
The Analysis of the Contemporary Aftercare System for Investors in Czech Republic

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Abstract

Entrepreneurs are the key source of work, innovations, economical dynamism in the area. They are very important players (participants) of Lisbon strategy (constitutes the long time plans of EU). One of them is shift to full employment which can be reached in the case of a developing market, that will create new work places, and that is possible through pleasant business surroundings. Entrepreneurial atmosphere is the sum of factors and parts which influence the entrepreneur and his activities in specific areas. We suppose that only “pleasant business surroundings” can allow companies and entrepreneurs to reach their business objectives and it will be reached with the high level of efficiency and effectiveness.

Very important way to offer benefits for the state economy is high level quality of modern investment systems on the state level – for example: investment encouragement, establishing industrial zones, technological parks, centres of excellence, using greenfields and brownfields and so on. Presently there is a strong need to ensure the longest stay of the investor in the Czech area and to try to avoid the departure of the foreign company – collocation. There are many possibilities in use and instruments which we can all put in one compact group (access) called active policy of after care – “Aftercare” (or we can call it also “investment and corporate development”).

This paper focuses on various sights to aftercare public policies (investor and corporate development) which are very important factor of regional development.

Key words: aftercare, investments, investment and corporate development, public policies

1. Introduction

The investments and foreign direct investments are indisputable engines of contemporary economic development and growth. Every European country would like to attract many investors to own regions. They have already specialized consulting (national and also regional) agencies for investments attracting and supporting.

Czech Republic has specialized agency – CzechInvest and every region (NUTS III) has also own regional development agency (these agencies are independent on national and regional government). They help to realize public development policies according to government strategic plans in this area. There the aftercare policies must be installed in regional strategies.

Investment attraction process can be described with these steps:

1. **Build the Strategic Plan** to establish regional competitive and comparative advantages in the priority industry groups outlined in strategic plans and other new, emerging and existing manufacturing sectors;
2. **Proactively seek investment** in region from interstate and international manufacturing companies that meet regional economic and industry development needs according to the guiding principles listed previously. Important agents in identifying potential manufacturing investors are:
 - networks of current investors and existing industry to identify and proactively target organisations that could complement existing operations in region (or country) and
 - CzechInvest agency and regional agencies.
3. **Build business cases** that meet the commercial needs of those interstate and international manufacturing companies targeted and market the value of those cases to the companies. An important issue in building these cases is to identify the key motivating factors in companies' decisions to locate in region and review the approach to attracting manufacturing companies to our region in the future.

But we think the investments attracting and prime-supporting are not enough. The regions should want to fix their investors in area by carefully formulated public policy. This policy is called “investor and corporate development” or aftercare. The first conception is newer, the second older (but both are synonyms). Now we can fill to steps list the forth:

4. **Aftercare** – through an activities program of ongoing engagement, continue to assist migrant companies to maximise all related opportunities, such as encouraging local supply, reinvestment and/or the development of new industry clusters around the new firm.

Picture No. 1



Source: <http://www.czechinvest.org/en/czechinvests-support>

Very interesting conception of incoming investors you can see from picture no. 1. Four presented steps are grouped to only three, but the meaning remains.

2. Investor and Corporate Development Conception

Aftercare service (in the fundamental conception) is not a new service. The consultancy agencies have advised that countries, regions, municipalities must to carry about their investors in the western European countries still many years back. Aftercare to embed foreign investment in the community helps to maximise all related opportunities, such as encouraging local supply, reinvestment and/or the development of new industry clusters around the new firm.

These agencies have traditionally [1] provided investors with solutions should problems arise after the initial investments and have carried out surveys on how satisfactory an investor finds a location. But this conception is older. Now we recognize the paradigm changes. The new aftercare function has a wider objective. This largely encompasses the development of a network of contact between investors and local industry to provide ideas for mergers, acquisitions and other expansions as well as the identifying of new markets for these expansions.

We know from practice the new aftercare conception contains also

- attracting new suppliers and consumers (like SME companies)
- improving the efficiency of existing supply chain
- ensuring an adequate education system
- training schemes to provide the necessary pool of employees
- and many others according regional and companies needs

There are many aftercare conceptions in literature. We can recommend for example Peck and Burdis, Young and Hood. But every consultancy agency and regional strategic plan have own aftercare definition. Their concepts come out from their needs and contains of the plans.

The best aftercare definition [2] - it is the sum of partial access, instruments and services, which should contribute to stronger relations between investor and hosting region represented by the relevant office of the public administration. Relationships establishing process should have long-time character, must be at least two sides dealings and agreement and both of the sides should be interested in (cause is so-called “proper exacted”) the maximum of efficiency and profitable realization of this politic.

The aftercare can be taken as a “services box” which should contain for example:

- central or regional system of economical benefits or bonuses (decrease of tax burden for a temporary time and so on),
- good communication ways, mutual connected information systems of investor and public administration,
- possibility to get free areas for business (greenfields) or get support for brownfields regeneration (old industrial zones),
- offer of high quality employee force (educated and skilled) who are useful for the investing business (very important is speed and efficiency of workers adaptability) and so on.

3. Contemporary Aftercare Policies in Czech Republic and Czech regions

The investor and corporate development policies are realized on various level of administration. As we wrote Czech Republic has specialized consultancy agency – CzechInvest (national level), Regional Agencies in 14 regions (regional level on NUTS III) and municipal level.

3.1 National Conception

The widest view belongs to national – state level. From www.czechinvest.cz you can find out much information about aftercares policies realized by CzechInvest.

“CzechInvest's customer care does not end with the investor's entry into the Czech Republic. **Aftercare** includes a wide range of activities. We strive to tailor our support to the individual needs of each specific investor. Among the most common forms of business support are the following:

- Support for expansion, reinvestments, development of research capacities
- Search for suitable industrial zones and business properties for expansions
- Consulting services regarding co-financing of projects from EU structural funds
- Support in the area of human resources and obtaining visas
- Development of investors' cooperation with secondary and higher professional schools and universities
- Mediation of negotiations with local authorities, state administration and public institutions
- Submission of investors' proposals for changes in the Czech legislation to the Government of the Czech Republic and cultivation of the Czech business environment
- Organisation of professional seminars, working breakfasts with top representatives of the state administration, roundtable discussions and social events

As CzechInvest is a state agency, all of our services for investors are free of charge. For over ten years the CzechInvest team has exercised complete professionalism in working with clients, including confidentiality with regard to each investment project.”

From survey presented in [2] we can claim that CzechInvest Aftercare Department is not enough well-known among investors which came to Czech Republic in last five years. Now this department is in restructuring phase and bigger emphasis is given on regional level in aftercare policies.

3.2 Regional Conception

We have to mention that regions are “far away from” the incoming foreign investor and so it can establish problems in communication and with this connected in-time giving support (so the instruments have more information character, communication systems and financial encouragements).

On the other side the municipalities use more of their “closely situated” potential, especially ownership to some property (land or buildings), influence on the local business surrounding and they can effect public administration to the investors and their needs through various administration processes.

According to Regional Development Agency SouthMoravian region we can describe the regional conception of aftercare policy as example.

This agency offers especially these activities and supports:

- free service for potential investors
- aftercare for localized investors
- networking for foreign firms and investors (among local and localized firms and foreign companies and also universities, research institutions and public administration offices)

They cooperate with national agency CzechInvest, make presentations and marketing tools, contact making among public administration offices and firm representatives, suitable industrial buildings and lands (zones) offering. The agency also cooperates with municipalities and co-ordinate zones developments. They also have made the special list of industrial building, lands, centres and zones in website.

The list of localized firms exemplifies the successful access of this agency (Andrew Corporation (USA), BenQ (TWN), Daido Metal (JPN), Honeywell (USA), IBM (USA), IMI Norgren (GB), Logica CMG (GB), Progeon (IND), Symbol Technologies (USA) nebo Emerson (USA)).

This agency helps not only investors, but also municipalities. To this supporting area can be count:

- consultations in industrial zones and centres development process (especially the usability of planned zones for foreign investors)
- recommendations the best localities for zones and centres (they also explore contemporary brownfields possibilities)
- information administration about grants competitions in regional and national authorities (especially for technical infrastructure development)
- coordination One-stop-shop project (special project for networking)

The consultancy for entrepreneurs and firms is also one big part of Agency support list. The firms can obtain information about industrial lands and buildings, connection to supply chains in region and also free customer services about new foreign investments which coming.

4. Conclusion

According to information from this paper we can summarize that investor and corporate development system in Czech Republic operates in two fundamental levels. The municipality level was not described because there is no enough information about aftercare policies. Every municipality has own system for investors and firms support and their possibilities are limited by money from municipal budget. They have only several ways how to aftercare but they do not lead during financial support.

Many investors and companies have come to Czech Republic by CzechInvest agency. But now it is the right time to start for bigger aftercare programmes, because we would like to avoid the collocation of investments. This is the real treat of contemporary growth and development of all European countries.

Finally we would like to set some recommendations:

1. bigger support the third aftercare level – municipal by suitable methodology from national authorities
2. the wider offer to firms and entrepreneurs in regional level by specialized agencies and also regional authorities (regional public administration offices)
3. surveys focuses on investors and firm needs and strategies up-dating according to results analysis
4. Aftercare Department restructuring in CzechInvest leads to better aftercare in Czech Republic in national level

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