and labour availability were fewer than in the previous surveys, but they still have a high priority:

- "Improving the funding of education so that schools have enough money for technology."
- "Higher support for technical education."
- "Increasing the 'production' of technical staff."
- "Vocational training focused on technology should be supported. Currently, hardly 5 out of 30 apprentices start to work in their field."
- "The Region should close superfluous grammar schools. In the past, only a handful of the best pupils of elementary schools went on to grammar schools, while nowadays almost everyone is admitted, and these students are missing in other schools."
- "Support for vocational training and for crafts is crucial."
- "The Region should solve the issue of the secondary education. There is a lot of grammar schools, while skilled technologists of all kinds are virtually missing."
- "The support for technical education should be higher."
- "Improving workforce availability is desirable."

An important issue is that of further development and operation of the industrial zones in the City and the availability of business premises:

- “Companies should be informed about industrial zone development plans through discussions with the City representatives.”
- “The offer of industrial zones and plots of land could be better.”
- “Our greatest wish is that the building permit proceedings concerning the new manufacturing hall will run quickly.”
- “We need to extend a gas connection – currently we must rely on gas tanks.”
- “The issue of air pollution caused by SITA company should be addressed, particularly the smell of bio-waste treatment and the cloud of sawdust from the processing of other waste.”
- “If a company has a vision how to achieve further development, the City should help with finding a suitable plot of land.”
- “The ‘Šlechtitelů’ Industrial Zone is located on the outskirts of Olomouc, nearby a deprived area. The City should heighten security in the Zone and make it safer.”
- “The City should provide better information on constructions and repairs that may complicate the traffic situation and access to the company’s premises.”
- “We established our plant at the industrial zone in 2007, when other companies were unwilling to invest due to financial crisis. Thanks to this fact, we don’t suffer lack of space.”

A wide range of comments concerned the organization of public procurement by the City:

- “The City should turn to local enterprises as a matter of priority. Nobody can help a company to win tendering proceedings, but Olomouc-based companies should be informed about the proceedings first. The City Hall should not address companies from other cities; the city halls of Brno and Zlín don’t do it, either. The others can help themselves.”
- “Actively addressing local businesses and informing them about potential contracts is necessary. Companies from other cities may find it for themselves.”
- “Construction works for utility projects should be subject to tendering procedures more often than is usual today.”
- “The lowest price must not be the only selection criterion.”
- “Subcontractors from the Region should be preferred. Eventually, the customer will pay less and the money will stay in the local economy through subcontractors, employees involved, etc.”
- “Try to introduce a rating scale that would favour potential suppliers/subcontractors with a link to the Olomouc Region.”
- “Please try to unify formal requirements on the suppliers – currently, different City Hall departments have different requirements.”
- “We would like to see more construction jobs that our company can bid for.”

A number of suggestions concerned the functioning of the City Hall and its communication and cooperation with enterprises:

- “Joint promotion of the City and the companies – local businesses should be promoted more vigorously.”
- “The City should make surveys and researches by itself and more often than every two years.”

- “A long-term project support strategy should be in place. The Coworking Centre does not generate any profit, but it brings together freelancers with high potential, which is advantageous for improving the City's competitiveness. There should be one person whom we may contact when we request for support. At present, this task is divided between several departments and it is not clear whom to approach.”
- “Please organize networking events for enterprises so that they get to know each other.”
- “The City Hall should provide better information to entrepreneurs. Publishing an announcement on the official notice board is not enough.”
- “We had wanted to buy a plot of land / building near our site but our competitor succeeded in the end. Eventually, they did not purchase the land / building and we still wished to, but nobody informed us that it was for sale again. Companies really don't have time to consult official notice boards of so many public bodies on a day-to-day basis.”
- “The City Hall should inform companies about its demands directly and inform them about its needs, including fundraising/sponsorship requirements, etc.”
- “The communication between the City Hall and a company should be enhanced, including the direct communication with the CEO.”
- “The availability of staff in the City Hall departments should be better organized. Some departments are understaffed. Their approach should be less bureaucratic. A responsible official should be set aside for each company. Nowadays, when we come to a City Hall department for a subsequent meeting, there is always a different staff member who knows nothing about our business.”
- “Local authorities should change their work pattern. It would be great if they could work as efficiently as businesses (client-oriented approach) instead of laying stress on minor or trivial points. If all crucial information in documents is correctly filled in, it should suffice and the authorities shouldn't insist on fulfilling minor and often unnecessary requirements.”
- “The Building Authority is a disaster (a lot of bureaucracy, lengthy proceedings).”
- “Further, it would be nice to speed up the decision-making process.”

Finally, general topics relating to the business support were mentioned, such as:

- “The City Hall is not able to address strict regulatory restrictions imposed by the EU and unequal conditions as regards cheap Asian imports.”
- “We would prefer reducing bureaucratic burdens and promoting support for development projects.”
- “A company that wishes to recruit foreign workers must prove that there are enough workers' hostels in the area. The City should address this issue and provide accommodation capacities.”
- “We would welcome an ordinance on the cleanliness of the City. Pavements outside some pubs are littered with butts, and the pubs should have the responsibility for cleaning these areas (under the threat of closure).”
- “Revival of the City centre: there are few people in the City centre (Upper Square), especially at evenings and on weekends; the place is dead.”
- “We are happy with the business climate in Olomouc. We can't think of anything else that the City Hall can do for us.”

- “We are happy with the City – and with the City Hall (unless we have to attend a meeting there).”
- “We would appreciate any help in finding new customers – and we are open to different forms of assistance.”
- “In our business we are satisfied with the current City ordinance and we believe that nothing will change in the foreseeable future. In contrast to other cities, the conditions are better here.”
- “Our company is nationwide and the links to regional partners are less important.”
- “We need nothing. We are self-sufficient and happy.”

3.8 Overall Impression

Finally, representatives of the companies were asked to highlight the most important strengths and weaknesses of Olomouc. The most recurring positive aspect (the strengths of the City and its surroundings) was its geographical location, good transport accessibility, and a good infrastructure for business. Typical responses included:

- “Good transport accessibility within the Czech Republic and Central Europe.”
- “A good infrastructure and remarkable position of the City in the Czech Republic.”
- “A relatively good transport infrastructure in the City, good transport service (a bus stop is close enough to the plant; we are currently preparing the construction of a new bus stop right in front of the front gate); there is a number of events where businessmen from the surrounding area can meet (mainly thanks to the District Chamber of Commerce); there are fast growing industrial zones occupied by successful businesses.”
- “Good connection to the motorway.”
- “We come from here. Considering that we depend on the speed of our deliveries, the City suits us due to its geographical location and the advantages it offers.”
- “There are numerous industrial zones and a well-developed manufacturing industry.”
- “Olomouc is perfectly located within the Czech Republic, with a good connection to the motorway network (as long as the bridge over the railway in Holice is not being closed on the right side and the Přerov motorway ramp on the left). Infrastructure is suitable (sufficient water and electricity supply, etc.).”
- “Good levels of access, good conditions for logistics.”
- “Good traffic accessibility, the motorway to Ostrava.”
- “Availability of brownfields.”
- “Industrial zones available.”
- “Olomouc is perfectly located on the motorway (which should be less busy, though) and there are skilled people, which is not common elsewhere.”
- “It is the geographical centre of the former Czechoslovakia, which is great in terms of logistics.”

Among other things, the University is traditionally seen as a positive aspect, together with the ever-growing student population, and the skilled and competitive workforce in the City and its surroundings:

- "University City, good living conditions."
- "There is a university here, as well as smart people, but in wrong fields of activity."
- "Investments go to the University and Trainee Hospital. On the other hand, hardly any investments flow into other projects (in the building industry)."
- "There is a sufficient number of skilled people, but the current boom has resulted in temporary labour supply shortages."
- "It is not so difficult for engineering companies to find employees, since there are not so many technology-oriented firms here."
- "Favourable labour costs and location."
- "A pleasant place to live, quality workforce, lower costs (compared to Prague), accessibility by rail."
- "Students bring life into the City."

However, Olomouc's strongest point, as perceived by representatives of the companies, is the pleasant living environment:

- "Olomouc makes a really good impression; everything works here, including the public transport. The ambience is pleasant and quiet, and the local people are nice."
- "City environment - historical centre, parks, nice surroundings, almost everything is in a walking distance."
- "A lot of construction works everywhere; the city has changed for the better."
- "The city looks good, it's a nice place to live."
- "A pleasant place to live."
- "The city is beautiful. We are rooted here, we have our contacts."
- "A peaceful city. Not overcrowded and with a lot of space. It's close to the motorway and well accessible in general. It's 2 hours from here to Prague by train."
- "Olomouc is the perfect place to live, of the right size, and with natural surroundings."
- "Living in Olomouc is luxurious, you can get everywhere on foot. The beautiful historic centre, nature, parks and feeling of security."
- "It's great to live here. Olomouc is a very pleasant and compact city with an excellent infrastructure."
- "The city has a high standard, its historical centre is attractive."
- "A good place to live. 88% of orders we receive come from Olomouc. We will hardly leave anywhere."

- “We don’t lack anything here. There’s good access to public transport, trains, etc.”
- “As for the construction of new tram lines – the extension of the track to Horní lán will be a great asset.”
- “Thanks to the subsidiary, our parent company organizes the Customers Day, to which more than 100 people from around the world are invited. The sojourn in Olomouc is an added value for these people.”
- “It is a very beautiful city.”
- “Customers who arrive to our company, as well as our superiors who come over here, admire the city.”
- “The city is growing, there is a lot of culture.”
- “Good public transport links.”
- “Olomouc, with its rich history and architecture, is close to our heart.”
- “Good business climate.”
- “A beautiful city, that makes good impression on visitors and partners.”
- “A lovely ambience.”
- “Olomouc is a lovely city.”
- “It’s pleasant to live in Olomouc, the city is beautiful.”
- “A great place to live.”
- “Olomouc is beautiful ...”

Some companies eventually mentioned also other, very specific benefits of making business in Olomouc:

- “Low level of competition from other manufacturing companies.”
- “The location of the company in Olomouc suits us well – it has been established here in the 1920s.”
- “Olomouc is better off than other cities as regards the availability / eligibility of some specific grant calls targeted on companies.”
- “New investors are still coming to Olomouc and become our customers.”
- “There is not much competition from similar businesses.”
- “Business-friendly approach. The authorities work as they should – no problems encountered.”
- “We advertise in Olomoucké listy (the City Hall bulletin).”
- “Other City Hall departments work well (the author criticized the Department of Strategic Development).”

- “We look positively on the events organized by OK4Inovace (the Innovation in Practice conference, introducing innovative vouchers, fast matchmaking).”
- “The City Gambling Ordinance is a good one. Zero tolerance does not work, as everybody could see. The rules currently set forth by the City are correct. We believe it will continue in the years ahead and nothing will change. Moreover, the environment has a self-purifying tendency.”

Shortages of skilled labour and the fact that there is no technical university in the city are perceived as major weaknesses of Olomouc as a place of business:

- “The City is missing a technical university, unlike Brno, Prague and Ostrava. Students from Olomouc study in these cities and almost no one returns back home after their graduation.”
- “The general problem of Olomouc is that workers with technical skills are not available here. This is not the case of our company, but we perceive it as a general problem. Olomouc has no industrial tradition, so skilled technicians are scarce here.”
- “Local people are not interested in skilled work, their mentality and attitude to work activities is different than in other regions. There is a risk of higher wages of skilled workers due to entrepreneurial centres and R&D workplaces funded mainly by grants and subsidies. General interest in cooperation is low.”
- “There is a university here, as well as smart people, but in wrong fields of activity.”
- “There is no technical university here. There is a lack of university-educated technicians, but also a lack of technically educated workers who graduated from a technical secondary school or a vocational school.”
- “Devaluation of education, which occurs throughout society. General degradation of the educational system.”
- “The wrong concept of education – vocational education is underrated.”
- “There is a low support for technical education, crafts (vocational schools) and technical secondary education. Education should be focused on technology starting from nursery schools.”
- “Olomouc is not a great place for making business: entire segments of workforce are missing here.”
- “Our company is most concerned about the poor level of school leavers and the lack of technically-oriented professions. Big companies pay too much to their employees and this has a negative impact on the wage expectations of all people in the labour market.”
- “Labour supply shortages are going to reduce our future growth.”
- “Missing labour force (along with Liberec, Olomouc has the largest proportion of square meters of department store spaces per 1,000 inhabitants; people work in retail and are missing in production).”

Other reservations concerned the transport and business infrastructure:

- "Large industrial zones suitable for large businesses (with hundreds of employees) are missing."
- "There is little activity in establishing and developing industrial zones."
- "Please complete the City bypass. Road construction and repair planning is lacking any general strategy."
- "The road from Olomouc to our place (Hlubočky) is in a state of disrepair."
- "Traffic infrastructure – our plant is located in a long-established industrial zone, but trucks can hardly get there. It is necessary to extend the access roads (no one will complain as there is no residential area here). Truck parking is also not possible here. Access is possible from U Solných mlýnů Street and Sladkovského Street."
- "The transport infrastructure is inadequate. The bypass of the City in the direction of Přerov, Prostějov etc. must be completed. It often takes an hour to get by car to Prostějov."
- "Traffic and missing bypasses are major problems. There are several shops at the main thoroughfares, such as Hodolanská Street, and local shopkeepers might like the busy traffic, but their customers will not stop there anyway because it is not possible to park there. Please try to improve the traffic situation in the City."
- "The Department of Strategic Development has shown total disrespect for our company that employs 120 people. It puts restrictions on incoming transportation. Their activities are disastrous because they do not inform about them at all. I employ one person only to check their official notice board every day. We had to solve an issue of a plot of land due to their incompetence and then another one, when tried to reconstruct a local road and our driveway, which they wanted to reshape by traffic islands preventing the trucks from coming here. Fortunately, I was able to put things right."
- "The missing Eastern Tangent Road – local residents complain about noise, which could be shielded (the material from the waste heap at the Moravian Ironworks premises could be used)."
- "The district of Holicе is almost totally cut off from the rest of the City, especially for trucks."
- "Air transport – the offer of flights from and to Mošnov and Brno should be improved. Currently, 90% of our customers arrive in Vienna and we could use better traffic connection between Vienna and Olomouc. The current bus service does not follow up the flight schedule. We have to drive our guests from Vienna, which costs us money and time."
- "We could use a close airport with planes flying to different destinations. Currently we have to fly often to and from Cracow."

Here are some more interesting comments:

- "Opportunities in terms of R&D are very few here. When compared to the South-Moravian and Moravian-Silesian Regions, the JIC and TC centres, respectively, work there perfectly. Nothing of that kind exists in Olomouc."

- “There is generally no support for entrepreneurship in the Region. Young people prefer to work in big companies rather than set up their own business. However, small entrepreneurs are very important for the economy.”
- “Foreign investment inflows in industry is limited.”
- “Slow and protracting decision-making by some authorities (Department of Environment, Building Authority).
- “A joint presentation of the City and businesses is completely non-existent. Is the City interested at all?”
- “The Region supports big corporations, while smaller companies are neglected.”
- “As for competitive bidding and tendering procedures, the lowest price is the only selection criterion, not mentioning certain other criteria, which are very doubtful. Close links between the City and certain businessmen still exist here. The situation in Prague is much better, now that the people have learned to think twice.”
- “Selfish behaviour of large companies (such as Metrostav or Skanska). Their bid is usually the lowest, and as soon as they win, they skin the local suppliers and subcontractors alive. Having done a really shoddy job, they leave for a few years and hope that local people might forget about it. Local companies cannot afford such an approach – they would do a much better job.”
- “The City often prefers other than local businesses. How should any enterprise want to promote local culture and sport if the City prefers the ‘strangers’?”
- “The City should preferably turn to local businesses. It may involve patronage, but one must accept it and learn to play the game.”
- “Road repairs are extremely slow, like in the case of the bridge at the Orthodox Church: the construction site is far from being noisy with joyful activity. Unfortunately, we’ve grown accustomed to the fact that construction works are stopped in the afternoon and nobody works at night or on weekends; it is already considered as a standard in the Czech Republic. But here nobody seems to work even at daytime!”
- “The notorious and unprofitable Aquapark (and similar projects)...”
- “Inappropriate approach to a small Czech firm as compared to foreign investors. The City offers better deals to new companies from abroad than to the well-established Czech SMEs.”
- “Plots of land for people! – It is impossible to build a family house here because all plots are bought by speculators, or the City sells them in large pieces of land. How could one afford to buy a large area for some CZK 60 million? It’s affordable just for ‘certain big bosses’.”
- “The housing prices do not match with the current incomes. The City makes things even worse because there are no areas where new houses could be built.”
- “The current offer of apartments is very limited.”
- “The historic centre should live. Today, one feels there very lonely after 8 o’clock in the evening.”

- “The approach of local authorities is unnecessarily strict (the authorities should have a pro-client approach). Raids of the Alien Police!”
- “There is no major shortcoming.”

By the way of conclusion, we would like to thank all the entrepreneurs for giving their time, participating in the survey and providing valuable information, assessments, and ideas. These will be an important input for the planning and implementing of the City's development activities, which will be undoubtedly focused on further improving the business climate in Olomouc.

4 Glossary of Abbreviations and Acronyms

CNC	Computer Numerical Control (a process used in the manufacturing sector that involves the use of computers to control machine tools)
CZK	Czech crown (Koruna)
EFTA	European Free Trade Association (Norway, Switzerland, Island, and Liechtenstein)
EU	European Union
IT	Information technology
JIC	South Moravian Innovation Centre
OSH	Occupational safety and health
R&D	Research and development
SMEs	Small and medium-sized enterprises
TC	Centre of Technology, Ostrava
UPOL	Palacký University, Olomouc
UTB	Tomas Bata University, Zlín
VŠB-TU	VSB – Technical University of Ostrava
VUT	Brno University of Technology