Mendel University in Brno

Faculty of Regional Development and International Studies

The Influence of Selected Company on the Regional Development

Diploma Thesis

Supervisor:

Ing. Veronika Svatošová Ph.D.

Author:

Bc. Michal Šmíd

Brno 2017

Declaration

I declare that I carried out this thesis: The Influence of Selected Company on the Regional Development

independently and only with the cited sources, literature and other professional sources.

I agree that my work will be published in accordance with Section 47b of Act No. 111/1998 Coll. on Higher Education as amended thereafter and in accordance with the Guidelines on Publishing University Student Theses.

I understand that my work relates to the rights and obligations under the Act No. 121/2000 Coll., the Copyright Act, as amended, in particular the fact that Mendel University in Brno has the right to conclude a license agreement on the use of this work as a school work pursuant to Section 60 paragraph 1 of the Copyright Act.

Before closing a license agreement on the use of my thesis with another person (subject) I undertake to request for a written statement of the university that the license agreement in question is not in conflict with the legitimate interests of the university, and undertake to pay any contribution, if eligible, to the costs associated with the creation of the thesis, up to their actual amount.

In Brno 10.5.2017

Signature

.....

Acknowledgement

At this point, I would like to thank my diploma thesis' supervisor Ing. Veronika Svatošová, Ph.D., for her recommendations and advices in the preparation of my thesis. Also, I would like to thank to Slovácké strojírny a.s. company, especially to Ing. Vladislav Ondrůšek, for his practical advices, willingness and time.

Abstract

This diploma thesis, in its theoretical part deals with literature review. In the empirical part is described current situation of the selected company. Afterwards, there is processed an analysis of the region and selected company with help of chosen indicators. Subsequently, there is made the discussion about the issue and suggestion for the improvement. The aim of this thesis is to evaluate the influence of selected company on the regional development. This will be reached with application of proper literature review, qualitative research and interviews with the management of the selected company.

Key words

Region, regional development, impact of a company on regional development

Abstrakt

Tato diplomová práce se v první části zabývá literární rešerší dané problematiky. V druhé části je popsána současné situace ve vybrané společnosti. Následně je vypracována analýza regionu a vybrané společnosti s pomocí vybraných indikátorů. V neposlední řadě je vypracována diskuze s danou problematikou a návrh na zlepšení. Cílem této práce bylo vyhodnotit vliv vybraného podniku na regionální rozvoj. To bude dosaženo díky použití vhodné literární rešerše, kvalitativního výzkumu a pomocí rozhovorů s managementem společnosti.

Klíčová slova

Region, regionální rozvoj, dopad firmy na regionální rozvoj

Content

List of Figures

List of Tables

1 INTRODUCTION

Nowadays, the entrepreneurial activities of companies represent an important role in regional development. Companies can influence the development of a region in various sectors, mainly in economic, social and environmental ways. For inhabitants of the region, these companies create job opportunities, thus reducing unemployment, considered as one of the factors that increases the attractiveness of a region. From the economical point of view, enterprises generate lower or higher profits from its business activities and it is solely their decision as to how they will manage their earnings. Some enterprises execute its activity only with a focus on net income, while other enterprises are trying to participate in the development of the region.

It is necessary to assess their economic performance. For this purpose, is used an economic analysis of a company that provides a detailed picture of how successful the company is. Furthermore, it is important to make an analysis of the region and company and evaluate how they influence each other. The presence of well-functioning enterprises improves the financial situation of the local population and can lead to the development of beneficial projects which can assist student education, support research and development, and ultimately, it may help society as a whole in the region.

Therefore, this diploma thesis aims to evaluate the company, which activities correspond with the current trends as characterized by advanced and modern companies. To achieve this endeavour, it is important not only to observe economic rational, but also to interact as a whole society, which understands and supports social responsibility. Every entity can engage in gaining funds from the European Union. Thanks to these finances, many companies develop themselves, but at the same time and more importantly, it can develop the region. The selected company is aware of this opportunity and creates programs in order to win tenders from the European Union. In the case, that company wins a tender, while it contributes to regional development.

2 THE OBJECTIVE OF DIPLOMA THESIS

The main objective of this diploma thesis is the evaluation of the influence of selected company on regional development. This will be achieved through the following goals:

1. Clarification of theoretical terms which are relevant to the issue
2. Processing an analysis of the region and selected company
3. Evaluation of impact of the company on the regional development
4. Discussion about the problematic

Based on these objectives, the following research question has been identified:

1. How does an enterprise contribute to the regional development?

3 METHODOLOGY

The literature review is largely elaborated through a specialized literature. Also, with a variety of professional articles which are dealing with the problematic of regional development, region, impacts of enterprises on regional development etc. The empirical part is processed with the help of the internal materials of the company and data from Czech Statistical Office, in-depth interview with management of the company, but especially from a qualitative research survey.

Due to the nature of the problem, a form of qualitative research was chosen to understand the issue in depth. In the context of the need to fix qualitative data, for one of the interviews was used an audio record, because the interviews could not be repeated due to lack of the time of management of the company. Qualitative research was conducted through a structured interview with open questions.

In order to understand the situation of the company, financial analysis with help of internal materials of the company was processed. Available documents are from business register and annual reports.

4 BASIC TERMINOLOGY

The first chapter of theoretical part is divided into five parts. The first one simply describes what the region is. The second chapter deals with regional development and it explains what the theories of regional development are, these theories are deeply expanded in the second chapter of this diploma thesis. The third part includes so-called local economic development. The fourth part deals with the history of industry generally and industry in the Czech Republic. Finally, the fifth chapter deals with small, medium and large enterprises, these entities are classified into different groups.

4.1 Region

As Krejčí (2010) said, the term region is very broad and it is not easy unambiguously define what it means. The region and the problematic about regional development is considered as a complex of science objectives where occurs the connection of scientific knowledge from areas such as geography, economics, sociology, demography and land use planning.

The general conception of regions is necessary to specify. For this purpose is used the classification of the region. These regions classified Toušek, Kunc and Vystoupil (2008) by:

- industry that distinguishes physical geographical regions, socio-geographic and comprehensive geographic regions;
- methodology that looks at the regions either as tools of geographic research, objects of the geographic research or geographic territory management tools;
- taxonomy that distinguishes the individual regions (unrepeatable) and typological (repeatable);
- forms which divide regions on homogeneous, nodal and planning.

Toušek, Kunc and Vystoupil (2008) also define region as “"More or less restricted complex dynamic spatial system”. They also noted that geographical sphere is very complex system which needs to be organised. The organised system is hierarchical region in this case.

Another definition of region is a tract of country or area which is characterised in some way. In the field of geography, the region consists of contiguous or non-contiguous spatial units which are similar to each other and have one or more criteria. Some of a modern radical geographers such as Haggett, Cliff or Frey, stated that the region is one of the most logical ways how to organise geographical information.

As this diploma thesis will deal mostly with industrial and economic sphere, Chaudhuri (2001) mentioned, we can look at regions as open economic systems while we expect that development impulses can easily across from one region to another as between those regions do not exist any administrative borders restricting mobility of production factors such as labor, capital and goods. Unfortunately, those mentioned interregional economic relations cannot be statistically recorded. There are no statistical data and information about the supply from one region to the other (regional exports and imports) as in the case of foreign trade. Mentioned lack of information which is on national and international level available is reflected by the fact that constructing models (theories) regional economic development, it usually cannot take advantage of the national economy models, respectively of internationally-economic models. We can also divide regions to four levels. These levels are not only of the different sizes of the respective units but also qualitative type of integration processes.

- **Sub-regions** that can be characterized as relatively non-complex territorial units where are not enclosed the most important and most frequent needs of individuals. Within the sub-regions are relatively closed only the relations between home and some basic services. Other elementary services such as buying industrial goods are within sub-regions closed just partially. Indicatively,

it is possible to compare sub-regions to a sub-catchment area population centres of local importance.

- **Microregions** can be described as territorial units within which are relatively closed the most intensive regional processes for example commuting and basic types of services. Relations between residence, workplace and complex basic services are completely dominant on micro-regional level for the formation of the respective territorial units.
- **Mesoregional units** correspond with the large units that integrity is only partially linked to the spatial relationship of the population. The great importance at this level of differentiation have relations between enterprises and institutions which is for instance difference in manufacturing services or production cooperation etc.
- The fourth level is **macroregion** which can be understood as a position of Prague in mainframe system that allows to specify the macroregional center.

Krejčí (2010) created more detailed graph with comparison of different ranks of regional levels.

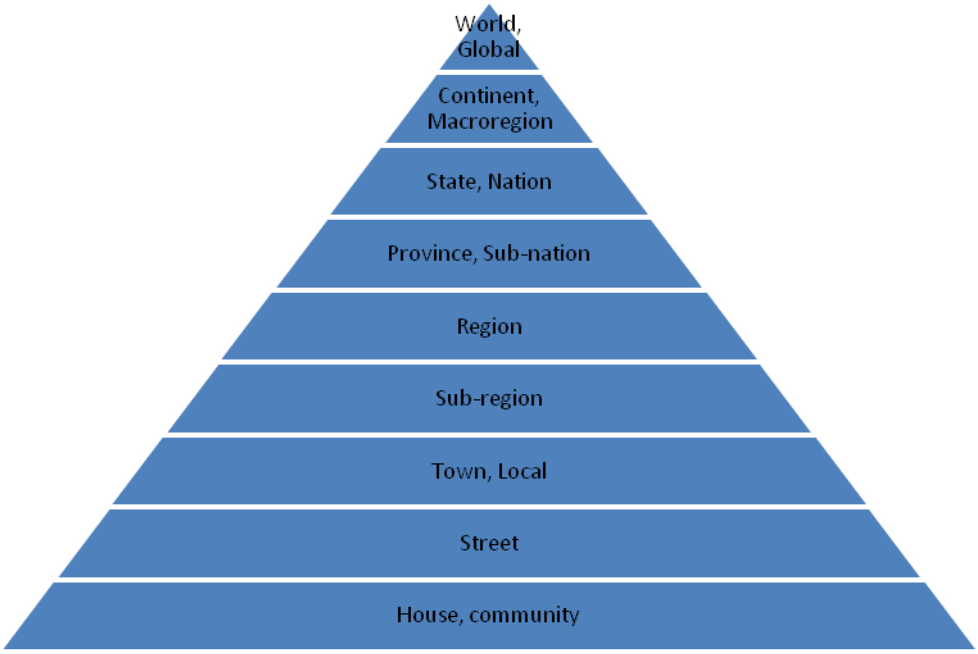

Fig. 1 - Comparison of different hierarchical levels of regions [Krejčí, 2010, p.10]

4.2 Regional development

Region has its origin in the Latin "region" which stems from "regere", meaning 'to govern'. In the field of regional development, 'region' has been used precisely in this sense, namely to signify the governance of policies to assist processes of economic development (Cooke, Leydesdorff 2005). According to Chaudhuri (2001), regional development means higher utilization and increasing the potential of systematically restricted area. Increase and greater use of area is reflected in the improved competitiveness of the private sector, the population's living standards or condition of the surrounded environment. Regional development can be also characterized as a growth of socioeconomic, environmental potential and the competitiveness of regions leading to standard living and people's quality life improvement.

Coherent direction, which preceded its own regional development, is regionalism. And we can describe this as the efforts of the early 20th century to grips with ethnic and cultural emancipation. Regionalism is often considered a form of movement. McCall (2010) also mentions, when regional development was emerged in 1950s it had a strong economic roots and it focused on what companies did in regions and how did they affected a range of economic indicators such as employment, profit GDP and growth. On the other hand, Neil, Hess (2004) conceptualized regional development as *"a dynamic outcome of the complex interaction between territorialized relational networks and global production networks within the context of changing regional governance structure".*

In late 20th century, regional development has become a much more multi-disciplinary in its approach. Public policy, political science and sociology became critical disciplines right next to economics which was focusing more on notion of what region might be.

In 21st century, the economic geography joined the other disciplines and the focus of regional development in more on spatial dynamics of regions, bearing in mind standards like place to live, work and invests. New theories of regional development represent

more human and social capital, innovation of the areas and the spatial dynamics which can be understood as demographic changes. For improvement of regional development is needed some kind of economics and social improvement:

- Better quality infrastructure;
- Improving in term of community services;
- Higher diversity of production;
- Decreasing level of unemployment;
- Higher number of diverse jobs;
- Improving of public wealth;
- Improving of quality of life McCall (2010).

4.2.1 The importance of regional development theories

Ježek (2014) claims that the theory of regional development more or less represents comprehensive system explaining the effect of fundamental factors, subjects, mechanisms and other connections to regional development. There are many theoretical concepts and of course, they are in mutual conflict and in some cases they critically emerge against each other. This issue escalates because of concrete theories of regional development always reflect:

- political attitudes of its creator,
- place and time of its creation,
- different philosophical bases,
- different expertise and profiles of its founders (for example economists, sociologists, historians etc.)

The theories of regional development have very important cognitive and practical value because their knowledge is the core for outline adequate regional politics and regional development strategy.

4.3 Local economic development

The concept of local economic development (hereinafter "LED") is based from endogenous development which activates local parties to fulfil common development strategy. In connection with the reform of public administration and the shift of responsibility of regional development to the local government we can talk about LED in the Czech Republic.

Interaction between local government and development of companies in particular region is the subject of research theory of regional development which is intended to complex development. Hudec, Urbančíková (2009) state that the term "development" is interpreted in different contexts. In the theory of LED we are using "development" as a title for improvement of the condition of economics on the positive progress of qualitative indicators of the region. It also includes spatial, social, culture and economic development as a major part of the process of regional development which cannot be realized without mentioned components.

4.3.1 Definition of local economic development

Local economic development is relatively often conceptually and semantically confused with regional development. LED can be characterized in more ways. First of all, it is important to define the difference between **"economic development"** and "**economic growth**", these terms are being often substitute or on the other hand strictly distinguished.

The economic growth can be described as real growth of GDP of the society. Then, the long-term economical growth is growth in potential product, up to certain level, when economics work even with so called "natural rate of unemployment" (Burda 2001).

Economic development is then needed to be understood as a broad concept encompassing qualitative (structural) changes in the economy. The development is represented by positive changes in order to achieve certain goals (Macháček 2004). The

author also claims that these changes have mostly the growth character, however, it does not stand in all the cases.

According to World Bank "local economic development offers to local government, private sector, non-profit sector and local community the opportunity work together to improve local economics. The aim is the growth of competitiveness which also includes the stimulation of sustainable development". The World Bank in publication from Swinburn, Goga and Murphy (2006) highlights the meaning of strategic planning in LED taking apart in five steps:

1) Organizing the Effort
2) Local Economy Assessment
3) Strategy Making
4) Strategy Implementation
5) Strategy Review

4.4 Engineering industry

The engineering is one of the most significant branches of industry and its leadership has occupied for decades. Although, the engineering industry has shorter history than most of the other industry branches, it has record very fast growth and became the main branch of worldwide industry (Krajíček 1982).

The engineering industry has bagun to develop in Great Britain already in second half of 18th century. On the way from Great Britain this industry spread in 19th century not only to other European countries but it established new significant area in United States of America and also at the turn of the 19th and 20th centuries in Japan. The engineering industry has begun greatly develop in the beginning of 20th century thanks to introduction of factory production and also thanks to world wars on the lands of war countries. The most significant boom has appeared after war period thanks to ongoing scientific and technological revolution and that meaning primarily in future socialist states and surprisingly in Japan as well, which is nowadays one of the engineering

superpowers. There was the introduction of new technologies but also of the new species and industries themselves (Krajíček 1982). Within the engineering industry were created various specializations (Švik 2014).

4.4.1 Engineering industry in the Czech Republic

Industrialization processes in our country occurred in a half century later than it was so in advanced Western countries, England and France. Manufacturing production occurred here in the late 18th century. This kind of production has enabled to grow the market and disposal of large quantities of goods and products. The first manufactory focused mainly on light industry such as it glassmaking and textile production but later on it spread to all industries (Škodová-Parmová 2006). The turning point came with the arrival of the first industrial revolution which brought with it new technology and machinery which were significantly more demanding in terms of using energy resources. At the time when the first steam engine and fuel wood has been replaced by coal. New industries already avoided forest areas but were set up near coal reserves, mainly on the north of the country. In the first half of the 19th century there was a strong development of areas such as Kladno, Ostrava and later Most or Ústí nad Labem. Great influence on increasing number of industrial establishments in the 19th century had a rapid development of railway transport – in which had Slovácké stojírný a.s. influence as well. Because of the rails there was significant reduction of transport costs and also it was faster to transport loads. In addition to the textile and food industries are starting to develop in our country factories of heavy industry, such as engineering or chemistry (Mareš 1988).

In 1918, the independent Czechoslovak Republic ranked among advanced states of Austria-Hungary. Czechoslovakia was among the industrialized countries where the industry prevailed over agriculture however industrial production was quite outdated (Škodová-Parmová 2006). Big twist came with the nationalization of industry and socialist construction. Drafting agreements about economic cooperation has brought an increase in industrial production since the Czech produced machinery and consumer

goods to less developed socialist countries. Socialist industrialization has touched almost the entire Czech. Only in some areas of western and southern Bohemia industry continues stagnated (Mareš 1988). In 1960, there was a boom in engineering in Prague, Brno, Ostrava and Plzeň agglomeration. In more than a half of our territory were areas with developed industrial production, however, the industry was not modernized by the time and therefore production funds gradually become obsolete (Mareš 1988). As Šerý (2010) pointed out, another issue was the fact that former regime preferred big companies, sometimes ever monopolies instead of small and medium enterprises which did not appear in our country very often.

In 1989, there were significant structural changes, not only in the economic sphere. As a result of the transition to a market economy, it was the fact that some sectors have been phased out and on the other hand others flourished. The most important process of transformation of the Czech economy was the privatization of enterprises. Privatisation took place through small and large privatization and restitution which is the return of property to its original (former) owners. Small-scale privatization was carried out in the form of a large majority of auctions, which were in 1990 and 1993 sold off smaller businesses. Large-scale privatization has focused on the sale of former state, especially industrial enterprises. Large-scale privatization was carried out from July 1991 through auctions, public procurement, free transfer or direct sales to both domestic and foreign bidders (Škodová-Parmová 2006). At the beginning of the transformation has been most of the population employed in the industry. But at the beginning of the 90s began to appear massive decline which had something to do with a primer sector in this field. In 1992, there was more people employed in services than in industrial sector a two years later, in the field of service was working more than 50% employees (Šerý 2010).

4.4 Small, medium and large enterprises

The enterprise is economically and legally independent unit which exists for business purposes. With economical independency which is a demonstration of freedom in conduct of business, it is a responsibility of the owners to concrete results of the

business. We understand the legal independency as opportunity to enter to legal relations with other enterprises, conclude contracts with them from which emerge the laws or duties (Srpová, Řehoř 2010).

According to Wöhe (1995), it is planned economic entity when manufactured material goods are sold, or it can also offer services. If is the company understood as a combination of production factors which its owners intend to reach certain goals, such as maximize its revenues, improving of social care, achieving of economic power.

We can divide small, medium and large enterprises according to three different concepts:

- As recommended by the European Commission;
- According to the Statistical Office of the European Union;
- According to the Czech Social Security Administration.

Each of these concepts has its own importance and inclusion in the category of small, medium and large enterprise has its practical reasons connected with more or less content of administrative obligations or opportunities.

4.4.1 Classification as recommended by the European Commission

- Micro-enterprise – has up to 10 employees, annual turnover up to 2 millions of EUR and assets up to 2 millions of EUR
- Small-enterprise – has up to 50 employees, annual turnover up to 10 millions of EUR and assets up to 10 millions of EUR
- Medium-enterprise - has up to 250 employees, annual turnover up to 50 millions of EUR and assets up to 43 millions of EUR.

Enterprises which have more than 250 employees, annual turnover more than 50 millions of EUR and assets more than 43 millions of EUR are sorted into category of large enterprises.

4.4.2 Classification according to the Statistical Office of the European Union

- Small-enterprise – up to 20 employees;
- Medium-enterprise – up to 100 employees;
- Large-enterprise – more than 100 employees;

Enterprises and entrepreneurs with less than 20 employees do not have general statistical duty.

4.4.3 Classification according to the Czech Social Security Administration

- Small-enterprise – up to 25 employees;
- Organisations – with 25 and more employees

This classification is very pragmatic because small enterprises have minimal administrative burden in terms of social security compared to organisations with more than 25 employees Srpová, Řehoř (2010).

The basic description of small and medium enterprises is to get, the reader, acquainted with this division. The description of large company has been made because of the fact that in the empirical part will be analysed company, which according to its characteristics falls among large companies. In the third chapter of this thesis will be more deeply described role of large enterprises in regional development.

5 THEORY AND ASPECTS OF REGIONAL DEVELOPMENT

There have been done many of studies addressed on the regional development but many of them are different. These studies usually offered different various territorial borders, various methods and the results of this were not only developed or undeveloped areas but also spatial structure models. Sometimes, a little confusion between these approaches can occur, that is why the spatial concentration of society and economy or the quality of life, income is important measure. Many different types of data are related to the different approaches: the statistical indicators of social and economic are, for instance, population and GDP – the combination of these indicators may result in different types of areas (Szabo 2012).

As Wokoun (2008) mentioned, it is very important that regional development includes many of particular branches (economics, geography, spatial planning etc.) and their common interconnection is very significant as it shown in the Figure 2.

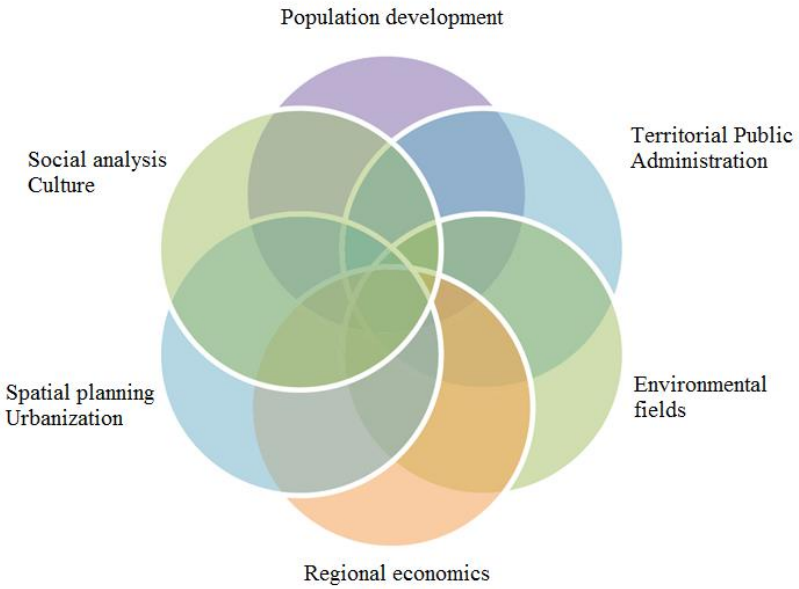

Fig. 2 - The main branches creating Regional development [Source: Wokoun, 2008]

When we were talking about differences in incomes, population density and GDP, the main difference is between the maps of the population density/GDP density and GDP per capita. The focus will be directed to the territorial concentrations in the spatial structure, meaning in social and economical nodes. Undoubtedly, the main and biggest nodes are in cities. In macroregions, capital cities are most significant due to the history of the countries. However, the population in the main or capital cities is changing every year, the population is slowly increasing. New established economic sectors and institutions are built in the cities or very close to the cities with good infrastructure therefore the GDP share of these regions or cities is increasing. In figure 3, are shown cities from East-central Europe (Szabo 2012).

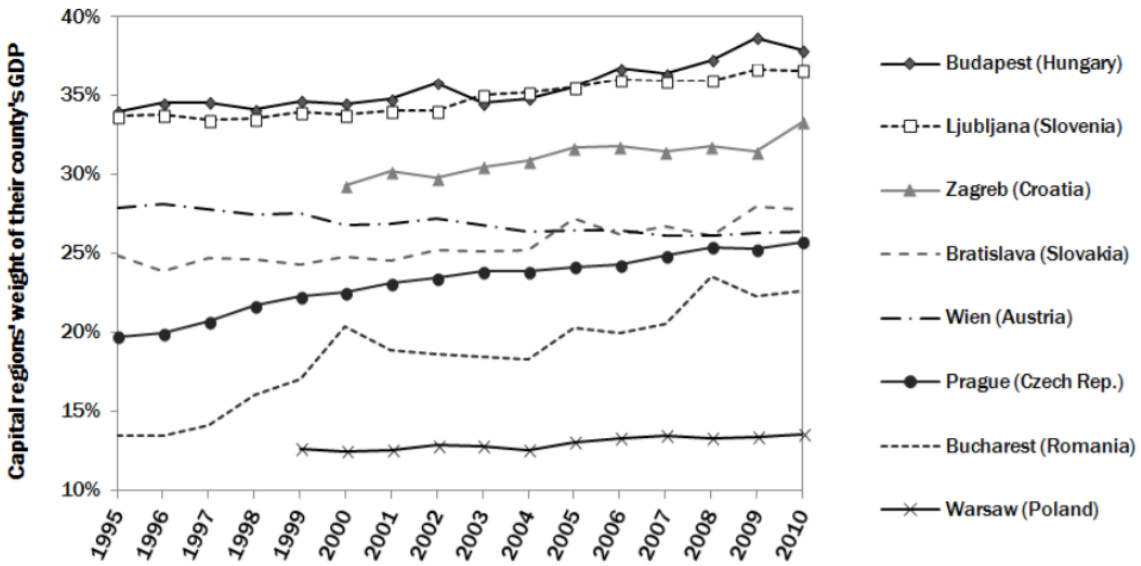

Fig. 3 - The increasing weight of capital cities in the countries' GDP [Source: http://bit.ly/2kOcpJf]

Region as the basic unit is used in regional development theories. Mentioned relations between regions form the basis of regional theories. To divide these theories as Blažek, Uhlíř (2011) note, it can be based on different criteria, whilst providing for the most basic breakdown can be regarded if the particular theory has tendency of regional development to equilibrium or disequilibrium. These two basic criteria can be divided into theories:

- Convergence (regional equilibrium);
- Divergence (regional disequilibrium).

This classification can be considered as very general, that is why this work will offer more detailed classification.

Reasons for examining the core of regional development are obvious. Observing the successful regions and ties which creates such a region and also the behaviour of its inhabitants can tell what is true of general regularities. In comparison with the region which has a lower level of development can detect areas that drive successful region forward and vice versa,. Then it is possible to provide to the underdeveloped region efficient and effective support that allows its development or improvement.

With respect to it, development of the region is from its big part economic development and it is obvious that different authors have used different economical theories (Blažek, Uhlíř 2011).

5.1 Neoclassical Theory

Neoclassical theory distinguishes two different segment of the regional growth (Hučka 2015):

- Short-term growth which is based on natural effort to equalize the differences between regions especially by the movement of capital and migration of population;
- Long-term growth which depends on growth capital but also on population growth and technological progress.

Viturka (2007) says that evolution of neoclassical theory was significantly influenced by the rapid development of economic methods in economics after World War II which led to the emergence to so called “growth accounting”. A lot of studies based on growth accounting showed that different pace of economic growth are not caused only because

of accumulation of traditional factors of production (land, labour, capital) but particularly by significant changes in labour productivity.

Tab. 1 - KEY ELEMENTS OF NEO-CLASSICAL THEORY [Source: http://bit.ly/2lTGvMn, page 2-6]

Key assumptions	**Key driving factors**
Perfect information (same technology across countries), constant returns to scale and full divisibility of all factors leads to a world of perfect competition. Trade based on factor endowments (labour and capital). Within countries, factors of production (labour and capital) are perfectly mobile across industries.	Trade (move from autarky to free trade) provide an engine for growth (static gains from trade).
Implications for (regional) competitiveness All countries have a role in the division of labour based on their relative factor proportions. But if factor proportions are same across countries (regions) then there is no basis for trade. Theory is most relevant for North-South or developed-developing country trade (i.e. where nations display major differences in factor proportions). Factor price equalisation implies convergence of returns to capital and labour. Given (universal) perfect competition, the notion of 'competitiveness' is essentially not relevant in the long run	

5.1.1 Localization theory

The localization theory is basically the first theory of the regional development. It is the beginning of efforts to find those factors which can explain the spatial distribution of various economic activities. Localization theories may have four basic guidelines that can be characterized by Žítek (2002), as a fundamental objective which is:

- An effort for an explanation of the localization decisions of individual enterprises (agricultural, industrial and services);
- Examining of common relatives of the localization decisions of the different enterprises;
- Efforts to highlight the so-called. "Soft" (social or psychological) location factors (this direction is based on the behaviour paradigm);
- Efforts to explaining the layout of the economy as a whole.

If there was mentioned so-called “Soft” localization factor as no measurable impact such as impact just a psychological or sociological nature, it is necessary to add the "hard" location factor which is measurable, for example by distance, transportation costs, etc.

The first direction is trying to explain the location decisions of firms. It can be assigned to the theory of Alfred Weber who was trying to determine the ideal location of the company relative to the overall localization factors and especially transport costs which he considered the most important and he was trying to minimize them (Blažek, Uhlíř 2011).

The second direction (examining the interdependence of location decisions) can be presented by so-called Hotelling’s model of the competition of the companies. The author of this model claims that on the territory, where their offer their product are trying to become a monopoly.
The third localization theory (an effort to highlight the "soft" location factors) represents for example Wolpert who highlights the perception, decision-making and localization, (Blažek, Uhlíř 2011). This direction can be characterized by the fact that his supporters do not agree fully with the assumption of rational behaviour of individuals but also companies. These assumptions prove obstacles to a fully rational behaviour such as high transaction costs and imperfect information. Likewise, they explain that small businesses solve operating problems which are urgent for them and on the other hand,

solving strategic problems, including localization can be insignificant for them, (Damborský, Wokoun 2010).

The last direction (explanation of complex spatial organization of the economy) can be approached by the work of W.Christaller which is then followed by A. Lösch. Christaller came up with the theory of central places in which he is explaining that small settlements usually specialize in a limited number of types of services for which they have the best conditions. Damborsky, Wokoun (2010) also say that residents of smaller settlements for their lives need substantially more kinds of services than their surroundings can offer, the satisfaction of these needs is fulfilling in the bigger settlements. This theory is based on two main parameters – market size and the maximum distance that a customer is willing to go for a good. Lösch expanded this theory later. He edited some input assumptions (such as the original premise of jump size differences among settlements) and he fulfilled the theory which was initially oriented only on business with another branch.

Blažek, Uhlíř (2011), emphasize to these theories that this is not a complete list of all authors and theories, as these theories are discussed in more detail as well. These theories are also developed by another authors, it also cannot be said that localization theories are just "theory" but they are used nowadays as well.

5.1.2 Single-sector and dual-sector model

The theory of single-sector and dual-sector model is based on the theory that growth is dependent on various factors in terms of time. In the short term, the growth rate depends on the distance from equilibrium, then the long term depends on three attributes: capital, labour and technological progress which fully corresponds precisely to the inclusion of neoclassical theories.

Single-sector model assumes that inter-regional mobility of factors of production will be directed to areas with the highest yield (the highest salary in the case of labour mobility and the highest return on capital mobility in the case of investments). These assumptions imply that the mobility of capital and labor will antisense and will thus contribute to reducing disparities between regions (Blažek, Uhlíř 2011).

Dual-sector It is based on the assumption of the existence of two sectors, each differently productive. It can be assumed that the sector with a lower production shift to higher production sector: In the case of an increase in demand for goods produced by the export sector will increase its prices and thus profits causing an increase in the marginal productivity of capital and labour. This will further inflow of capital into the sector from other sectors and from other regions until there will be equalization of the marginal productivity of capital. These models thus build on the assumption that inequalities will disappear as a result of equalization of productivity in all regions due to the movement of production factors (Hučka, Kutscherauer 2008).

5.2 Neoliberal theory

Neoliberal economic approach gives the state an impact on the functioning of the economy, however, this approach suppose to be only in securing of conditions in economic market.

In terms of regional development theories, neoliberal theories linked to the neo-classical models of certain underlying assumptions and bring the concept of external economies, imperfect competition and increasing returns to scale (Hučka, Kutscherauer 2008).

These theories operate with these concepts:

- "Path dependence", which considers the root cause of accidental differences (natural conditions, historical event, strong entity etc.), and believes that the basic tendency is divergence. Representative of this concept is for example W. B. Arthur. The events that occurred in the past, influences what will happen in the future. For example countries, exploiting oil, benefitting from the

exceptional natural conditions that are given to her and the country even did not have to deserve it (Coe, Neil, 2004). This concept works not even only in economy but even in common fields such as regional development which works just as well as the areas of social and educational fields.

- New business theory (P. Krugman, M. Porter), considered the basic tendency of divergent efforts and the main causes of differences between regions can be determined by chance and natural advantage. This theory is based on the assumption of the existence of imperfect competition and the assumption of the existence of external economies (large market, the existence of new technologies, the free laboer market etc). It is important to promote business, the reason for the restrictions on trade may be just the desire to protect young economies.

- New theory of endogenous growth (this direction represents for example (P. Romer or Rebelo). The theory behind the main differences in the performance of the Regions considers the different skills of human resources and technology. The theory accesses to the production factors in different ways - consideres human capital (and technology) as an endogenous factor (Blažek, Uhlíř, 2011).

5.3 Keynesian concept of regional development

The Keynesian economy is a direction which is based on the opinion that economy is inherently unstable system that is unable to use its resources only because of market forces and necessarily requires state intervention, which should stimulate demand.
For these theories is typical that unlike to previous theories, it emphasizes on the demanded side which size is considered as a factor which influences regional development (Blažek, Uhlíř 2011).

Tab. 2 - KEY ELEMENTS OF KEYNESIAN THEORY [Source: http://bit.ly/2lTGvMn, page 2-7]

Key assumptions Price adjustments might be slow, leading to adjustments in quantity Markets are not necessarily in equilibrium: shortages on demand or supply side Possibility of false trading (i.e. against nonequilibrium prices) Capital and labour are complementary	**Key driving factors** Capital intensity Investment Government spending, such as investment in the public domain and subsidies/tax cuts for enterprises
Implications for (regional) competitiveness Governments can intervene successfully in the cycles of the economy: timing is crucial Assumption of imperfect markets allows for regional differences Convergence of regions can be achieved through economic policy Capital intensity increases productivity and growth	

5.3.1 The export-base theory of growth

The export-base theory of growth is grounded in the idea that a local economy must increase its monetary inflow if it is about to grow and only if effective way is set to increase monetary inflow to increase exports.

Exports markets considered the prime movers of the local economy. Blair (2009) also says, when the exporting factory closes, local retail merchants will feel the impact as laid-off factory workers have to less to spend.

Blažek, Uhlíř (2011) say, that for export industries are considered those sectors that directly produce goods and services intended for export. Other sectors supports the export sector, are considered as complementary sectors. This theory is based on three main assumptions:

- Region should be defined as an area with a common export base;
- The success of export goods is decisive for the rate of economic growth in the region;
- Export base which is the main factor determining both absolute and relative income in the region, affecting the development of service functions and attractiveness of the region in terms of residential function.

This theory assumes uneven development of regions and increasing interdependence between sectors. Interregional differences are balanced by mobility of factors of production which is possible due to decreasing of transportation costs (Blažek, Uhlíř 2011).

5.3.2 Harrod-Domar model

This model is based on the work by these two men and on the assumptions that greatly simplify consideration - at constant marginal propensity to save, constant ratio of capital and labour, lack of economies of scale and produce just one product (Greiner 2014).
The model is based on the uneven development which occurs for the reason that each investment is possible to express by two effects, specifically:

- Pension effect - the multiplier effect of creating additional income;
- Capacitive effect - it foresees an increase in capacity.

Thus, if there is in the region any productive and dynamic company, there is occurring an increasing productivity of connected companies. This concept can be used for businesses in areas that are less developed and it is expected that the existence of businesses from other areas (transnational or only from countries with higher maturity) can help the region by mentioned effects (Capello 2009).

Generally, it is expected that less developed regions are interesting for the influx of companies from developed areas due to the lower costs. If this assumption is not

fulfilled and a weaker region fails to provide attractive investment climate, then we can expect the opposite phenomenon where a weak region will provide potential investment to more developed region (Blažek, Uhlíř 2011).

Similarly, it may also have negative impacts when a foreign company enters the weaker market and its existence will reduce the competitiveness to the other companies. This may occur through technologies that the company owns, through economies of scale and the ability to reduce their costs. It may result in an increase in input prices, as the new company will increase demand. Existing businesses in weak region have to bear additional costs as a part of efforts to maintain the competitiveness (Capello 2009).

5.4 Subjects affecting regional development

Possibilities of local and regional actors to influence the development process at the local and regional level is the scope for mobilizing local activities and potentials, which is also constrained by structural factors, which largely determine the possibilities of actors. Possibilities of influencing the development process at the local level are very different. One extreme are the small villages that often do not have the basic infrastructure, the other extreme are large and rich cities with relatively large budgetary resources.

At the regional level, it can be much easier to influence the development process, especially in terms of creating and enabling business environment, because at this level exists already a network of institutions, companies and organizations that "have something to offer" (eg. Banks, business associations, cultural facilities, universities, etc.). Regions, due to the greater size and greater number of residents also have a larger number of actors in the development process. Consequently, they have a greater ability to concentrate development resources and capacity and thus cause regional economic changes, as stated Ježek (2014).

5.5 Factors of regional development

Transformation changes in the Czech Republic caused enlargement of regional differentiation. Some of the regions in the Czech Republic go throw differentiation process successfully, in other can be observed smaller or bigger economical issues. There is a large number of factors of regional development but for this diploma thesis has been chosen these:

- Economical (GDP, income, unemployment, foreign direct investments)
- Social (Culture support from private companies, influence of a company on employment in the region, support of municipalities, living conditions)
- Environmental (Quality of environment, nature and human impact on environment, investments in environmental protection)

5.5.1 Economical factors

Gross domestic product

As it was mentioned in the beginning of factors of regional development chapter, there is a large number of factors, it stands for economical factors as well. But the most common is "Gross domestic product" which is used for evaluation of economic growth. GDP is considered as a significant measurement of economical development and growth. GDP at market prices is the final result of the activities of resident units produced during the tracked period. Regional GDP is calculated as the sum of added values for an industry in regional industries taxes on products reduced by subsidies on products.

Regional GDP per capita is the proportion of two indicators: Regional GDP (at market prices) and the average number of population of permanent residents in concrete region. In most regions, it does not cause major problems comparing these two indicators,

based on different principles. In the case of regions with high attendance to work from surrounding regions, particularly the regions which are the main cities, this indicator is inflated.

GDP is now most commonly used indicator of the relatively high explanatory value which was assessed by the rate of development of the economy and standard of living for the population, but also the intensity of development or in monitoring the development changes over time (Sloboda 2006).

Income

The average gross monthly nominal wage includes all incomes from employment (wages and salaries, payments additional to wage or salary, bonuses and rewards, compensation for wages and salaries, remuneration for working readiness and other wage or salary components) that were in the reference period paid. This represents a share for one employee per a month. Excluded is wage compensation for the duration of the temporary inability to work or quarantine paid by the employer. Despite the fact, we are talking about gross salary, it should not be forgotten that employer pays appropriate amounts on health insurance, social security and advance income tax, employee always receives the net salary.

Unemployment

Generally we can say that unemployment is normal social phenomenon. The possible level of unemployment may be even desirable and can be symbol of well-working labor market. Unemployment can be divided into three types:

- Frictional unemployment - It is associated with the constant movement of people moving from one job to another with identical or similar qualifications. It is caused mainly due to the life cycle of the population or a change in preferences for jobs at different stages of life of the individual.

- Structural unemployment – The economy is dynamically changing complex with heterogeneous demands for labor. Due to these changes it can lead to downfall of business activities and companies are forces to lay off their employees.
- Cyclical unemployment – For a specific cyclical unemployment can be find seasonal unemployment. The hallmark of this type of unemployment is more or less periodic fluctuation within a year, as well as dependence on industries that are affected by the seasons (weather, climate, etc.). A typical example may be, for example southern states which are characterized by a high proportion of tourism in the economic structure (Sengenberger 2011).

Foreign direct investments

Foreign direct investment (hereinafter "FDI") are one of the major determinants of economic growth in present time. They are considered as one of the most important catalysts of economic development. FDI can contribute to solving a variety of problems in various sectors or regions such as restoration and development of industry, agriculture, trade, build infrastructure, creation of new jobs or increase stability of the economy (Hudec 2009).

FDI represent a category of international investment that reflects the intention of the entity that is resident of one economy to obtain a share in a company based in a different economy. Permanent share reflects the existence of a long-term relationship between direct investors and direct investment company and significant level of influence on the management of enterprise. In determining the existence of a relationship of direct investments in accordance with the international standard uses - the criterion of 10% of the share in the original capital or voting rights. FDI produce a lot of effects in their region and they are “impulse” of economic growth. The important thing in this connection is free inflow of financial resources (capital), “spillover” effects – news of advanced technological and managerial practices of foreign companies in domestic enterprises. Foreign capital increases substantially gross fixed capital

formation in the regions and may mediate an enhancing the technological level of production in the region (Minarčík 2009).

5.5.2 Social factors

Culture support from private companies

Private intervention can take several forms: donations, patronage, maecenatism, voluntary work, sponsorships and so on. Studies show that private businesses and companies support has increased since the beginning of this century, it goes with the economical development of within the EU. The support can be done in various ways: in kind, in cash or as awards or prices. Private companies invest in the construction of cultural and education institutions – this topic will be more deeply presented in empiric part of this diploma thesis. The truth is that cultural sponsorship in East and Central Europe is behind the western states. According to Klamer, Mignosa, Petrova, the support to culture from private companies remains quite low even there is increase in business support – this statement is relevant because as it will be presented in empirical part of diploma thesis, company can fully cooperate with the region or the European Union and support education and culture in particular area.

A few national surveys showed that main motivation of supporting culture is mostly because of marketing goals, secondly, the company aims to better image and motivate its staff by supporting education and culture. And as the third motivation is really an effort to help region with development of these branches.

Influence of a company on employment in the region

Large companies have a major impact on the labor market. Besides the jobs created by the company directly, are mainly indirectly created jobs in supply companies. In connection with large companies is also mentioned technology transfer that contributes

to higher productivity and competitiveness of the economy. Large multinational companies implementing investment abroad and also increase the productivity of domestic companies. Conversely, as negatives for the host economy in terms of large enterprises can evaluate the risk of delocalization processes and also some unilateral orientation of regional economies (Rugraff 2010). Despite these facts, it can be said that influence of large companies in the economy and the region itself is very positive.

As it has been already mentioned, empirical part of this diploma thesis will deal with Slovácké strojírny a.s. which is a large company as well. Just for the record, the highest number of large companies (250 and more) on 1 million of inhabitants has Luxembourg (277), the second is Czech Republic (135) and the third is Germany (125). In the Czech Republic, the share of large companies is in total employment 30.62% (Damborský, Hornychová 2014).

Aging of employees

Regarding the structure of jobseekers by age, a significant part of the unemployed are people over 50 years old. In relation to age management, we are talking about unemployment of older persons which is basically very specific for the labor market. This is not just caused in terms of quantity of these people, but especially for the duration of their unemployment, which causes the oblivion of qualification and skills and also it can cause psychical issues to these people. Representatives of labor offices are of the opinion that older job seekers over-congestion already lacking the motivation and confidence (Remr 2007). Unemployment of older people is a problem throughout the Czech Republic. For the most applicants it is very difficult to find a job because they face age discrimination.

Age management can be defined as "the way of management with regard to the age of employees, which reflects the progress of the human phases of life at work and takes into account the changing resources (health, competence, but also the values, attitudes and motivation (Štorová 2015).

The intention is primarily to fight against age discrimination and unemployment and promotion of adequate human resources management and ensuring suitable working conditions that enable lifelong learning and lifelong approach to work. It is a creation of appropriate conditions for workers of all ages, but especially for older workers, (Novotný 2015).

Municipalities as basic local government units provide a variety of tasks, especially they are providing the needs of public economy. Municipal management is therefore an integral part of the overall financial system. The basic principle is the management with the annual budget which is the crucial tool for financing the needs of individual parts of local government.

All activities carried out by the contracting authority in the process leading to a specific public contract must always be in accordance with the principles stated in Public Procurement Act. These are the principles of transparency, equal treatment and non-discrimination, and therefore all three mentioned principles are interconnected and closely related (MEPCO s.r.o. 2014).

In the empirical part will also be described how Slovácké strojírny a.s. works with tenders from European Union and if the company contributes to the municipality of selected region as well. Therefore, here will be briefly mentioned conditions of tenders from the EU.

Tenders Electronic Daily (hereinafter "TED") is the official informational source in which can be found information about announced public tenders in the European Union, European Economic Area and in other countries.

TED contains for example:

- Public contracts for the supply of labor, goods and services from all EU countries;

- Public service contracts (water, energy, transport and telecommunications);
- Projects financed by the European Investment Bank, European Central Bank and the European Bank for Reconstruction and Development etc.

Information about each tender appears in the database several times. First it is published preliminary about when the tender will be announced, then the tender is announced and eventually there is published information on the outcome of the tender. Because the information about tender are released before the tender itself, a company has more time to prepare for the tender (ted.europa.eu).

Living conditions

Living conditions can be defined in various ways, for example from purely economic, socioeconomic or socio-psychological terms. If we will look at this factor from socioeconomic point of view, living conditions can be summarized as "the satisfaction of material and immaterial needs and aspirations of individuals or groups of goods and services."

Sociological concept of living conditions unlike the economic concept, takes into account along with economic conditions also social, cultural, health, political and legal conditions (Tuček 2003).

5.5.3 Environmental factors

Quality of environment

The quality of the environment has in the Czech Republic a major impact on the condition and prospects of development of individual regions. Impact of the situation and the development of individual components of the environment is not only manifested differently in various parts of the state, but also in different types of regions. In general, areas with a high degree of environmental threats can be found both in areas

with above-average concentration of population and economic activity (the Prague metropolitan area, Ústecký region, Ostrava), as well as in agriculture-based areas (southern Moravia) or valuable natural areas (Krkonoše).

The negative impact of the of the environment on human health, combined with the worsening socio-economic conditions (difficulties in accessing the labour market, social exclusion) leads especially in northwest Bohemia and Ostrava agglomeration to an overall negative view of development opportunities for both the population itself (emigration of younger and more educated groups) as well as the local business sector and investors from outside the affected areas.

Nature and human impact on environment

It is important to respect the principles of sustainable development and promote good and friendly utilization of the landscape potential. It must reckon with the precautionary principle, especially as a result of damages caused by natural disasters. They are most likely caused by ongoing climate changes and disruptions of natural self-regulatory functions of the landscape. Thanks to them, the Czech Republic faces more and more often extreme weather events. This condition is necessary to reflect a possible future losses eliminated through appropriate prevention and adaptation measures.

Negative impacts on the environment have the concentration of economic and residential activities in the landscape. The environmental situation varies according to the performance of the economy and the specific load is higher than EU average. However, the values most of the indicators have changes in last 20 years and they are approaching the EU average (Ministerstvo pro místní rovzvoj 2013).

Investments in environmental protection

The investment process is closely related to innovation processes in the enterprise. In actual practice, there are often innovative processes associated with the greening of production. In the past, was the greening of production activities coupled with measures which mitigated the economic impacts on the environment.
Nowadays, it is more important to have preventive measures which prevent such damage, or at least to eliminate it. It is a much better solution that typically requires less resources and also prevents to occur an ecological damage, this solution leads to eliminating problems with their subsequent removal.

Economic damage from environmental degradation expresses the economic loss from impairment, which is a figure that has not developed as a result of damage to production factors in the production process, as well as losses due to increased production consumption. This loss can also form additional compensation related costs, which are additional costs that must be incurred to eliminate or mitigate the negative effects of environmental degradation. It is a cost that would not be incurred if there was prevent environmental degradation (Kožená 2007).

6 REGIONAL DEVELOPMENT IN THE CONTEXT OF ENTREPRENEUSHIP

The primary goal of the European Union is to reduce economic disparities across regions and support employment and wealth of people in order to increase the competitiveness of all regions. The main goal of any region is to become sustainable and self-sufficient. An entrepreneurship is one of the most important keys in this process, it contributes to create a jobs. As entrepreneurship creates jobs and contributes to regional growth through creatively utilizing, it is also merging often limited resources. There has been made a research in the nineties on the entrepreneurship and its effect on regional development and also on differences which affect new firms birth rates. The aim of research was to identify possible different perspectives or understandings of the relations between entrepreneurship and regional development and also what is the main role of entrepreneurship for the regional development (Moats, 2006).

6.1 Factors influencing the economic level of regions:

These regions may be various mostly in the economic level which can be affected by factors, concretely:

- localization of enterprises in the region, their frequency, branch structure, economic stability, the intensity of intra-regional economic relations, types of organizational forms;
- quantitative and qualitative characteristics of the population and its movement;
- technical and social infrastructure in terms of complexity, quality and quantity;
- the available natural resources and their utilization rate;
- direct and indirect impacts of the state economic policy (Ďurková, Čábyová, Vicenová 2012).

6.1.1 Localization of enterprises

The entrepreneurships located in the region have decisive influence on the economic and social development of the region. They do not only create jobs as mentioned in the beginning of the chapter but they are also a source of income for the population, public and regional budgets as well. In the relationship to economic development it is important its frequency and its size (due to a labor), field and sector structure, where the output is level of GDP per capita in the region. Very important is also average wage, skill of the labour and economic stability. The economy of the region is improved by the secondary and tertiary sector. The economic core regions are from the main part characterized by the presence of the secondary sector and manufacturing companies focus on low-cost labour force. Most of the economic core regions are characterized by the field of specialization. On the one hand, it may help the innovation of the enterprises, on the other hand, the ascendancy of an industry is a risky fact because it may create dependence on this sector (Ďurková, Čábyová, Vicenová 2012).

6.1.2 Characteristics of the population and its movement

There has been identified so-called "a triangular relationship" between high technology growth, talent and diversity. It can be said that talent is attracted to places with high levels of opportunity (larger towns, technological parks etc.), low entry barriers and of course, diversity. On the other hand, high technology industries are attracted to places with high levels of talent – for example, cities with universities. It can be demonstrated that a clear casual relationship between the growth and the migration of talent ad income change (Martin 2002).

Ďurková, Čábyová, Vicenová (2012), state that population is an integral part of the production and value process in the region. The qualitative and quantitative characteristic is important to the development. From the quantitative characters it is frequency (concentration) of the population and a dynamics of the evolution. The age

structure and educational level of the population can influence qualitative character of the development of the regions. Authors also mentioned that educated population is faster adaptable to changes and in finding the solutions, these people, as mentioned by Martin (2002) have tendency to move to more developed areas with higher standards of living.

6.1.3 Technical and social infrastructure

The technical infrastructure such as transport, energetic, telecommunication networks, water and waste management) can have direct influence on the allocation of the company. This infrastructure is important for the enterprises as well as for households, but in a different range and combination. The development of such infrastructure can be very expensive for public resources and municipalities because they are financing this development (Ďurková, Čábyová, Vicenová 2012). The knowledge and innovation play a key role in economic development as well. This is, of course, more visible at the regional level because differences between regions can be more recognizable. Innovation is seen as an interactive learning process that requires interactions between a range of private and public regional actors. The main goal of public sector, in this case of municipality, is to develop social capacity, networks (telecommunication, road, rail etc.) (Martin 2002).

6.1.4 Economic geography

Economic geography has been concerned with regional development and with the factors that will make a success to regional economy. These factors such as size, geology of the territory, vegetation condition of the environment, can affect the development of the region. They create assumptions for the utilization of the land of specific industries in the region (Martin 2002). The region is closely linked to the social and economic activities, it cannot be affected by its position in the limited space. The impact of industrialization in the economic core regions can be considered as very

dangerous to environment or regional development (Ďurková, Čábyová, Vicenová 2012).

6.2 Role of large enterprises in regional development

The role of large companies is evaluated from different views. The significant topic is their influence on the labour market. In this connection it can be defined positive effects in form of new jobs opportunities (this issue is already described in the second chapter of this diploma thesis). Damborský Hornychová (2014), also note that in general, large companies provide above-average wages. Large companies have a major impact on the balance of payments. Very positive impacts on the balance of payments have so-called "cost-seeking" investments, which are usually very export-oriented. Cost-seeking investments are looking for a higher effectiveness, and they are motivated mostly by low cost of entry barriers (labour, energy, price of lands), geographical allocation and other factors.

6.2.1 How large enterprises affect the environment

Environmental protection is nowadays a very actual topic. This is particularly true for the following reasons:

- The activities of each entity are associated with negative impacts on the environment - business operations, products and services cause changes in the environment.
- In connection with the business activities are consumed natural resources and the waste streams go to the environment. Nevertheless, international activities in the framework of the State Environmental Policy put increasing emphasis on sustainable resource use, waste management and the application of the "polluter pays" principle.
- Environmental behaviour of the company in recent years is of interest to many stakeholders (not just public institutions but also the public, business partners, financial institutions).

Negative impacts of corporate activities, products and services on the environment may significantly jeopardize the company's existence, its prosperity and may even lead to an end of the business. Attention to technical, safety and environmental requirements is for the company "worth". Friendly approach to the environment can represent a significant competitive advantage.

Technological environment – Technology can be understood as all the knowledge required to production. This includes inventions, innovations, etc. Role of knowledge is growing, and increasingly is becoming a major source of corporate wealth. The technology has a decisive influence on how it is designed, manufactured, distributed. Technological changes create social progress. The productivity of the work is increasing with the standard of living. However, it is necessary to take into account the problems which bring technological development (e.g. environmental pollution).

Ethical environment – Ethics is concerned with what is and is not good and what attitude should a human act in accordance to what is considered proper and fair. Usually, it can be recognized personal ethics, accounting ethics, business ethics. Ethical standards are an expression of ethical principles in a particular company.

Cultural and historic environment – People education and cultural level of the population is belongs to the basic conditions for economic development and technical and technological progress (Hyršlová, Klečka 2008).

Empirical part

7 ANALYSIS OF SELECTED REGION

Zlín Region was established on January 1, 2000 based on the constitutional law Act no. 347/1997, on Foundation of Higher Self-governing Units. It was created by merging the districts of Zlín, Kroměříž and Uherské Hradiště, which belonged to Jihomoravský region, and Vsetín District that belonged to Moravskoslezský region.

It is located in the east of the Republic, where its eastern edge forms the border with Slovakia. On the south-west it has borders with Jihomoravský region, on the north-west borders with Olomouc region and on the northern part borders with Moravskoslezský region.

Fig. 4 - The location of Zlin region [Source: http://bit.ly/2mo2gjY]

By its area of 3963 km^2 is the fourth smallest region in the country. It has 307 municipalities in total (30 cities), where by the end of 2015 lived 584 676 inhabitants. Population density is 148 persons / km2 and greatly exceeds national average. The highest density of population occurs in the Zlín District (186 inhabitants / km2) and the lowest in the Vsetín District (126 inhabitants / km2).

Development of population age structure is characterized by an increasing proportion of the population in the retirement age, against 2014, the proportion of the population over

64 years increased from 18.3% to 18.8%. Still, the age structure is economically favourable. The average age of the Zlin Region in 2015 was 42.5 years.

The economy in the region has been based primarily on capitalization of input raw materials and semi-finished products. The GDP in Zlín region is 8th highest among regions in the Czech Republic. In 2015, the average GDP was 1,381,168 CZK per inhabitant.

Industrial potential of the region lies in manufacturing enterprises, which is about 15% of total registered entities. Particularly, we are talking about enterprises of metalworking and woodworking products. Their characteristic feature is the low level of modernization of production in comparison with the Czech Republic (Czech Statistical Office).

7.1 Gross domestic product

In 2011, GDP grew by 3.2% (about 5.9 billion CZK) to 190.8 billion CZK. The following year, a slight annual decrease of 0.3% was recorded (634 million CZK). In 2013, there was an increase by 1.6% (3 billion CZK). In 2014, regional GDP reached 210.5 billion CZK and compared to previous year increased by 9.0% (17.3 billion CZK). In 2015 the following year, the economy of Zlín Region was successful as well, as GDP increased by 3.7% (222 billion CZK). Shown in figure 5 is progress of GDP of Zlín Region between the years 2011 and 2015.

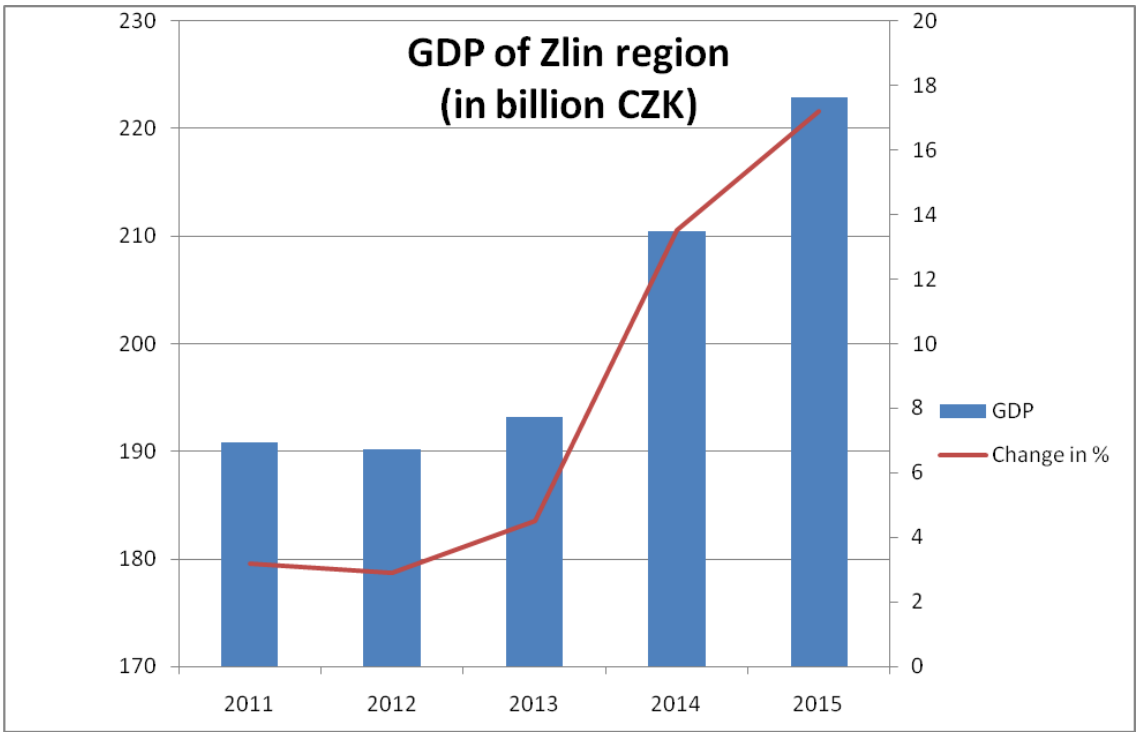

Fig. 5 – Gross Domestic Product of Zlin region [Source: ČSÚ, edited by author]

GDP per capita in the region grew as the total value of regional GDP. In 2011, GDP per capita in Zlín Region reached 323,600 CZK (annual increase by 3.3%). In the following year, raising GDP per capita stopped and fell slightly by 0.1%. In 2013, there was an increase by 1.9% and in 2014 it reached 359,400 CZK (annual increase by 9.1%). And finally, in 2015 the following year, GDP per capita reached 381,200 CZK.

7.2 Income (Average gross monthly wage)

Figure 6 shows that wages in Zlín region were changing every year. In 2011, average monthly income was 21,425 CZK, and in the following year there was a decrease by 2.6% (571 CZK). However, in 2013 there was a slight decrease to average monthly income of 21,810 CZK. 2014 was good year in terms of increasing income, being raised by 8.9% for an average monthly income of 23,755 CZK.

In 2015, the average monthly wage in the region was 24,554 CZK. In interregional comparison, it was the second lowest value, at only 435 CZK higher than the minimum

in Karlovarský Region. Compared to income in the whole Czech Republic, it was lower by an average of 3,257 CZK.

Wages in the region grew more slowly than at the national level applying 2014 figures while average monthly wage increased nominally by 3.4% (799 CZK). Due to the annual increase in consumer prices (inflation rate in 2015 was 0.3% CR), this represents a real increase in average wages by 3.1%. From the figure below is also evident that average monthly income in Zlín region increased between 2011 and 2015 by 14.6%, which is 3,129 CZK.

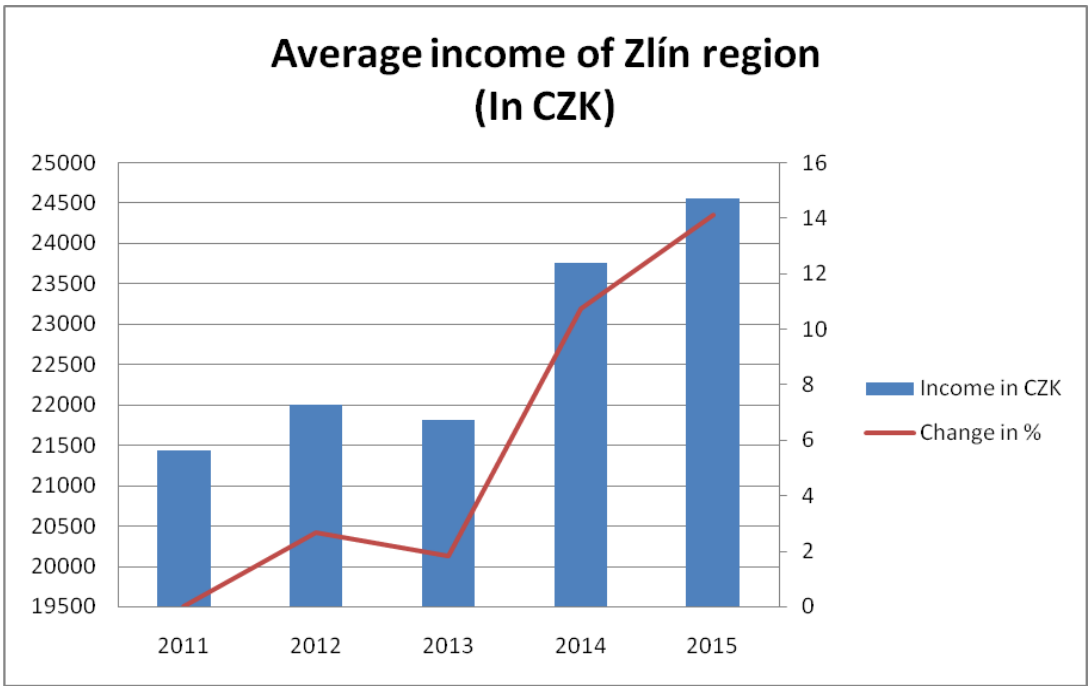

Fig. 6 - Average income of Zlín region [Source: ČSÚ, edited by author]

Average gross monthly wage per employee in Zlín region had increasing tendency in 2011 and 2012. In 2013, there was a slight decrease and in the following years it began to rise again. In 2014, employees in engineering industry had average income 25,750 CZK (annual increase by 784 CZK, which is about 3%). Compared to the national average wage it was lower by 2,733 CZK. Compared to the highest average gross

monthly wage that employees had earned in industrial enterprises in the region Prague, in Zlín region it was about 8,759 CZK less. In the following figure is shown the average gross monthly wage in engineering industry in selected region.

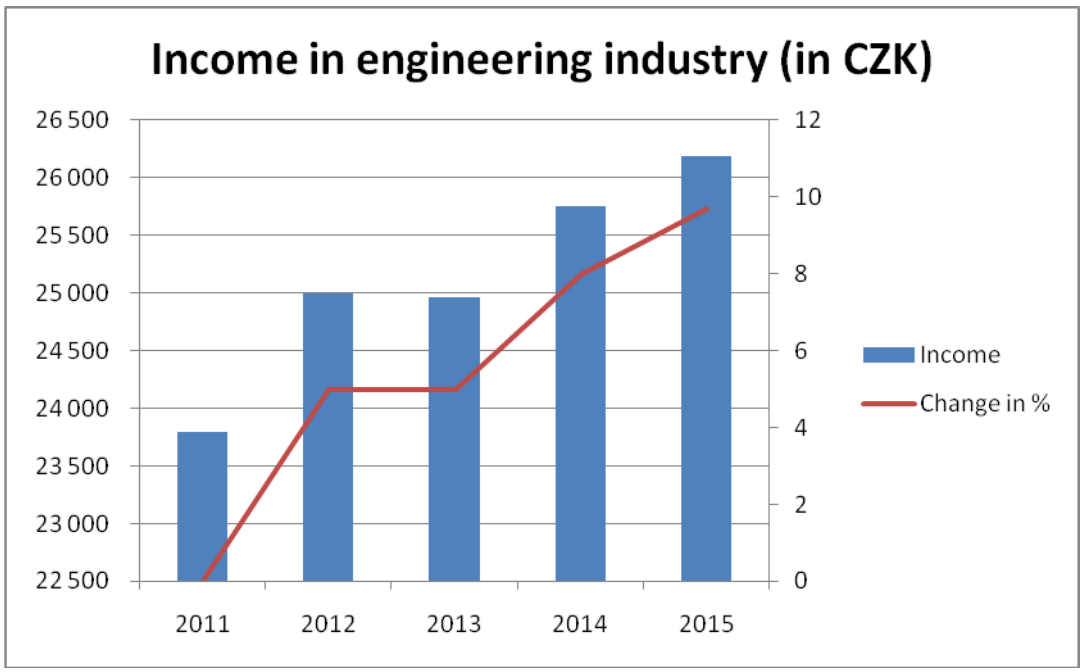

Fig. 7 - Income in engineering industry [Source: ČSÚ, edited by author]

7.3 Unemployment

Unemployment is a share expressed as a percentage where the number stands for available but not placed job applicants aged 15-64.

General unemployment rate in the region has decreasing tendency. After high unemployment in 2010 caused by World crises, the unemployment rate is decreasing year by year. In 2011, there was unemployment of 7.6%, next year was slight decrease by 0.2% as well. Since 2013, the value of unemployment in the region is slightly below the national average. Downward trend is evident in both sexes, female unemployment

rate is higher than for men. In 2014, unemployment rate reached 6.1% and finally in 2015 it was even 4.7%, which ranks Zlín region on 7th place in the Czech Republic.

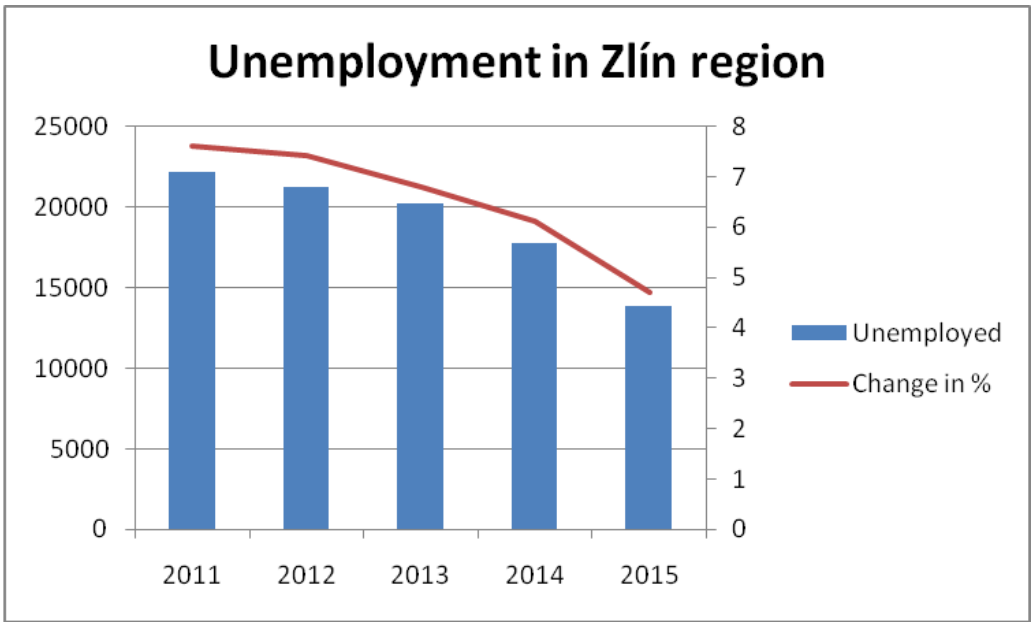

Fig. 8 - Unemployment in Zlín region [Source: ČSÚ, edited by author]

7.3.1 Employment in the engineering industry

In 2015, in the region have been located 177 industrial enterprises where were employed 100 or more employees, which is about 9.1% more than in 2014. Industries in 2015 employed 52,003 employees (average registered recalculated number), this is in comparison to 2011 by 17.1% more. By 2011, the number of employees declined. Break came in 2012 when it began to grow. In 2015, most employees worked in enterprises throughout the period and their number grew by 7.9%, which was the second highest increase among the regions in the Czech Republic (Czech Statistical Office).

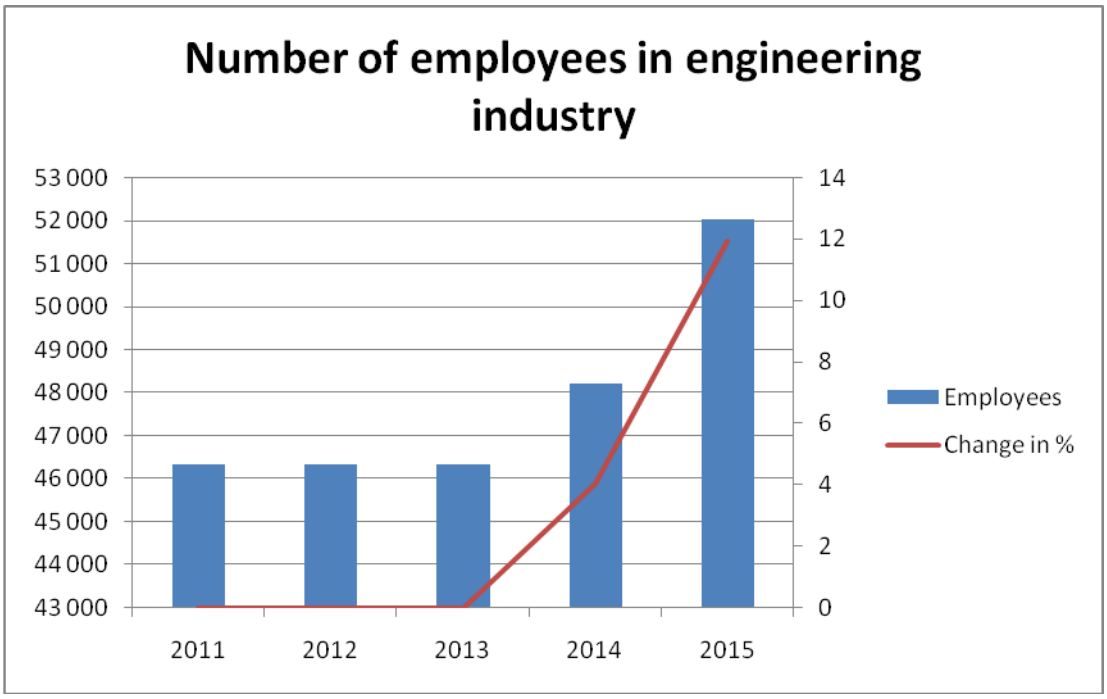

Fig. 9 - Number of employees in engineering industry [Source: ČSÚ, edited by author]

Tab. 3 - The number of industrial enterprises in Zlín region [Source ČSÚ, edited by author]

The number of industrial enterprises	2011	2011	2013	2014	2015
	172	170	165	162	177

7.4 Influence of a company in the region

Since 2011, the investments on research and development from companies were increasing. In 2012, companies invested to this sector 1.57 billion CZK and in the following year it was 1.6 billion CZK. In the following year, the expenses increased again and reached 1.8 billion CZK. In relation to regional GDP in 2014, overall spending on research and development accounted 1.3 percent of GDP. Even though public investments to research and development decreased from 2.75 billion CZK to 2.53 billion CZK, companies in the Zlín region invested higher amount than in previous year, 1.87 billion CZK.

The increase in research and development expenditures was mainly due to the business sector, in which was invested 2 billion CZK, that are technically three quarters from overall spends on research and development in the region.

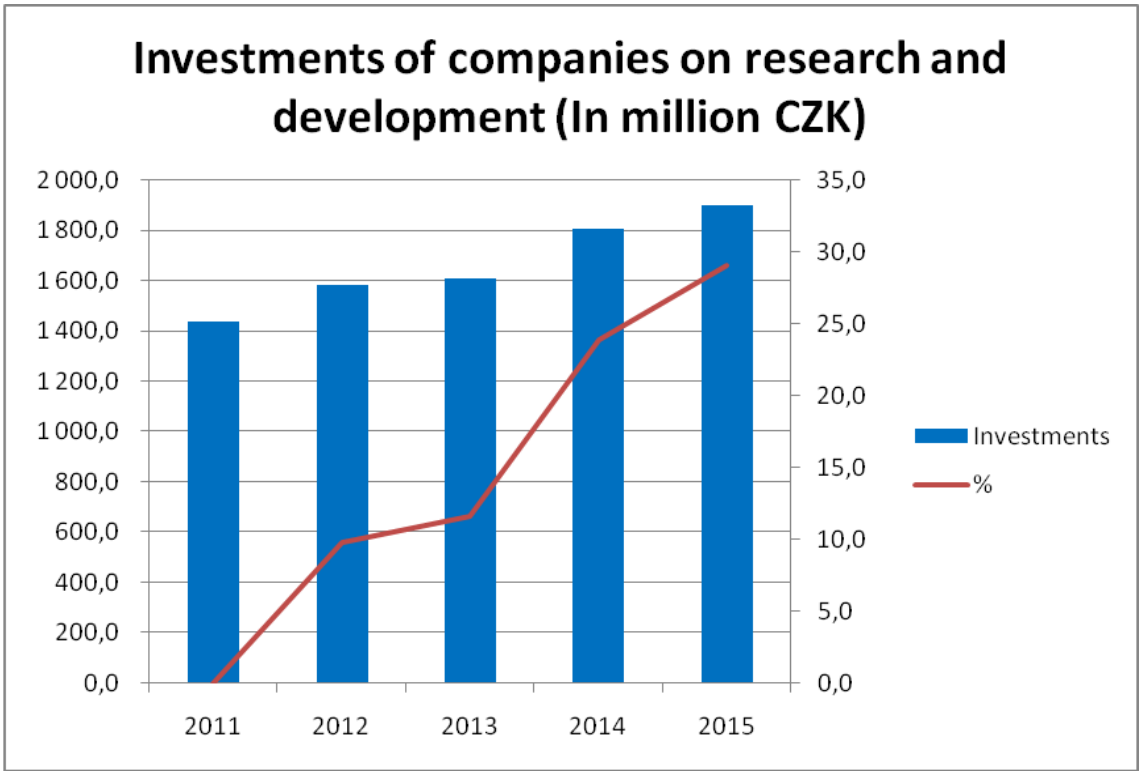

Fig. 10 - Investments of companies on research and development [Source: ČSÚ, edited by author]

Sales of own products and services in industry (at current prices) in large enterprises grew from 2011 to 2015 by 17.8%. Following figure shows that sales in the selected region were growing every year. Thanks to good economic situation in the Czech Republic, sales in 2015 reached 168.7 billion CZK.

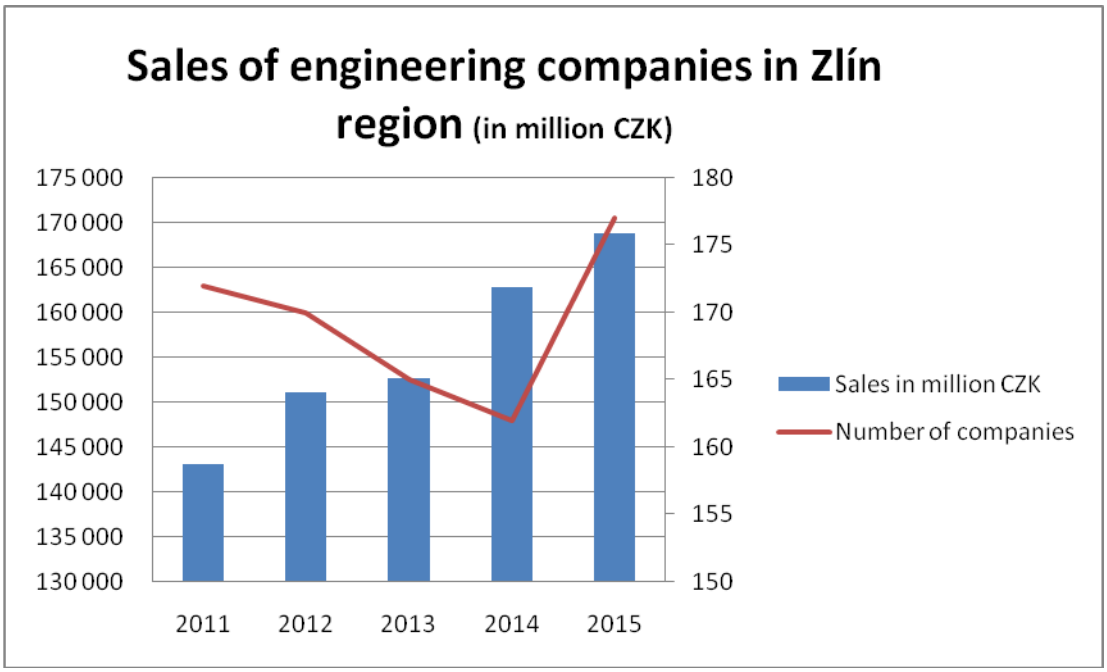

Fig. 11 - Sales of engineering companies in Zlín region [Source: ČSÚ, edited by author]

7.5 Environment pollution

In all monitored types of air pollutant emissions, the recorded data for the Zlín Region were lower, better than the average for the whole of the Republic, both in 2011 to 2015. In 2014, the Zlín Region ranked among others in emissions of solid pollutants at the second place.

In the evaluation of regions according to the overall order of the values of individual types of emissions, the Zlín region has worsened by one place and was removed from a group of regions with good air. The least polluted air was detected in the South Bohemian region in 2011 and 2015.

Investment costs for environmental protection by investor's seat in the Zlín region were the highest in 2014 and were amounted to 2.38 billion CZK, in the following year was invested 2.26 billion CZK.

The figure 12 shows the investment in the environment in tracking period between years 2011 and 2015 (Czech Statistical Office).

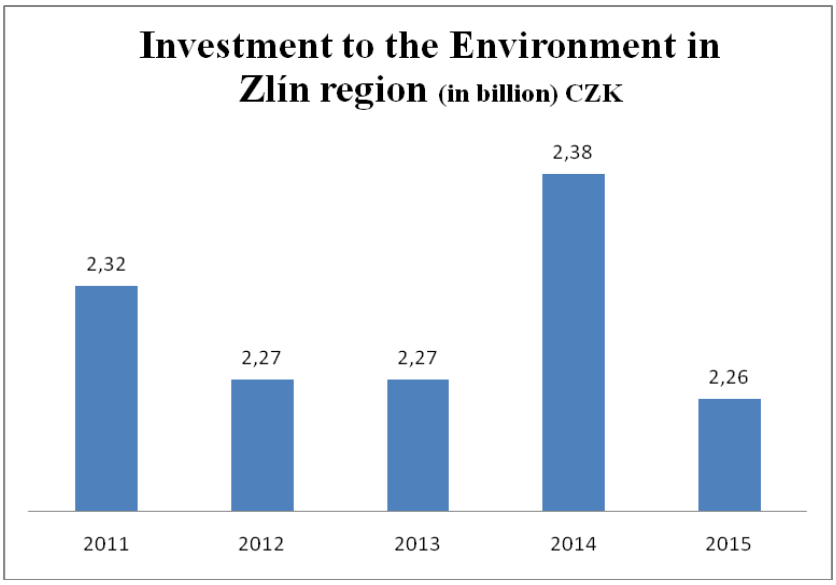

Fig. 12 - Investments to the environment in Zlín region [Source: ČSÚ, edited by author]

8 ANALYSIS OF SELECTED COMPANY

The history of Slovácké strojírny a.s. company (hereinafter SUB), dates back to 1951 when started production of steel structures and electrical overhead cranes. Nowadays, SUB is modern technological company that offers to its business partners various technological options in the production in fields related to mechanical and electrical engineering, along with qualified personnel from all relevant fields. The company applies its production in developed markets, mainly in Germany, Holland, Austria and Switzerland. SUB is one of the major companies in the Zlín region. (SUB, © 2016)

8.1 Basic information about company

Fig. 13 - Logo of the company [Source: sub.cz]

Tab. 4 - Basic information about company [Source: or.justice.cz]

Identification number	000 08 702
Company	Slovácké strojírny
Legal form	Joint-stock company
Residence	Nivnická 1763, 688 28 Uherský Brod
Date of registration:	31. 1. 1990

SUB, based in Uherský Brod is considered as one of the most important industrial company in the Zlin region. This is the company with a long tradition, especially in engineering. Production is divided into five factories, namely: in Uherský Brod, Postřelmov, Most Čelakovice and Zábřeh as can be seen in figure 14. Each of these plants has a different activity, revenues and number of employees. Company employs around 1500 people. SUB is a modern company that is able to fully adapt to the market environment and to stands in a strong competition of other companies. Also, the important thing is the ability to create long-term savings of all internal costs. It can also boast to the constantly increasing labor productivity which allows offer the required amount of products of adequate quality. Mentioned labor productivity is a priority for the company. Its unprecedented growth is achieved primarily through investments in various technologies.

These capabilities allow the company to focus on foreign markets. Production found its place mainly in Germany but also in the Netherlands, Italy, Austria or Switzerland. The company also seeks to restore exports to Russia and Egypt. With a number of orders from abroad is not a problem with the fulfillment of production capacity and hence the return of investments, this fact makes company stable on the market. This work is mainly focused on factory in Uherský Brod, which employs about 500 people and annual revenues are about 800 millions CZK.

Production program of factory in Uherský Brod mainly consists of manufacture but also the installation of mobile stone crushers, scissor platforms, equipment for the foundry and steel industries, cranes on mobile chassis, road construction machinery and much more.

Nowadays, SUB is regarded as a modern company. The structure of production is more custom-made than mass production. The company is able to offer customers unique products and services in the required quality, these aspects still holds SUB its place in

the market and successfully fights with competitive pressure (internal document of SUB, 2016).

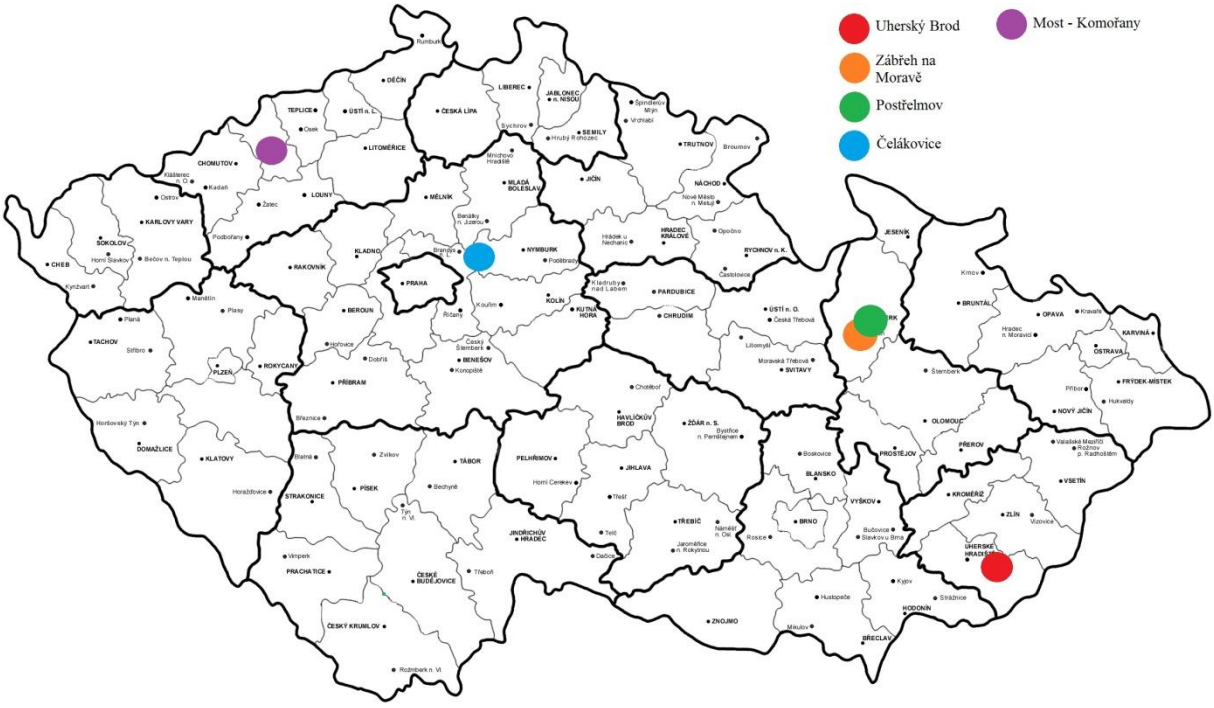

Fig. 14 - Factories of Slovácké strojírny a.s. [Source: http://www.mapaceskerepubliky.cz, edited by author]

8.1.1 History of the company

As it was already mentioned in the beginning of the chapter, the company started production in 1951, when mainly produced steel structures, electric overhead cranes and equipment for geological prospecting. In 1957 the business expanded to factory in Moravské Budějovice and in 1958 the affiliation of the company for production and economic unit Uničovské strojírny. In 1989 the company produced cranes with capacity up to 320 tons and incorporated into the production program also manufacture sweeping vehicles, containers, scissor platforms etc.

The privatization of SUB was made in 1992 in the form of voucher privatization on the basis of the approved privatization project. Since 1998 the company is holding certificate ISO 9001 and since 2009 environmental certificate ISO 14001: 2005.

MEP Postřelmov

The company is a subsidiary of SUB since 2009. This factory operates in the field of electronics since 1931. The company's business falls into a segment of rail transport, production of resistive devices, DC circuit breakers, switchboards, solenoids etc. Part of the factory is also aluminium foundry and electroplating which is under the auspices of SUB.

KSK Komořany

This production unit is part of the SUB since 2012. It operates mainly in the field of technological systems and machines for coal mining and energy. This branch provides comprehensive services ranging from technical design to turnkey, including extensive after-sales services.

TOS Čelákovice

TOS Čelákovice is part of the company since 2011. It operates in the production of high-precision grinding machines, conventional and CNC machines. Machines are available in a variety of technology configurations according to customer requirements.

NH Zábřeh na Moravě

This establishment is an important supplier of machinery equipment in coal mining, precision machine parts, weldments and control cabinet. Part of the factory is chemical and heat treatment of the material. An important technological aspect is also the possibility of heat treatment and coating of the material surface hardening, nitriding, and cementation. The company is part of SUB since 2006 (internal document of SUB, 2016).

8.1.2 Organizational structure of SUB

In the following picture number 15 is depicted organizational structure of SUB, from the picture is clear that supreme body of the company is the General Meeting. The General Meeting is represented by a single shareholder - the company MACFAN ENTERPRISES LIMITED which is the one and only shareholder. The board of director takes action on behalf of the company. For the company can sign separately either chairman or at least two members of the boards. The organizational structure is further divided into 8 departments and 5 production factories. It is necessary to add to organizational structure that all branches are controlled by the respective factory director and they have their secondary trading and manufacturing departments. Furthermore, in every branch is personnel department and secretariat. All activities are subject to the decision of management in Uherský Brod (internal document of SUB, 2016).

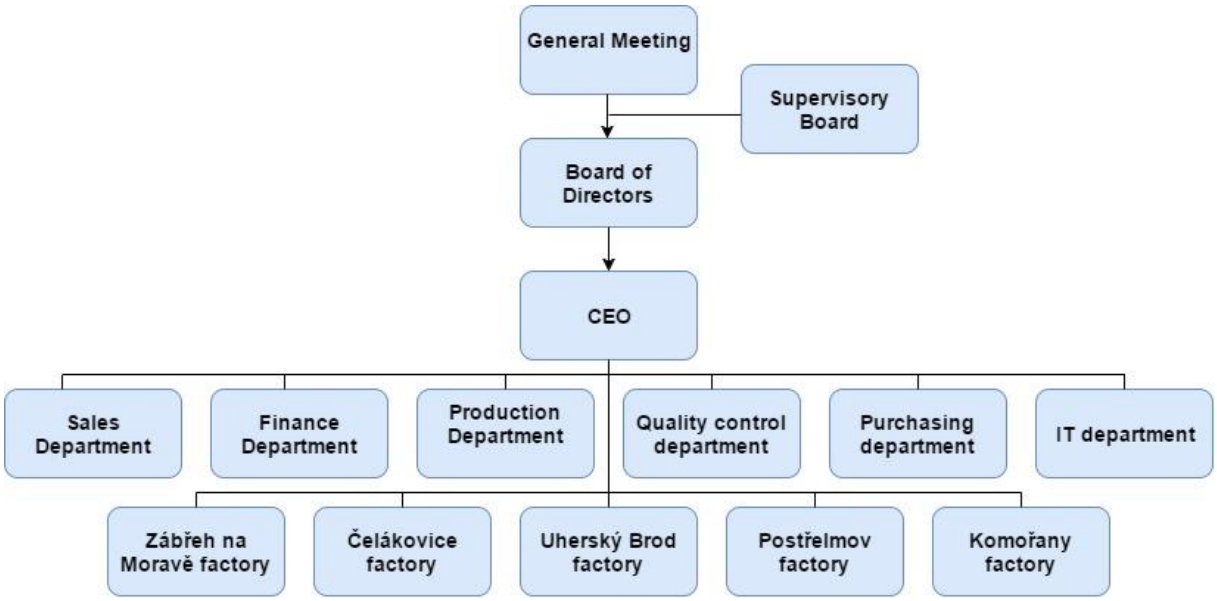

Fig. 15 - Organisation structure [Source: SUB 2016, edited by author]

8.2 Strategy of the company

SUB has elaborated a number of strategies in different areas, whether in terms of the area of production, capital, personnel or business. Personnel strategy is to not only have enough staff, but also a certain level of quality of the staff which is not very easy in 2016 with 3.7 % unemployment in the Zlín region according to Czech Statistical Office. It is closely related to business strategy, since it is a company that produces unique products and focuses mainly on the quality. That is why it is necessary to constantly invest to establishing a technological background. The fact is that for this reason they are so much needed quality employees who are able to work with such a modern technologies. Current employees must be able to solve complex projects in progress and to be able to adapt to unexpected events, therefore SUB established in 2007 educational centre but also many others institutions which will be deeply described in 9th chapter of this diploma thesis.

The company faces strong competition. Although, most engineering companies in the area are doing within the technology much harder, they produce in bulk and do not have so high revenues. Unfortunately, customers often prefer just the simplicity and speed of mass production before the uniqueness of the products offered by SUB.
The company's vision captures the image of the company as it should look in the future and in which direction should the company develop further. The entire business activity should be financed by the appropriate capital structure which should keep the company stable.

General business strategy of SUB is to be the most competitive in the world market. This strategy is applied through strategies in different areas of society. Each division of strategy will be described in several points:

- The sales department is focusing on maintaining a broad portfolio of customers, products and territorial area.

- The strategy of the company in the production is constantly increasing productivity and improving production technology.
- The aim of the quality of production is to maintain skilled and loyal employees. To avoid claims must be a high level of controlling of products and processes.
- In the area of investment, they are trying to ensure the largest portfolio of activities in the production of products to meet customer needs.
- In the purchasing department, they diversified portfolio of suppliers and select suppliers based on the selection of management which is particularly critical delivery time and price.
- In the economic field, the company aims to the maximizing of profits, and at the same time to maximize the optimization of taxation.
- The strategy in the financial area is focused on independence, in terms of not being dependent on one source of funding. The goal is to minimize the amount of preferred loans.
- As far as employees, the goal is to ensure an appropriate working environment and the improvement of working conditions, training of employees and motivate them to greater and better work performance.
- The main objectives of the company are the development of new production programs which related to upgrading technology, training of employees, capital to expand.

8.3 Financial situation

In the following paragraphs is briefly approached the financial situation of SUB. The brief introduction of financial situation is very important for this diploma thesis because in the following chapter will be described how the company works with the money, where it invests, and who it supports. It is clear that making any changes in the company is not a low-cost issue. Investing in staff training, enhancing the care of employees, and improvement of working conditions is expensive and not every large company does that.

According to SUB annual financial report for 2015, the company achieved total sales of 2.28 billion CZK. Because of the focus on foreign markets, it is not a surprise that in 2016 the company supplied its products and services to 35 other countries around the world except the Czech Republic. Most exports have been delivered to countries such as Germany and Austria. A major focus on foreign markets also speaks to the fact that 60% of the turnover of the company was implemented in 2014 in the EU, 10% in the rest of the world, and only 30% in the Czech Republic. The company enjoys their investment. This is evidenced by the fact that in 2015 it acquired, modernized and reconstructed fixed assets worth 118 million CZK. In various machinery and equipment was invested 9 million CZK, and another 102 million CZK was used for the acquisition and improvement of immovable property.

The overall financial and economic situation of the company is stable and in 2015 there was no difference. SUB may also, therefore, boast by an added value of 868.7 million CZK, reached in 2015. Operating profit amounted to 99.2 million CZK. The company's total stock value is approximately 409 million CZK.

The level of total debt of the company was 38.8% at the end of 2015, which is an annual decrease of 7.9%. Profit after tax for 2015 amounted to 84.5 million CZK (internal document of SUB, 2016).

Analysis of absolute indicators

In subchapter analysis of absolute indicators will be described absolutely indicators in detail. For better orientation, the analysis will be divided into vertical and horizontal. For the analysis will be used data from the period 2011-2015.

Vertical Asset Analysis

Tab. 5 - Vertical asset analysis [Source: Internal materials of Slovácké strojírny a.s., edited by author]

(In %)	2011	2012	2013	2014	2015
Total assets	**100**	**100**	**100**	**100**	**100**
Fixed assets	**59.33**	**52.41**	**55.67**	**54.40**	**63.40**
Long-term intangible assets	0.34	0.31	0.21	0.12	0.19
Long-term tangible assets	58.76	51.73	55.08	53.91	63
Long-term financial assets	0.22	0.38	0.38	0.36	0.20
Current assets	**40.18**	**46.82**	**43.82**	**45.37**	**36.49**
Inventories	17.01	25.62	17.91	22.41	18.16
Long-term receivables	0.07	0.25	0.45	0.73	0.15
Short-term receivables	22.87	20.63	25.15	22.02	17.93
Short-term financial assets	0.23	0.31	0.31	0.22	0.25
Accruals	**0.49**	**0.77**	**0.51**	**0.23**	**0.12**

From the vertical asset analysis, it can be relatively easily estimated that the largest share of total assets have long-term assets. The basis for this calculation is the total

assets. The higher proportion of long-term assets in total assets is quite logical, because the selected company is engaged in mechanical engineering. In this area are typical for example: machinery, buildings, land. For better imagination, the table of vertical asset analysis is supplemented by a figure 16, showing graphically the individual shares of fixed assets, current assets and accruals.

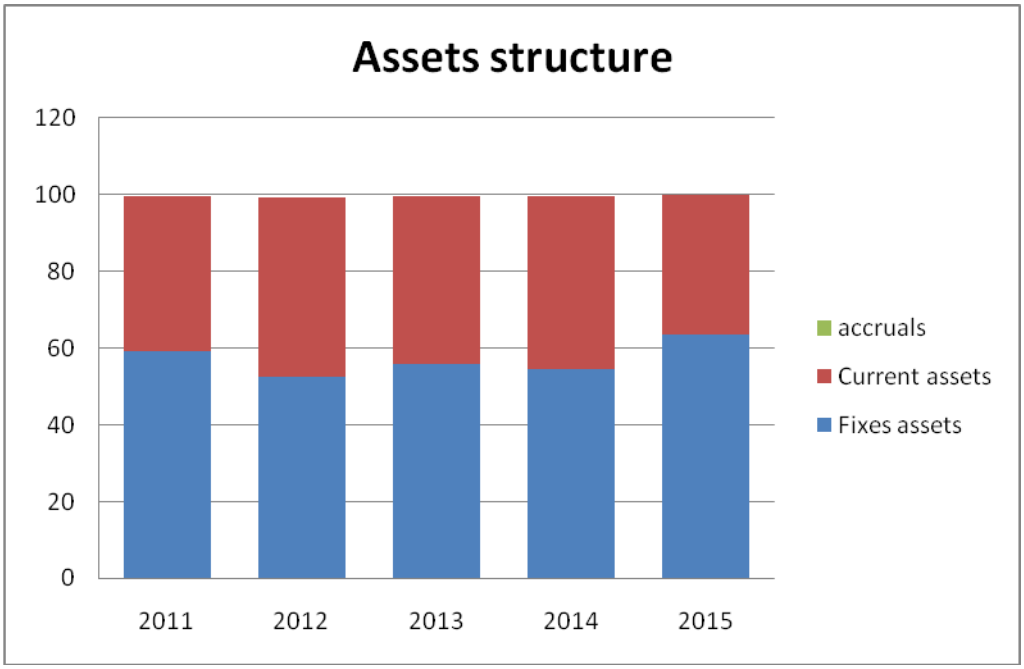

Fig. 16 - Assets structure [Source: Internal materials of Slovácké strojírny a.s., edited by author]

Furthermore, from the vertical assets analysis arise that another significant group that have a higher share in total assets are current assets. A detailed analysis of current assets shows that the largest share of current assets has short-term receivables together with inventories. Inventories consist mainly of material, incomplete production and products. The table shows that a large portion of money units is held in short-term receivables.

Vertical analysis of liabilities

Tab. 6 - Vertical analysis of liabilities [Source: Internal materials of Slovácké strojírny a.s., edited by author]

(In %)	2011	2012	2013	2014	2015
Total liabilities	**100**	**100**	**100**	**100**	**100**
Equity	**57.75**	**49.17**	**53.85**	**53.31**	**61.23**
Basic capital	38.56	31.65	25.95	26.08	28.56
Capital funds	0.00	0.003	0.003	0.003	0.003
Reserve fund	2.73	2.67	2.83	2.88	3.33
Profit / loss from previous years	19.47	17.83	20.66	23.34	25.00
Foreign sources	**42.24**	**50.83**	**46.15**	**46.69**	**38.77**
Reserves	0.92	0.95	1.89	0.69	5.67
Long-term liabilities	2.15	1.75	1.89	1.98	1.94
Short-term liabilities	19.66	17.09	18.20	19.66	14.79
Bank loans	19.50	31.03	24.17	24.37	16.37
Accruals	**0.01**	**0.00**	**0.00**	**0.00**	**0.00**

When compiling the vertical analysis of liabilities, the liabilities are understood as the basis, which is 100%. In the case of equity, it can be noticed that the ratio of equity and

liabilities is different in individual years. As can be seen from the table above, foreign sources consist mainly of short-term liabilities and bank loans. It is caused due to the acquisition of Komořany, a.s. Even for the vertical analysis of liabilities, the structure of equity and the overall capital structure are graphically illustrated for clarity in figure 17.

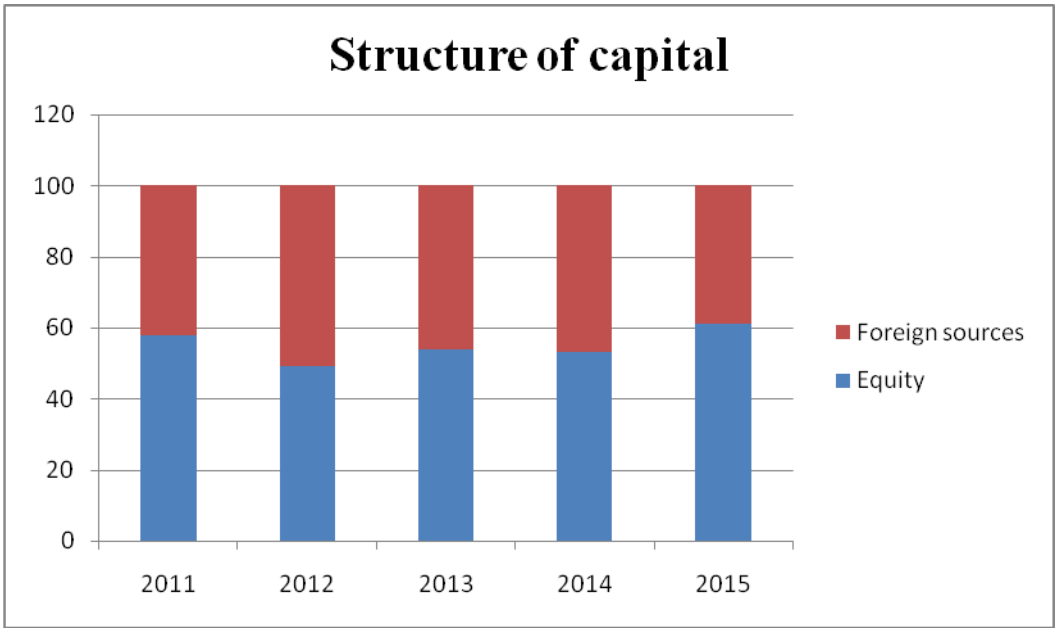

Fig. 17 - Structure of capital [Source: Internal materials of Slovácké strojírny a.s., edited by author]

Vertical Analysis of Profit and Loss Statement

As a basis for calculating the vertical analysis of the profit and loss statement, has been chosen the total sales of the company. The following table describes how the selected items of the statement of profit and loss contributed to revenues.

Tab. 7 - Vertical Analysis of Profit and Loss Statement [Source: Internal materials of Slovácké strojírny a.s., edited by author]

(In %)	2011	2012	2013	2014	2015
Total costs	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**
Sales of	0.36	0.28	0.27	0.32	0.32

goods					
Cost of goods sold	0.31	0.21	0.22	0.24	0.25
Trade margin	0.06	0.03	0.06	0.08	0.08
Output	99.54	104.40	93.45	106.07	93.25
Sales of own products and services	98.18	97.70	98.45	100.62	97.96
Power consumption	65.13	28.32	56.47	67.08	55.23
Consumption of material and energy	50.96	52.62	41.60	50.95	41.33
Personal expenses	26.31	30.36	26.87	30.69	27.46

Horizontal Asset Analysis

In the table below is shown the relative change of assets in percentage. The increase of total assets between years 2011 and 2012 is caused by acquisition of Komořany a.s. In the following years, the downward trend in total assets can be observed. The downward trend in total assets is due to the decline in intangible fixed assets and inventories. Long-term intangible assets showed the most significant change in 2015, it was caused by investment into the software. As far as long-term tangible assets, it is obvious that higher increase was during 2011 and 2012, it was caused due to the mentioned mergers of the companies. When assessing the situation of current assets, it is evident that they show a variable progress. Inventories, this sum sheet item was again the most affected by the purchase of TOS Komorany a.s. In 2012 there was an increase in long-term receivables - mainly receivables from business relations. Even in the following years,

the receivables increased. This increase could also be affected by increased production and by sales.

Tab. 8 - Horizontal Asset Analysis [Source: Internal materials of Slovácké strojírny a.s., edited by author]

(Change in %)	2011-2012	2012-2013	2013-2014	2014-2015
Total assets	**21.93**	**-0.75**	**5.65**	-13.51
Fixed assets	7.72	5.42	3.24	0.79
Long-term intangible assets	10.22	-34.18	-36.32	30.03
Long-term tangible assets	7.33	5.69	3.41	1.06
Long-term financial assets	105.11	-	-	51.25
Current assets	**42.08**	-7**.10**	**9.39**	**-30.45**
Inventories	83.61	-30.63	32.18	-29.90
Long-term receivables	359.29	77.17	74.14	-82.23
Short-term receivables	9.99	21.00	-7.52	-29.57
Short-term financial assets	67.71	-0.93	-25.07	-4.21
Accruals	-32.61	-33.83	-52.09	-55.35

Horizontal analysis of liabilities

Total liabilities registered a slight increase in 2011 and 2012. In 2011, was this increase was caused by the growth of profit/loss from previous years and also by growth of bank loans and short-term liabilities. In 2012, total liabilities grew by 21.99%. The increase

was influenced by bank loans, which reached 519,083,000 CZK. Equity was volatile, mainly due to changes in the results of the current period.

Another item of horizontal analysis of liabilities is long-term liabilities, which were mainly made up of liabilities by others. The biggest change was in 2015 compared to 2014, it increased by 15%. Bank loans had a volatile tendency, the highest decrease occurred between 2014 and 2015, almost by 42%.

Tab. 9 - Horizontal analysis of liabilities [Source: Internal materials of Slovácké strojírny a.s., edited by author]

(Change in %)	2011-2012	2012-2013	2013-2014	2014-2015
Total liabilities	**21.99**	**-0.52**	**5.60**	**-13.52**
Equity	**3.86**	**8.96**	**4.54**	**-0.67**
Basic capital	0.00	0.00	0.00	0.00
Capital funds	0.00	0.00	0.00	0.00
Reserve fund	19.43	5.36	7.41	7.41
Profit / loss from previous years	11.72	15.27	19.30	57.66
Foreign sources	**46.80**	**-9.68**	**6.84**	**-28.19**
Reserves	26.71	96.80	-61.52	613.19
Long-term liabilities	-0.61	7.44	10.09	15.00
Short-term liabilities	6.07	5.89	14.08	-34.93

Bank loans	94.05	-22.51	6.48	-41.92
Accruals	**-78.34**	**-4.26**	**35.56**	**31.15**

Horizontal analysis of the profit and loss statement

From the table 10 is obvious that highest sales of goods were in tracked period in 2011-2012. Hand in hand with mentioned sales went even trade margin, which reached difference 92.94%. Noteworthy are also sales of own products and services in these years, where difference was 56.68%.

Tab. 10 - Horizontal analysis of the profit and loss statement [Source: Internal materials of Slovácké strojírny a.s., edited by author]

(Change in %)	2011-2012	2012-2013	2013-2014	2014-2015
Sales of goods	22.18	-2.92	1.11	4.92
Cost of goods sold	9.33	1.25	-4.11	6.82
Trade margin	92.94	-15.96	20.78	0.74
Output	65.14	-10.16	-0.70	-8.89
Sales of own products and services	56.68	0.64	-10.50	0.89
Power consumption	64.45	-17.09	3.90	-14.67
Consumption of material and energy	62.57	-21.04	7.13	-15.94
Personal expenses	81.70	-11.61	0.09	-7.26

Liquidity indicators

Liquidity indicators deal with the ability of an enterprise to convert its assets into funds. The table below lists the most common indicators for the enterprise's solvency analysis.

Tab. 11 - Liquidity indicators [Source: Internal materials of Slovácké strojírny a.s., edited by author]

	2011	2012	2013	2014	2015
Current liquidity	1.23	1.14	1.45	1.26	1.46
Quick liquidity	0.70	0.52	0.87	0.62	0.71
Cash liquidity	0.01	0.01	0.01	0.01	0.01

Current liquidity expresses how many crowns of current assets are covered by one crown of short-term debt. The optimal range is from 1.5 to 2.5. As can be seen from the table, the company does not reach even 1.5 in the period under review, which can be caused by an aggressive payment policy. However, higher liquidity does not mean a better ability to pay, depends on the nature of current assets.

Quick liquidity has the advantage of excluding the effect of inventories as the least liquid current assets. The optimal range is from 1 to 1.5. As we can see from the table, the company does not achieve the optimal value, so it is also possible to evaluate that payment policy in this area is aggressive.

Cash liquidity excludes receivables from the numerator in addition to stocks. The optimal value should be at least 0.2. However, the company never reached the recommended value in the past period.

Indicators of activity

Using these indicators, it is possible to assess the efficiency of the selected company. We can talk about business efficiency if it does not keep unnecessary assets. Since the holding of such assets entails an increased cost of capital for an enterprise, there is also the opposite problem, which is connected with the insufficient amount of assets. In such a situation, a business may lose business opportunities.

Tab. 12 - Indicators of activity [Source: Internal materials of Slovácké strojírny a.s., edited by author]

	2011	2012	2013	2014	2015
Total assets turnover ratio	0.88	1.13	1.15	0.97	1.16
Inventory turnover ratio	5.21	4.44	6.44	4.36	6.38

Total assets turnover ratio reflects the number of the total assets turn over the year. The recommendation is that the value is greater than 1. It can be considered as positive that these values are gradually growing. The company's highest asset turnover was in 2015, this situation can be explained by the fact that the company used its assets in the revenue-making process.

Debt indicators

Tab. 13 - Debt indicators [Source: Internal materials of Slovácké strojírny a.s., edited by author]

	2011	2012	2013	2014	2015
Total indebtedness	0.42	0.51	0.46	0.47	0.39
Debt ratio	0.73	1.03	0.86	0.88	0.63

Debt indicators signal management's exposure to the level of risk. This risk is born by the enterprise when using foreign resources. A company that uses to fund a foreign source must expect that the higher the indebtedness, the higher the level of risk it carries. It is also possible to find positive outcomes for the use of foreign resources. This is primarily the so-called tax effect.

Total indebtedness expresses how many times the debt exceeds the value of equity. From the table is obvious that total indebtedness has decreasing tendency. The highest total indebtedness of the selected company was achieved in 2012. This year, the total debt was made up of bank loans due to acquisition of Komořany a.s.

For the **indebtedness ratio**, an increasing trend can be noted in the table. Due to the rising trend, it is possible to say that there is an increase in the value of foreign capital in the company. It is clear from the ratio that the company finances the company by foreign capital.

Profitability indicators

Tab. 14 - Profitability indicators [Source: Internal materials of Slovácké strojírny a.s., edited by author]

	2011	2012	2013	2014	2015
Return on sales	4.92	2.79	4.67	2.87	4.44
Return on assets	4.67	3.64	5.87	3.13	5.04
Return on equity	6.75	5.46	7.88	4.42	8.24

Return on sales is determined as the proportion of operating profit and total sales from the sale of own products and services. The progress was in the interval between 2.79 and 4.92. The return on sales has declined significantly, which in part has led to a result of more than a half. But it also played a role in the merger with Komořany a.s.

Return on assets serves managers to help determine profitability without the influence of foreign capital. The peak of this indicator was reached in 2013.

Return on equity is an indicator that is more beneficial to company owners. In the tracked period this indicator showed stable progress mainly due to increase in the value of equity.

8.4 Analysis of a competition

It is very difficult to define enterprise a competition to SUB, because the company has a wide range of technologies, from this fact follows that in the sector of mechanical engineering is possible to find many competitors, who make only a certain partial area of production of SUB. Basically, in the Zlín region is no such a company which could compete or be comparable to SUB. In the struggle with competitors, SUB gives emphasis on price, quality and delivery time. However, in the level of Czech Republic we can find several companies which are producing similar portfolio of products. Major competitors of SUB are: Přerovské strojírny a.s., UNEX a.s. Uničov and Královopolská, a.s.

8.5 Analysis of a customer

SUB produces the products of investment engineering, through customers are the products distributed into the whole world. The main market, as already mentioned are countries in European Union (Czech Republic, Slovakia, Austria, Germany, Spain, the Netherlands, Italy, Norway…), Asia (Russia, India, Tajikistan, Turkey), Africa (Egypt) and South America. However, most of the production is exported to European Union countries.

For the business of SUB is a very important diversification of trading partners, ensuring the portfolio of partners who come from different areas and different lines of business.

8.6 Analysis of a supplier

The main suppliers of SUB are companies supplying metallurgical materials, various types of sheets, profiles, billet and sheet metal, etc. Particular supplier is always chosen by tender and by negotiation. Therefore, when the company needs to decide what supplier they will choose, it must consider competitive offers in order to be equated. The tender always wins supplier with the most favourable conditions.

8.6.1 Systems

SUB fully utilizes the system DIMENSION ++. This system is very important for the company because it allows effective managing of the business within purchasing, economic and also production activities. It also provides a comprehensive overview of the current situation in the company. The great advantage of this system is its ability to adapt to the structure and needs of the corporation. In the company is also used in the context of employee records and organizing training sessions, meetings and much more. Very useful is also the accounting module of that system, which provides a detailed overview of financial flows of the company. This system is considered as very effective tool that allows you to use the available technology to deal with all administrative matters in an enterprise in a simple manner. Recently, SUB started to use a new attendance system from ESKON, s.r.o. called BIS, which is used for attendance registration, ordering and serving meals and so on. Regarding wages and staff activities, in this field system is used “Valet”. It is important to mention that all these systems are fully interconnected with each other and work as one unit. (SUB, 2016)

9 IMPACT OF SELECTED COMPANY ON REGIONAL DEVELOPMENT

In this chapter will be shown and described various factors and their impacts on selected region. The importance of this chapter is to show the significance of SUB to the region, particularly how it facilitates regional development and its general impact. It is important to mention that SUB is the 11th largest company in Zlín Region in terms of turnover and number of employees, while Barum Continental, spol. s r.o. is in first place.

9.1 Earnings

In this subchapter will be more deeply described sales of selected company and if this factor contributes to region and its regional development. The aim of this subchapter is not to make a financial analysis of the company, but at least to show how high the sales and net profit. These indicators can help if the company is interested in the regional development.

2011

In 2011, there was a turnaround in the negative developments in the company's production and business activities caused by the financial and economic crisis in 2009 and 2010 and there was an increase in the company's performance against previous years. According to the territorial distribution, the largest share of sales of goods and services was exported to Germany 24.1%, followed by Austria 7.3%, Italy 7.0%; Norway 6.0%. The total export of products outside of the Czech Republic was 68.9%.

A major problem that needed to be addressed in 2011 was the continued uncertainty of further economic developments with major trading partners that they had problems meeting the due dates of invoices for deliveries of products, services and goods. However, total revenues for products, goods and services reached 1 575 991 000 CZK for year 2011.

2012

In 2012 there was a positive development in production and business activities of SUB. There was a significant increase in SUB performance against 2011, with historically highest sales of goods, goods and services in the amount of 2.467 million CZK.

However, the purchase of TOS Čelákovice, a.s. has essentially reflected in the annual turnover. The company has exported products and goods to 38 countries of the world. According to the territorial distribution, the largest share of sales of goods and services was exported to Germany 25.7% further Austria 6.5% Italy 6.6%; Norway 4.9%. Total exports of goods, services and goods across the Czech Republic were 63.4% of total sales.

2013

In 2013 there was a positive development in the company's production and business activities**.** Compared to 2012, the company's performance was stabilized, with historically highest sales from products, goods and services.

The company has supplied products, services and commodities alongside the domestic market to 44 states worldwide. On the domestic market, goods and services were delivered for CZK 1.151 million CZK, which is 45.5% of the total turnover. According to the territorial distribution, the largest share of sales of goods and services was delivered and exported to Germany 15.5%, further Italy 6.1%, Austria 5.2%, Italy 6.6% and Norway 4.6%. Total exports of goods, services and goods across the Czech Republic accounted for 54.5% of total revenues.

2014

Year 2014 was very similar to 2013, there was a development in the production and business activities of company, however, total sales decreased to 2.2 billion CZK. Also company reduced the amount of countries they exported to. This year they exported to 40 countries, the highest export aimed to Germany with 10.9%, further Italy 6.4%, Austria 5.8%, Netherlands 4.7% and Norway 4.6%. Total exports of goods, services and goods across the Czech Republic accounted for 59.4% of total revenues.

2015

Compared to 2014 total sales stagnated with a growth of about 1% to CZK 2.28 billion. In the framework of the adopted investment strategy, long-term assets were acquired, modernized and reconstructed in the total amount of approximately CZK 118 million (without taking into account subsidies and repayments of investment advances). In 2015, energy-saving investment projects were completed in Uherský Brod in the total amount of of 19.8 million CZK (subsidies have been involved for 5.8 million CZK).

In the following figure 18 are shown sales of SUB in billion of CZK, the red curve represents the changes of sales in percentage. It is obvious that most successful year was 2012, when sales increased by 56% compared to previous year. This increase is caused because the company acquired 100% share in Most-Komořany a.s.

According to Vladislav Ondrůšek (Chief Financial Officer), sales in the following years were decreasing because realization of reconstructions. The company was forces to make reconstructions because of the fact that in 2011, acquired assets of bankrupt company TOS Čelákovice, where it was necessary to invest between years 2012 and 2015.

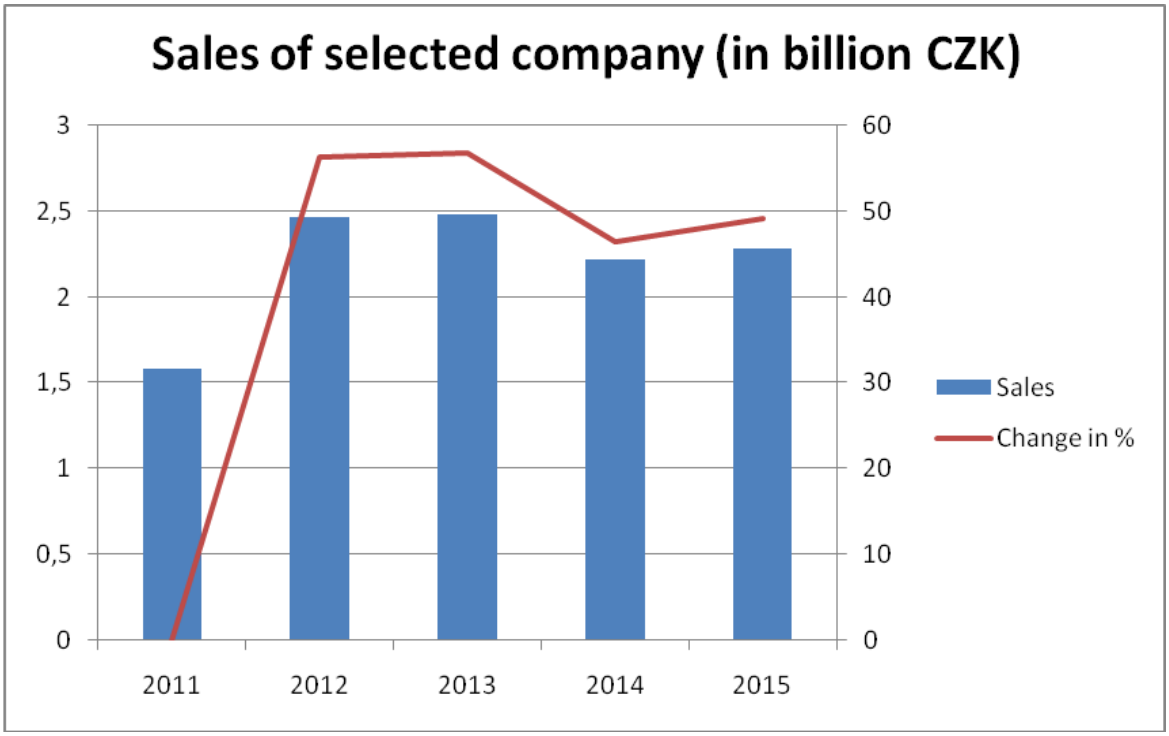

Fig. 18 - Sales of Slovácké strojírny a.s. [Source: Internal materials of Slovácké strojírny a.s., edited by author]

From figure 19 below can be observed that the net profit of SUB has a fluctuating tendency. Fluctuations in profit are quite normal in this type of production, because the amount of profits depends on structure of customer needs, which is different each year. And if demand for larger volumes is placed in this order, it can cause either a higher profit (the contract was very successful) or a small profit (the contract did not go so well). It is obvious that in the reviewed period the most successful year was 2013, when the company reached the net profit 90.4 million CZK. This profit has been divided into two parts, the first part went to a reserve fund and the other was used to increase retained earnings from past years.

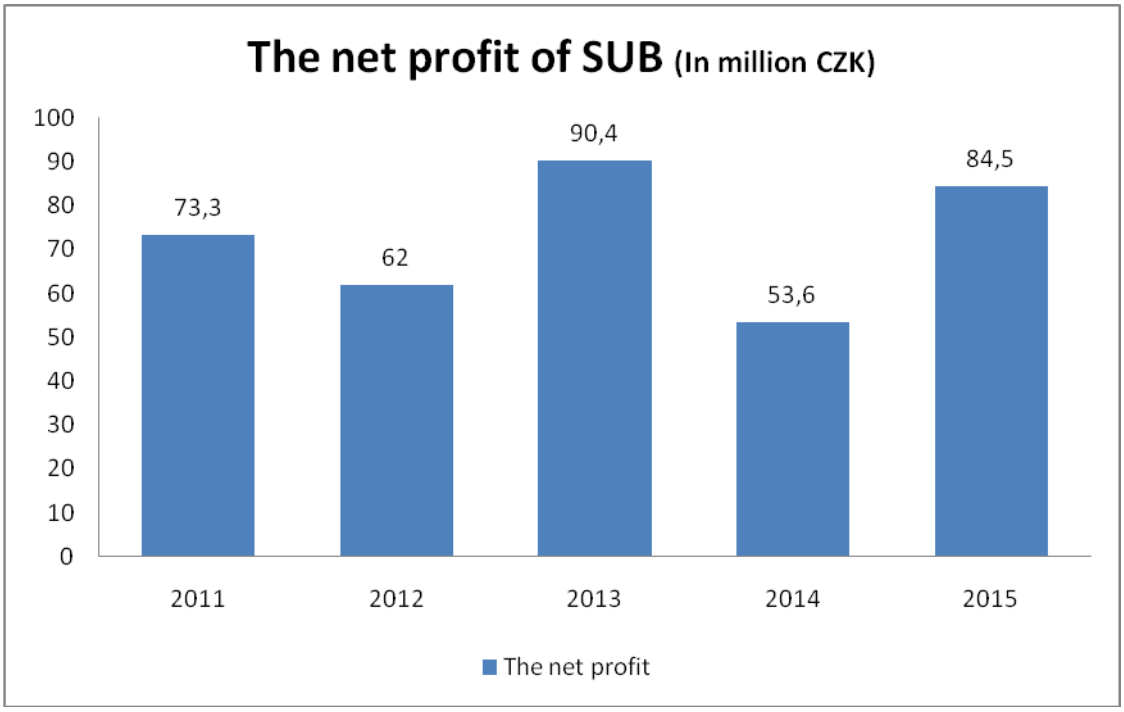

Fig. 19 - The net profit of Slovácké strojírny a.s. [Source: Internal materials of Slovácké strojírny a.s., edited by author]

9.2 Income

In this subchapter will be compared average gross wages in Zlín Region and selected company, SUB between years 2011-2015.

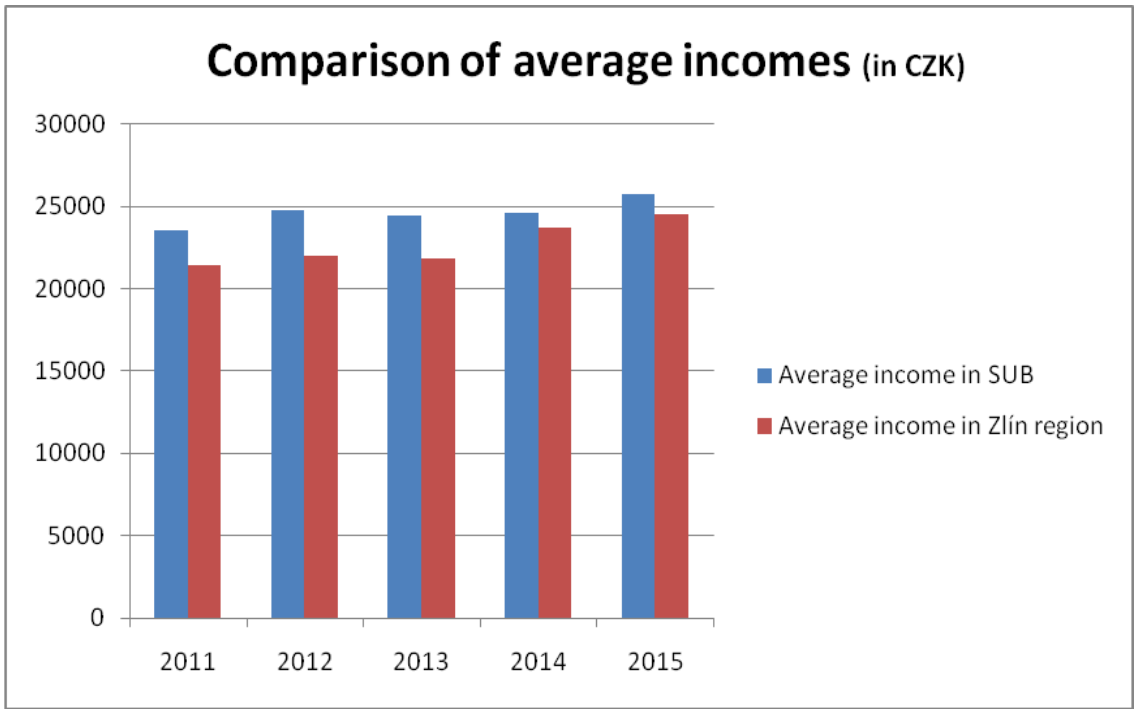

Fig. 20 - Comparison of average incomes between SUB and Zlín region [Source: Internal materials of Slovácké strojírny a.s., edited by author]

This figure clearly shows that average income between the years 2011 and 2015 was always higher in selected company than in Zlín Region. The fact is that in 2013, average income decreased by 0.85% (21 810 CZK) compared to 2012 in Zlín Region, and it was followed by a decrease in average income at SUB, as well, by 1.14% to 24,470 CZK. However, an employee of SUB could still earn about 12.2% more than other people in Zlín Region.

In 2014 the following year, average income at SUB increased to 23,755 CZK (8.9%). In 2015, employees of SUB could earn in average 25,796 CZK, compared to regional's average it was about 5% more.

Despite the fact that in 2015 Zlín Region had the second lowest average wages in the Czech Republic (the lowest were in Karlovarský region), average incomes at SUB were

comparable to incomes in Plzeňský Region, which had the 5th highest average incomes in the Czech Republic.

9.3 Fluctuation of employees

For the business and its successful operation it is necessary to regularly monitor the fluctuation rate of its employees. Leaving of workers is associated with the costs and losses the company has to anticipate and plan ahead. With leaving of employees are associated in the form of a loss of trained employees, the loss of sensitive information and business secrets, the cost of choosing and adapting new employees, the loss of credibility for customers and suppliers, the overloading of existing employees.

Some employees leave for reasons that the company cannot influence (personal reasons, economic and political conditions), but it is necessary to focus on the causes of the employees leaving which, on the other hand can influence. These include employee motivation and satisfaction, salary appreciation, education and development rates, mutual communication, working environment and so on.

Employees who most often leave the company are factory workers. For 2012, the rate of fluctuation of this group was 19.64%, which is above-average (average fluctuation rate in the Czech Republic is 14.8%). It can therefore be considered problematic in terms of the number of departures from the company. As it is shown in the figure 21, the fluctuation between years 2012 and 2015 is very noticeable. Between those years, the company left 312 employees, which is lose about 20%. The highest rate of fluctuation – 9.45% occurred in 2014, when company left 124 employees.

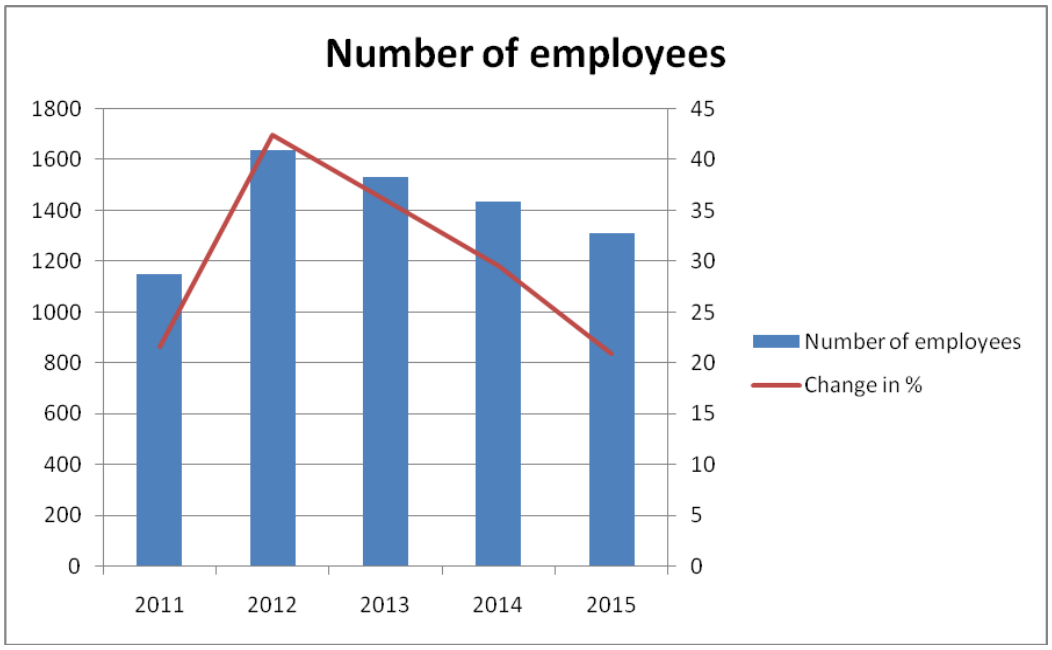

Fig. 21 - Number of employees [Source: Internal materials of Slovácké strojírny a.s., edited by author]

According to ČSÚ in 2015, 52,003 people in Zlín Region worked in the engineering industry. When we take into consideration that SUB employed 500 employees in Uherský Brod factory (Zlín Region) in 2015, we can say that SUB employed 0.96% of the entire engineering workforce of the Zlín Region. Despite the fact that SUB employed 500 people in 2015, it supplied an employment to 3% people in Uherský Brod.

The following figure will show the impact of the company on the employment in engineering industry of Zlín Region. This figure has been chosen because it can more clearly show the percentage of the relevant employment. If the data would be taken from the overall population of Zlín Region, where are economically inactive people like children, retired people, and others, it would not create a relevant result.

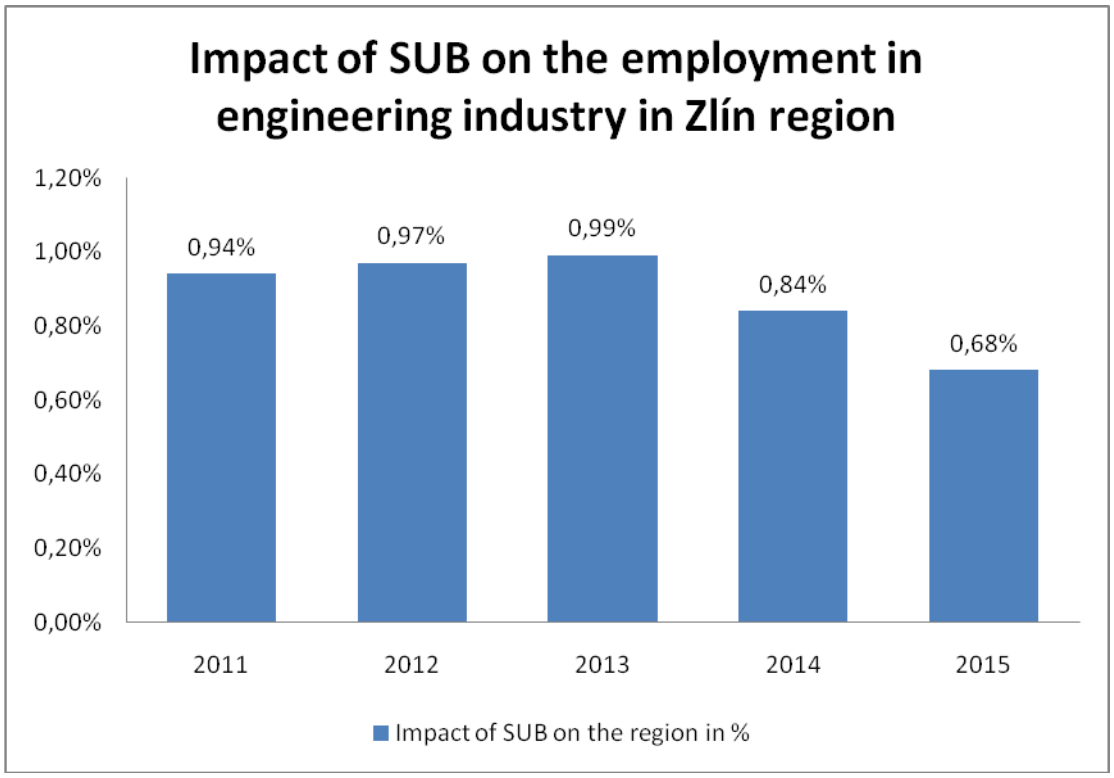

Fig. 22 - Impact of SUB on the employment in engineering industry in Zlín Region [Source: Internal materials of Slovácké strojírny a.s., edited by author]

9.4 Suppliers

Such a large company that SUB obviously is, it has a lot of suppliers from all around the world. For this diploma thesis is important to find out if SUB is trying to cooperate with local firms-suppliers and if this type of cooperation has some influence on regional development. Data obtained from management of SUB are for the year 2015 and are expressed in CZK currency.

The most important suppliers, who contribute to SUB existence and its sales are companies mostly located in the Czech Republic, the 2nd largest group of companies is from Germany, followed by 3th group from Austria. Very important supplier for SUB is E.ON Energie, a.s., that supplied to selected company services worth 32.4 million CZK. The other significant firms will be shown below in the tables.

These two following tables below represent companies that participated as a supplier for SUB. In the table 15 are most significant firms from the EU. The overall number of suppliers from EU was 206, and they supplied services, materials or investments worth 117,131,812 CZK.

Tab. 15 - Three most significant suppliers from the European Union [Source: Internal materials of Slovácké strojírny a.s., edited by author]

Company	State	Expenditure	Type of Expanditure
KGM Consulting & Trading GmbH	AT	19 724 600	Service
ASHLEA CONSULTING LIMITED	GB	10 160 493	Service
SINT-GOBAIN QUARTZ	FR	5 382 003	Material

The overall number of suppliers from the Czech Republic was 2022 and they delivered goods worth 907,655,620 CZK.

Tab. 16 - Three most significant suppliers from the Czech Republic [Source: Internal materials of Slovácké strojírny a.s., edited by author]

Company	State	Expenditure	Type of Expanditure
E.ON Energie, a.s.	CZ	32 397 200	Service
Pozemní stavitelsví Zlín a.s.	CZ	25 632 737	Investment
ČEZ Distribuce, a.s.	CZ	24 472 707	Service

An important for this diploma thesis are the suppliers of SUB from Zlín Region. One of them is ČAŇO TRANSPORT s.r.o., which is located in the very same area as SUB is. This company provides transportation via its trucks. SILAMO s.r.o., participated on the building of new roads in SUB's area. Nererezové materiály, s.r.o. supplies stainless materials to the company on daily basis. The company supplied in 2015 another 193 companies from Zlín Region and the total value of supplies was 60,458,812 CZK.

It cannot be anyhow expressed how all the suppliers from Zlín Region participate on the sales of SUB. According to Vladislav Ondrůšek (Chief Financial Officer), there is so high competition in the supplies in Zlín Region that no supplier creates a monopoly of the kind that it could not be replaced by another supplier. On the other hand, some companies and small traders would loss a high number of important orders which could escalate to high financial losses if SUB bankrupt. In the following table are presented three most important suppliers from Zlín Region.

Tab. 17 - Three most three significant suppliers from the Zlín Region [Source: Internal materials of Slovácké strojírny a.s., edited by author]

Company	State	Expenditure	Type of Expanditure
ČAŇO TRANSPORT s.r.o.	CZ	11 587 023	Service
SILAMO s.r.o.	CZ	5 646 650	Investment
Nerezové materiály, s.r.o.	CZ	4 346 843	Material

9.5 Training of employees

The development and education of employees is very important for SUB, it is necessary to increase competitiveness of the selected company. It is in the company's interest to increase the skills of the employees and their motivation, which will lead to higher productivity and increase the competitiveness of the company. Therefore, company management decided to establish two large training centres, which should lead to increase of the professional qualification level of workers in SUB that will lead to higher efficiency of work and increase the competitiveness of the company on the domestic market, and also on the foreign market. Employees have the opportunity to be educated in the field of welding, machining, metrology, production control and many other fields. The main objective of these projects is to help employers in vocational training of existing and newly recruited employees in order to respond flexibly to the changing market situation and conditions.

Except that SUB is trying to educate its employees, it is involved in the education of students of Střední průmyslová škola a Obchodní akademie in Uherský Brod (hereinafter "SPŠOA"). As the part of the efforts to develop the education of students of SPŠOA and other students in the Zlín Region and their preparation for possible employment in SUB, the company has built a very non-traditional educational and training centre in which are not only the classrooms and specialized workplaces but also laboratories equipped with computers and up-to-date technologies. Further information about training centres will be described in the subchapter about investments.

The company is also aware of the importance of investing in research and development, they are investing remarkable amounts. However, the problem is the lack of government support. Financial assistance could be much more focused on the development of science, research or education as the future development of mechanical engineering is heavily dependent on the level of education and expertise of the employees.

SUB is focusing on acquiring especially well-qualified high-school workers. A well-qualified means, that it is not only purely manual work, because using the technologies, requires also knowledge of soft skills and work with software of the machines. The company is also interested in university graduates, but management admits that due to wage setting is unable to provide them adequate financial rewards for their work.

SUB cooperates not only with secondary schools within the Zlín Region, but also with universities such as VUT Brno, UTB Zlín or VŠB-TU Ostrava.

9.6 Investments

SUB is very generous and beneficial for the regional development and the selected region. The fact is the company is not only trying to develop and educate its employees, but another of its goal is to cooperate with locals schools. This mission is very important for the company, as these institutions are potential future sources of employees with education in the field of welding, machining, metrology, production control and many other fields.

The company has been always interested in regional development. It had few successful projects in its history but "the great boom" came hand in hand with the entrance of the Czech Republic to the European Union. The company took advantage of the situation and started to draw subsidies from the EU.

Education of employees of SUB a.s. Uherský Brod

The first significant project is called "Education of employees of SUB a.s. Uherský Brod". This project was realized in 2005 and its aim was to increase adaptability of employers and employees to changes in economic and technological conditions and implementation of educational programs in the fields of technical, economic, computer, language and management. Total cost of the project was 6,230,380 CZK and SUB invested 3,417,360 CZK in this project.

Building of educational centre of SUB

The second project with great impact on regional development and education was the educational centre, which was established for employees of SUB but also for students of SPŠOA Uherský Brod. The aim of the project was to build and develop a training center with corporate and regional competence that will provide and implement educational programs in the areas of further vocational education and retraining, including

professional language training for the company. Additionally, the center will be built even for other employers and companies, meeting the needs in education of employees.

It is important to mention that the project is in line with the "Training Centres", which is implemented by the Ministry of Industry and Trade of the Czech Republic. The aim of this program is to support projects and to improve the conditions for the development of human resources by providing the infrastructure needed for the training and education of the company's employees at different levels of business management, in the production process, leading to the acquisition of new and key skills of the personnel required to perform the activities on a qualitatively higher level.

The center was built with the financial support of the EU Structural Funds between the years 2005 - 2006 with the reconstruction and extension of the unused gatehouse.

Currently, the capacity of built center use employees of SUB (50%), SPŠOA (45%) and other firms in the region (5%)

The building has five rooms and every single one serves something particular, as it can be seen in table 18.

Tab. 18 - The summary of premises in education centre of SUB a.s. [Source: Internal materials of Slovácké strojírny a.s., edited by author]

Room	Name	Utilization	Capacity
No. 1	CAD/CAM Systems (CNC)	CNC machining, programming, operation of CNC and NC machines	16
No. 2	Automation	Education of automation techniques, simulation, programming and operation of automats, basics of automation technology	15
No. 3	Computer lab	Computer training, software skills, language teaching	40
No. 4	Specialist classroom of engineering	Engineering courses, lectures, projections and workshops	35
No. 5	Lecture hall	General education	20

Apart from classrooms, changing rooms and social facilities, the part of the centre are the offices of teachers, office of Lifelong Learning Centre of SPŠOA and the background has here also "Regional Centre for Further Vocational Education and Educational Centre for the Lifelong Learning of the Zlín Region".

Re-qualification of unemployed persons into engineering branches and support of jobs in SUB a.s. Uherský Brod

The offer of education in the Zlín Region is very extensive but is hindered with insufficient education in the engineering industry. SUB cooperates with high schools in the region, which specialize in technology and engineering despite the fact that UTB Zlín is approximately 30 kilometres away from the production program of SUB. In the

field of technology, the company mainly cooperates with a detached department of VUT Brno.

However, demand for education and the development of common manual work is on the decline in recent years. Also, people who are specialists in technology are needed in the region where is lack of them. There are fewer graduates in technical disciplines from schools, and it is, therefore, necessary to educate new workers and to develop and deepen their existing qualifications.

That is the reason why SUB created the project in cooperation with the EU and they decided to retrain and develop requalification of unemployed people into the engineering industry. The realization of the project will enable conceptual and systematic education and development of the qualification and expertise of a wide range of unemployed people in the region.

For this project which was realized in 2006 carried the name of the program, "Strengthen the activity of policy of employment when unemployed people are looking for a job". The overall costs for the project were 9,186,264 CZK and SUB contributed 2,986,264 CZK to this project.

Building of Educational Centre of SUB II

This center builds on its predecessor and further develops it. Again, it was partly supported by the EU Structural Funds. It was built between 2010 and 2011.

The first idea to built second educational center occurred because to the company began to lack training capacities, which was also due to its acquisitions and mergers with NH Zábřeh and MEP Postřelmov. At the same time, the labour market was constantly lacking in specialized workers and the company wanted to educate its employees primarily through vocational training. Already in the previous project of construction of

the first training center, this has been paid off and the new project is based mainly on the specialization in welding, special machining mainly of cohesive materials and on the overall system of management of the engineering company.

The main goal of Educational Center of SUB II was to integrate under one roof the possibilities and background of a large manufacturing company, the educational potential of regional secondary and higher education institutions and universities (UTB Zlín, VUT Brno), fulfil the demand of small and medium firms to provide training for their employees as well as the requirements of the wider society, municipalities and towns following the further development of the region. Both educational centers of SUB represent almost the ideal case of synergic interconnection of production and technological background, strong supraregional manufacturing company with its needs for further human and regional development. Furthermore, it has to be highlighted that SUB is trying to use the potential of neighbouring high school SPŠOA Uherský Brod and other regional secondary and higher education institutions and, last but not least, with the company demand for high-quality backgrounds for the realization of education as well as public demands for further development of the region.

The building is equipped with modern technologies that should provide the best possible demonstration and education of such instruments. The biggest boast of this center is a multifunctional 3D cinema which facilitates modern technological education. The Central Lecture Hall offers sufficient capacity for comprehensive joint training of different groups of people as well as for meetings with staff, including the possibility of organizing seminars or conferences. Additionally, this center provides a number of specifically specialized and richly equipped classrooms that were not covered by Education Centre I. The integral part of the building are offices of teachers, changing rooms, and other necessary facilities for educators.

The totalcost of the project was 105,595,520 CZK while SUB invested 63,359,520 CZK to this project.

9.7 Sponsoring

The engagement of research, development and education are not the only ways SUB wants to develop the region. The impact of the company can influence even other fields of social life. During the tracked period between years 2011-2015, the company sponsored various social events, charity fund raising, culture events, etc. with 8,556,978 CZK (mentioned projects in the subchapter 9.6 are not included).

From the following table 19, we can observe to which fields SUB sponsored its capital. It is apparent that most sponsored field was education with over 4 million CZK, followed by health care with 1.4 million CZK in sponsored gifts.

Tab. 19 - The summary of sponsor gifts from SUB a.s. in Zlín region [Source: Internal materials of Slovácké strojírny a.s., edited by author]

	2011	2012	2013	2014	2015	Total
Education	152 171	3 812 967	11 000	40 000	141 623	4 157 761
Sport	38 000	33 000	30 000	25 000	38 000	164 000
Charity	73 000	33 000	63 000	70 130	146 000	385 130
Health care	117 800	385 509	490 582	159 115	275 256	1 428 262
Municipality	30 000	110 035	251 914	142 595	53 000	587 544
Culture	75 000	104 195	346 546	59 000	95 000	679 741
Other	63 000	513 539	193 000	184 952	200 049	1 154 540
Total	548 971	4 992 245	1 386 042	680 792	948 928	8 556 978

For a more accurate idea was created following figure.

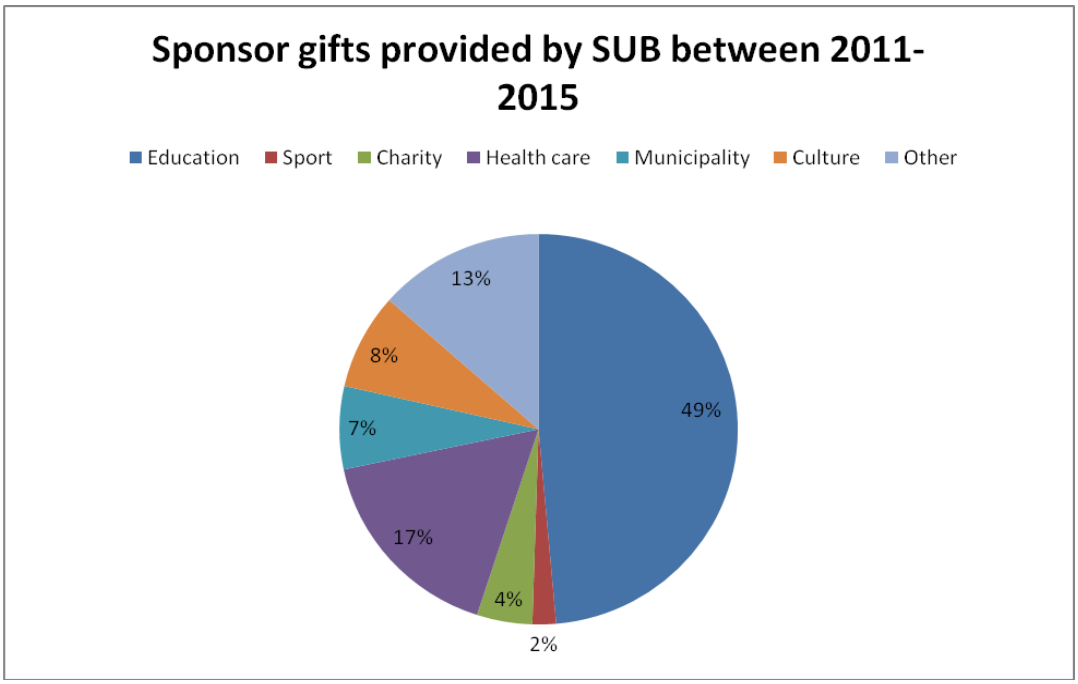

Fig. 23 - The overview of sponsored sectors in Zlín region[Source: Internal materials of Slovácké strojírny a.s., edited by author]

9.8 Impact on the Environment

Following the management's decision, SUB is trying to minimize negative impacts on the environment and health of citizens created by operation of the company. The company also introduced to its production environmental management the standards of ISO 14001, the system management of quality in ISO 9001, and also the system health protection according to OHSAS 18001. These standards set following policy in the company:

- On the basis of a regular assessment of the level of environmental pollution, to take appropriate measures to permanently reduce the burden on the environment.
- In all activities carried out in the company, take measures to reduce waste generation and reduce energy consumption.

- Rigorous prevention of accidents and situations which consequences could have a negative impact on the environment and the health of employees.

Despite the fact that SUB is in the large engineering industry, SUB observes all obligatory and mandatory laws and regulations, according to management of the company. One of the top priorities of the company is the protection of the environment, and hence the responsibility for the existence of future generations, which affects us all - individuals and businesses alike.

10 RECOMMENDATIONS

Broader regional scope

For the company, which produces products with very specific requirements and does not provide batch production, it is very difficult to establish proper marketing. It has been discovered that 6.61% of the entire suppliers to the company are from the Zlín Region out of the whole Czech Republic. Another fact is, the overall export beyond the borders of the Czech Republic is circa 57%.

However, it has been almost 7 years since the economic crisis has passed and Czech economy is doing well in a region with a lot of enterprises which are focusing on similar industries. The company should focus more on Czech and regional markets to avoid large expenditures on logistics and to promote their business plan to local small businesses. SUB boasts with its modern technologies, if the company starts to cooperate with local businesses, these small firms could gain from this cooperation and at the same time, they would assist regional economy and development. Furthermore, it would reduce the potential risk of huge financial and existence problems of the company if the Czech Republic somehow would leave the European Union.

Motivation of employees

From the discussion with chief financial officer came out, that employees are motivated only in form of ordinary income and meal vouchers. SUB is not trying to keep them motivated in some other way and maybe it can be one of the reasons why there is high fluctuation and lack of well-trained employees. The one way to increase motivation and engagement of employees is, for example, organize a competition called "Worker of the Year". In this competition, the best staff of all departments would be evaluated and financially rewarded by the management. The best employee would be rewarded on the basis of work performance, absence, scrap, motivation, interest in education, loyalty, and so on. As far as employee motivation, it is really inadequate. Employees do not want to improve, educate, or teach younger people.

From the analysis of average income, it was found out that even though SUB is trying to offer to its employees above-average income, this difference is in tracked period decreasing. If this trend will continue, it could lead to total equalization of average incomes and possibly in the future these levels could reverse. Therefore, it is necessary to take the necessary steps and increase average income in order to attract and keep specialist in the field.

Promotion of built training centres

As regards the previous discussion, the company is trying to be beneficial pursuant to investments, voluntary sponsoring, supporting of education and developing the region. Cooperation with the European Union is very beneficial, not only for the company but also for the whole region. On the other hand, even though the company is really trying, it is not so noticeable to the public. Its marketing is too underdeveloped during this time of interconnectivity and modern technologies, and the company has no online promo for these activities while its website belongs to the past century.

The company should create a special website only for these educational centres, where they can promote and offer services. Smaller companies in the region could take this opportunity and educate their employees in such a developed training center.

Utilization of property

Nowadays, the training centres serve current employees of the company, students of SPŠOA and a few local businesses. However, SUB should offer these premises to the general public, which would gain from this centre as much as possible. Despite the fact that in one of the centres is a 3D cinema, it is quite unutilized. The company should use this as a big enticement for other companies, which can offer either its products with its modern technology or they can offer cooperation with smaller businesses that would lead to regional and economic development.

Another form of business opportunity can be lease of area. The company encompasses a huge area with unused places, and it would be a benefit to attract small businesses and firms to participate in this area. This would lead to the development of the company itself while also offer other companies the opportunity to be a neighbour of such a significant company in the engineering industry.

Investments and sponsoring

As for investments and sponsoring, the company is trying to support primary education with technical orientation and vision of future cooperation of current students. The current volume of investments is absorbable and the company can afford it within its economic activities. On the other hand, in this diploma thesis has been made balance sheet of assets and liabilities from which came out that greater volume of investment could lead to pronounced debt of the company. Large investments would be a great risk if another world crisis would appear and it could lead the company to negative profits.

11 RESTULS AND DISCUSSION

In the empirical part of this diploma thesis was executed analysis of the selected indicators for the period 2011-2015. Based on this analysis were evaluated impacts of the selected company on the region. The data used for description and analysis of selected region were gained from Czech Statistical Office. Mentioned years of tracked period were chosen because of the fact that Slovácké Strojírny a.s. did not have ready its annual report for the year 2016.

In chapter results and discussion will be described and justified results of particular indicators which have been used in the empirical part. The main output will determine if the company has any good or bad influence on the region and if the management of the company is trying to support the regional development.

Despite the fact the company fights with a lack of the qualified and specialized employees, it has to pay them such amount of income in order to attract job seekers and to keep current employees satisfied. Otherwise, workers could go to work somewhere else as the demand for qualified workers is very high. The comparison of average incomes in Zlín Region and SUB is apparent while SUB paid in every year higher income than average. Compared to another region, SUB workers were making in 2015 the same income as workers in Plzeňský – this region ranked 5th place in nationwide comparison. On the other hand, as mentioned, the difference in average income is equalizing year by year.

As regards financial analysis, from the vertical analysis of assets, it was found that the largest share of total assets is a long-term asset. The largest proportion of current assets is spread between inventory items and short-term receivables. Inventories consist mainly of material, unfinished production, and products. For vertical analysis of liabilities, equity is the largest share of total liabilities. Such a high proportion was mainly influenced by the result of the current accounting period. Horizontal analysis is a

relative change in percentage. In the analyzed period, we can see the increase in total assets in 2011 and 2012. This increase was positively influenced by mergers that the selected company made in these years. In subsequent years occurred a significant decline in total assets, mainly due to changes in items of intangible fixed assets and inventories. After the overall appreciation of the liquidity indicators, it can be stated that the liquidity values of the selected corporation do not reach the recommended values and neither the values of the competing enterprises nor the value-added enterprises. For asset turnover and inventory turnover, it is possible to refer to a situation that does not differ significantly from competing undertakings or value-added enterprises. During analyzing indebtedness indicators, it emerged that the chosen business entity is not too indebted. Total debt levels fall within the recommended values. A significant decline in profitability on sales occurred in 2012 and 2014. The decline in 2014 was due to stagnation in revenues for own products and services, which was 0.60% in comparison with the previous year.

To express the impact of employment of SUB in the region, it can be done in various ways. In this diploma thesis was counted only with employees of a factory in Uherský Brod in order to achieve a relevant result. Also, there were involved into the comparison only people from Zlín Region, who are working in the engineering industry. The selected company is the second biggest employer in Uherský Brod with almost 400 internal and 100 external employees, the largest employer is Česká Zbrojovka a.s. with approximately 1,500 employees. However, SUB employed in 2015, 3% of total population in Uherský Brod. To get the relevant impact on employment in Zlín Region, SUB employed in tracked period almost 1% people in the engineering industry.

The company is cooperating with numerous companies from Zlín Region. Even though the company is trying to support local small companies and small traders, the competition in cheaply supplied goods is so high that any company which provides such a product or service it could be replaced by another supplier.

As regards to pollution of the environment, SUB observes all laws and regulations, and in this diploma thesis, there was not found any transgression connected to the environment. In order to prevent water pollution, the company established its own water purification plant.

The analysis of net income was made only for the purpose to show, if the company has any financial reserves and if it is trying to involve the regional development. From the analysis of tracked period emerged that company is able to generate a profit in tens of millions of CZK. That is why the management decided to invest its earned money to various projects.

The first significant project which developed the region is called "Education of employees of SUB a.s." In the first instance, the company carried out research on the available education for human resources development and determined whether the existing education of its employees is sufficient. After receiving subsidies from the European Union, management decided that they will invest non-negligible amount into the education of its workers.

The activities of SUB correspond to the characteristics of the current trend of advanced companies. The society-wide beneficial impact follows not only economic rational but also social responsibility. And one of the fields is education. The cooperation between SUB and schools is important for long-term sustainability, development and potential future workforce. This has resulted to the build up of "Educational centre of SUB a.s." The aim of the project was to build and develop a training center with a corporate and regional competence that will provide and implement educational programs in the areas of further vocational education, retraining, including professional language training for the company. However, this project became "a modern class" for adjacent high school SPŠOA. SUB provided these premises to the school with the vision that they will attract their students to the company as workers.

The overall use of "Educational centre of SUB a.s" was almost 100% and the company had a lack of capacity for further education, which was caused also by new acquisitions when the company gained a lot of employees at one time. At the same time, the labor market was constantly lacking in specialized fields and the company wanted to educate its employees mainly through vocational training. This project was intended to be implemented by the company in cooperation and in partnership with the SPŠOA in Uherský Brod and the Faculty of Mechanical Engineering, VUT Brno. The project fulfils the activities of the training centre program as the company acquires a new training center that equips the infrastructure for training and development of human resources of business entities in engineering. This project brings innovations from research and development and the latest knowledge from practice and provides unprecedented modern premises for SPŠOA and its students.

One of the biggest problems of the company is the fluctuation of employees. As already mentioned, the company has high demands on its workforce, in terms of expertise, performance or quality. This cause could be preceded by selection procedures, where candidates' personnel managers and other managers would sufficiently inform the applicant about the difficulties of the job. Candidates would know in advance about the business plans that need to be fulfilled. It would be essential for managers to make sure candidates understand exactly what their job is and what is required from them, and what exact expectations the candidates have. In the event of ambiguities, they would once again explain and clarify them. This would prevent the selected candidate from joining the company and then be surprised what is required of him/her.

In order to contribute to creating the conditions for the development of the region, the management of the company was significantly involved in a number of activities aimed at improving the current situation in the Zlín Region. In addition to support and participation in self-governing bodies of the region, the company supported small contributions amounting to approximately 8.5 million CZK, mainly health care

facilities, educational and social institutions, youth sports, and culture. The extent of these expenditures corresponds to the current financial possibilities of the company.

On the other hand, there are some insufficiencies in the company. One of them is primarily neglected marketing of the company in the region but also in the Czech Republic. Although SUB is a relatively small company and employs circa 500 residents in Uherský Brod, it could be much more if the company would more care about its employees and also if they would offer them higher appropriate average income.

As the biggest problem of the company related to the regional development, SUB is totally dependent on the European Union and its member states even though it is unnecessary. Of course, export to the other countries is a great advantage for companies, but in the region and in the Czech Republic many companies are in the same or similar industries. And with these enterprises, SUB should cooperate more and further the regional development.

12 CONCLUSION

The main aim of this diploma thesis was to evaluate by using selected indicators how company SUB affect the regional development. To the evaluation was necessary to choose an area or region, for this diploma thesis was chosen Zlín Region.

The main goal of this diploma thesis was fulfilled as mentioned indicators were applied in tracked period 2011 and 2015. In the empirical part of the thesis was processed the qualitative research of SUB. There were made interviews with high management of the company, along with an analysis of the company's internal environment and long-term observation method provided the required overview of the situation in the company. This research has provided relevant data necessary for the output of this diploma thesis.

The results from the company were compared with region's average and subsequently evaluated. For instance, it was found that employees in SUB have a higher monthly income than region's average; also it was discovered that employees are well trained and educated. Moreover, the company is trying to make use of an opportunity of European Union subsidies and contributes to the regional development in form of high-technology and modern educational centers. In these buildings, SUB is training its employees, but what is more important for the regional development, the company allows the use of these premises to the general public, other firms and adjoining high school SPŠOA.

The greatest benefit of this diploma thesis the author sees in opportunity, that SUB can use it as a promotional work. This work can also be seen as an overview that their effort and work have an impact on society and regional development.

The main research question "How does an enterprise contribute to the regional development" has been answered above.

List of References

BLAIR, John a Michael CARROL. *Local Economic Development: Analysis, Practices, and Globalization*. 2. SAGE Publications, 2009. ISBN 978-1412964838.

BLAŽEK, Jiří a David UHLÍŘ. *Teorie regionálního rozvoje: nástin, kritika, implikace*. Vyd. 2., přeprac. a rozš. Praha: Karolinum, 2011, 342 s. ISBN 978-80-246-1974-3

BURDA, Michael. *Macroeconomics: An European Text*. 1. Berlin: OUP Higher Education Division, 2012. ISBN 9780199608645.

CAPELLO, Roberta. *Spatial Spillovers and Regional Growth: A Cognitive Approach*. 2009.

COOKE, Philip, Loet LEYDESDORFF. Regional Development in the Knowledge-Based Economy: The Construction of Advantage. *Springer.com* [online]. 2005, 11

DAMBORSKÝ Milan, WOKOUN René. *Lokalizační faktory malého a středního.*

DAMBORSKÝ, Milan, HORNYCHOVÁ Taťána. *THE IMPACT OF LARGE ENTERPRISES ON THE ECONOMY OF THE CZECH REPUBLIC* [online]. Praha, 2014 [cit. 2017-02-28]. Available from: http://srsv.vse.cz/wp-content/uploads/2014/02/large-enterprises-12.pdf. VŠE.

ĎURKOVÁ, Katarína, Ľudmila ČÁBYOVÁ a Eva VICENOVÁ. *Regional development in economic core regions* [online]. University of Ss. Cyril and Methodius, 2012 [cit. 2017-04-20]. Available from: http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.463.5283&rep=rep1&type=pdf

Europa.eu. *Europa.eu* [online]. 2017 [cit. 2017-04-21]. Available from: http://ted.europa.eu/TED/main/HomePage.do

GOGA, Soraya, Gwen SWINBURN a Fergus MURPHY. *LOCAL ECONOMIC DEVELOPMENT: A PRIMER DEVELOPING AND IMPLEMENTING LOCAL ECONOMIC DEVELOPMENT STRATEGIES AND ACTION PLANS* [online]. Washington, D.C.: The World Bank, 2006 [cit. 2017-01-23]. Available from: http://documents.worldbank.org/curated/en/763491468313739403/pdf/337690REVISED0ENGLISH0led1primer.pdf

GREINER, Alfred. *MODELS OF ECONOMIC GROWTH* [online]. 2014, (2), 7 [cit. 2017-02-25]. Available from: https://www.eolss.net/Sample-Chapters/C02/E6-154-13-00.pdf

HAMADA, Róbert. *Selected economic, demographic indicators, indicators of infrastructure facilities and educational level of the population for the measurement of regional disparities* [online]. Univerzita Komenského, Prírodovedecká fakulta. Available from: http://www.regionalnirozvoj.eu/sites/regionalnirozvoj.eu/files/03_hamada_kasagranda_vybrane_demograficke_ukazovatele.pdf

HUČKA, Miroslav; KUTSCHERAUER, Alois; TOMÁNEK, Petr. *Metodologická východiska zkoumání regionálních disparit.* [on-line, cit. 10.1.2017]. Dostupné z www:http://disparity.vsb.cz/dokumenty2/wp_2.pdf.

HYRŠLOVÁ, Jaroslava a Jiří KLEČKA. *Ekonomika podniku*. Praha: Vysoká škola ekonomie a managementu, 2008. ISBN 978-80-86730-36-3.

CHAUDHURI, Jayasri Ray. *An introduction to development and regional planning* [online]. 1. Kolkata: Orient Longman Limited 1, 2001 [cit. 2017-04-20]. ISBN 8125018808. Available from: https://books.google.cz/books?id=6ovflNH98oEC&printsec=frontcover&hl=cs&source=gbs_ge_summary_r&cad=0#v=onepage&q&f=false

JEŽEK, Jiří. *Regionální rozvoj* [online]. Plzeň: Vydala Západočeská univerzita v Plzni, 2014 [cit. 2017-01-07]. ISBN 978-80-261-0462-9. Dostupné z: http://zcu.cz/export/sites/zcu/pracoviste/vyd/online/Regionalni_rozvoj.pdf

JOSEPH MOATS AU, Benjamin. *Regional Prosperity and Convergence in the European Union* [online]. Luxembourg: European Commission, 2006 [cit. 2017-04-20]. Available from: http://people.carleton.edu/~amontero/Benjamin%20Au.pdf

KLAMER, MIGNOSA a PETROVA. *The relationship between public and private financing of culture in the EU* [online]. , 14 [cit. 2017-02-27]. Available from: http://www.klamer.nl/docs/kmp.pdf

KOPAČKA, L.: Industry in the Transition of Czech Society and Economy. In GeoJournal. 1994, Vol. 32, No. 3, pp. 207-214. ISSN 0343-2521

KOŽENÁ, Marcela. *EFEKTIVNOST ENVIRONMENTÁLNÍCH INVESTIC* [online]. Pardubice: Univerzita Pardubice, 2007, 6 [cit. 2017-04-10]. Available from: http://dspace.upce.cz/bitstream/handle/10195/32306/CL645.pdf?sequence=1

KRAJÍČEK, L. (1982): Geografie průmyslu. Praha: SPN

KREJČÍ, Tomáš. *Regionální rozvoj: teorie, aplikace, regionalizace*. 1. Brno: Mendelova Univerzita, 2010. ISBN 978-80-7375-414-3.

MACHÁČEK, Jaroslav. *Ekonomické souvislosti využívání kulturně historických lokalit*. Praha: Oeconomica, 2004. ISBN 80-245-0756-0.

MAREŠ, Jaroslav. *Industrializace Československa - Klady a zápory* [online]. **1988**, 198 [cit. 2017-01-28]. Available from: http://geography.cz/sbornik/wp-content/uploads/downloads/2014/02/1988_93_3_Mares_Industrializaceceskoslovenska.pdf

MARTIN, Ronald. *A Study on the Factors of Regional Competitiveness* [online]. CAMBRIDGE: UNIVERSITY OF CAMBRIDGE, , 184 [cit. 2017-02-26]. Available from:http://ec.europa.eu/regional_policy/sources/docgener/studies/pdf/3cr/competitiveness.pdf

MCCALL, Tony. *What do we mean by Regional Development?* [online]. Institute for Regional Development: University of Tasmania, 2010, , 14 [cit. 2017-01-30]. Available from: http://www.utas.edu.au/__data/assets/pdf_file/0006/61935/McCall,T.-2010,-What-is-Regional-Development.pdf

MEPCO, s. r. o. *Podpora zaměstnanosti na místní úrovni* [online]. Praha, 2016 [cit. 2017-04-21]. Available from: http://www.mepco.cz/wp-content/uploads/2014/01/Podpora-zam%C4%9Bstnanosti-na-m%C3%ADstn%C3%AD-%C3%BArovni_2014.pdf

Ministerstvo pro místní rozvoj. *STRATEGIE REGIONÁLNÍHO ROZVOJE ČR 2014–2020* [online]. Praha, 2013 [cit. 2017-02-27]. Available from: https://www.mmr.cz/getmedia/08e2e8d8-4c18-4e15-a7e2-0fa481336016/SRR-2014-2020.pdf

NEIL, Coe a Martin HESS. *Globalizing' regional development: a global production networks perspective*. Manchester,: University of Manchester, 2004. Available from: http://onlinelibrary.wiley.com/doi/10.1111/j.0020-2754.2004.00142.x/full

NOVOTNÝ PETR, BOSNIČOVÁ NINA, JANA BŘENKOVÁ. *Age management: Jak rozumět stárnutí a jak na něj reagovat. Možnosti uplatnění Age Managementu v České republice*. 1. vyd. Plzeň: Grafia, s. r. o., 2015. ISBN 978-80-904531-7-3.

Podnikání v podmínkách ekonomiky ČR.. Ekonomie a Management: Economics and Management. Liberec: Hospodářská fakulta Technická Univerzita. ISSN 1212-3609

REMR, JIŘÍ. *Podpora zaměstnávání starších osob: Souhrnná studie* [online]. 1. pub Praha: VÚPSV, 2007 [cit. 2016-01-26]. ISBN 978-80-7416-001-1. Available from: http://www.mature-project.eu/materials/vz_remr.pdf

RUGRAFF, Erik. *Foreign Direct Investment (FDI) and Supplier-Oriented Upgrading in the Czech Motor Vehicle Industry*. 44. 2010. ISBN CRES-2008-0091.R1.

SENGENBERGER, Werner. *Beyond the measurement of unemployment and underemployment* [online]. 2011. Geneva: © International Labour Organization, 2011 [cit. 2017-04-03]. Available from: http://www.ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/publication/wcms_166604.pdf

SLOBODA, Dušan. *Slovensko a regionálne rozdiely* [online]. Bratislava, 2006, (1), 49. Available from: http://www.konzervativizmus.sk/upload/pdf/Slovensko_a_regionalne_rozdiely.pdf

SLOVÁCKÉ STROJÍRNY, a. s. *Organizační struktura společnosti* [online]. Uherský brod, [b.r.] [cit. 2016-03-26]. Dostupné z: http://www.sub.cz/spolecnost/organizacni-struktura.aspx

SLOVÁCKÉ STROJÍRNY, a.s.. *Představení společnosti* [online]. Uherský brod, [b.r.] [cit. 2016-03-26]. Available from: http://www.sub.cz/spolecnost.aspx

SLOVÁCKÉ STROJÍRNY, a.s.*: Výroční zpráva 2015* [online]. Uherský Brod, 2016 [cit. 2017-05-17]. Available from: http://www.sub.cz/spolecnost/vyrocni-zpravy.aspx

SLOVÁCKÉ STROJÍRNY, a.s.*: Výroční zpráva 2014* [online]. Uherský Brod, 2015 [cit. 2017-05-17]. Available from: http://www.sub.cz/spolecnost/vyrocni-zpravy.aspx

SLOVÁCKÉ STROJÍRNY, a.s.: *Výroční zpráva 2013* [online]. Uherský Brod, 2014 [cit. 2017-05-17]. Available from: http://www.sub.cz/spolecnost/vyrocni-zpravy.aspx

SLOVÁCKÉ STROJÍRNY, a.s.*: Výroční zpráva 2012* [online]. Uherský Brod, 2013 [cit. 2017-05-17]. Available from: http://www.sub.cz/spolecnost/vyrocni-zpravy.aspx

SLOVÁCKÉ STROJÍRNY, a.s.*: Výroční zpráva 2011* [online]. Uherský Brod, 2012 [cit. 2017-05-17]. Available from: http://www.sub.cz/spolecnost/vyrocni-zpravy.aspx

SRPOVÁ, Jitka a Václav ŘEHOŘ. *Základy podnikání*. Praha: Grada Publishing a.s, 2010. ISBN 8024733390.

SZABO, Pal. *DIFFERENT ASPECTS OF REGIONAL DEVELOPMENT IN EAST-CENTRAL EUROPE* [online]. 2012, , 12 [cit. 2017-02-18]. Available from: http://rrrs.reviste.ubbcluj.ro/arhive/Artpdf/v10n22014/RRRS10220141.pdf

ŠKODOVÁ-PARMOVÁ, Dagmar. *Historický vývoj vybraných odvětví hospodářství ČR a jeho dopady na její úlohu v integračním procesu v Evropě*. 1. České Budějovice: Zemědělská fakulta, 2006. ISBN 8070408863.

ŠTOROVÁ, ILONA. *Age management pro zaměstnavatele se zaměřením na starší pracovníky* [online]. Praha: ©Svaz průmyslu a dopravy ČR, 2015 [cit. 2016-02-15]. Available from: http://www.spcr.cz/images/stories/Projekty/Age_management.pdf

ŠVIK, Tomáš. Geografický výzkum automobilového průmyslu: teorie a přístupy. 1. Published: Brno: Masaryková univerzita, 2015. s. 208-223, 15 s. ISBN 978-80-210-7943-4.

TOUŠEK, Václav a Josef KUNC. *Ekonomická a sociální geografie*. 1. Plzeň: Aleš Čeněk, 2008. ISBN 978-80-7380-114-4.

TUČEK A SPOL, Milan. *Dynamika české společnosti a osudy lidí na přelomu tisíciletí*. Praha: Sociologické nakladatelství SLON, 2003. ISBN 80-86429-22-9.

URBANČÍKOVÁ,, Nataša a Oto HUDE A SPOL. *PODOBY REGIONÁLNEHO A MIESTNEHO ROZVOJA* [online]. 1. Košice: Ekonomická fakulta, TU Košice, 2009 [cit. 2017-04-20]. ISBN 978-80-553-0117-4. Available from: http://www3.ekf.tuke.sk/krvam/files/clanky/hudec/hudec_01.pdf

VITURKA, Milan. Regionální ekonomie a politika II. 1. vyd. Brno: Masarykova univerzita, 2007, 131 s. ISBN 978-80-210-4478-4.

WÖHE, Gűnter a Eva KISLINGEROVÁ. *Úvod do podnikového hospodářství*. 2. Praha: C.H. Beck, 2007. ISBN 978-80-7179-897-2.

ŽÍTEK, Vladimír. *Regionální ekonomie a politika I.* 1. vyd. Brno: Masarykova univerzita, 2002, 146, [16] s. ISBN 80-210-2767-3.