

Czech University of Life Sciences in Prague

Faculty of Economics and Management

Department of Management



Diploma Thesis

Foreigners Doing Business in the Czech Republic

Author: Bc. Petr Daneš

Supervisor: Ing. Richard Selby Ph.D.

© Prague, 2011

DT Assignment

Declaration

I declare that I have worked on my diploma thesis titled "Foreigners Doing Business in the Czech Republic" by myself and I have used only the sources mentioned at the end of the thesis.

In Prague on 1st April, 2010

Petr Daneš

Acknowledgement

I would like to thank Ing. Richard Selby Ph.D. for his advices and suggestions during my work on this thesis.

I would like to also thank to all respondents for filling out the questionnaires.

A special thanks belongs to my family for their support throughout my study.

Cizinci podnikající v České Republice

Foreigners Doing Business in the Czech Republic

Souhrn

Tato diplomová práce se zabývá cizinci obchodujícími v České Republice a jejich vnímáním české kultury. Důraz je kladen na českou kulturu a zkoumání jejího vlivu na obchodování v České Republice z pohledu cizinců, kteří již v České Republice aktivně působí.

V teoretické části autor analyzoval Českou Republiku, vysvětlil pojem kultura, zdůvodnil důležitost porozumění kulturních rozdílů v dnešním světě a rovněž shrnul hlavní charakteristiky české kultury a Čechů. Pro popis využil poznatků od Geerta Hofsteda a Richarda Lewise. Tyto poznatky se staly základem pro vytvoření modelu české kultury pro praktickou část.

V praktické části autor vytvořil model české kultury, obsahující hlavní charakteristiky Čechů. Na základě dotazníkového šetření je tento model zkoumán. Součástí šetření jsou i nová zjištění, která se týkají jak české kultury, tak především jak jednotlivé charakteristiky Čechů ovlivňují obchodování v České Republice.

Klíčová slova

Kultura, Česká Republika, Cizinec, Obchodování

Summary

The diploma thesis deals with foreigners doing business in the Czech Republic and their perception of Czech culture. The focus is upon Czech culture and analysing its influence on doing business in the Czech Republic. The perspective is from foreigners' point of view, who have been doing business in the Czech Republic.

In theoretical part the author analysed the Czech Republic, explained what culture is, gave reasons for understanding the importance of cultural differences and summarized characteristics of the Czechs. He used findings from Mr. Geert Hofstede and Mr. Richard Lewis for the characterising purposes. Also, their findings were used for creating a model of Czech culture in practical part.

In the practical part, the author created the model of Czech culture, describing key characteristics of the Czechs. The model is verified on a basis of data collected from handed questionnaires and made interviews with foreigners. Moreover, the model is updated and extended by new findings and how the particular features of Czech culture impact doing business in the Czech Republic.

Key words

Culture, Czech Republic, Foreigner, Business

Content

Souhrn.....	2
Summary.....	3
Content.....	4
1. Introduction.....	6
2. Objectives and Methodology.....	7
2.1 Objectives.....	7
2.2 Methodology.....	7
3. Literature Overview.....	9
3.1 PEST Analysis of the Czech Republic.....	9
3.1.1 What is PEST Analysis and its purpose.....	9
3.1.2 Czech Republic Basic Facts.....	10
3.1.3 Political Factors.....	10
3.1.4 Economic Factors.....	12
3.1.5 Technological Factors.....	20
3.2 Starting up a business in the Czech Republic.....	20
3.2.1 Environment of the Czech Republic for setting up a business.....	21
3.2.2 Requirements for setting up a business.....	22
3.2.3 Acquisition of Real Estate.....	23
3.3 Culture.....	23
3.3.1 Culture definition.....	23
3.3.2 Differences in cultures and their importance.....	26
3.3.3 Culture Categorizing.....	27
3.4 Czech Culture.....	35
3.4.1 Czech Modern History.....	35
3.4.2 Czech Culture in Hofstede's Theory.....	37
3.4.3 Czech Culture in Richard Lewis's Theory.....	38

3.4.4 Key Concepts and Values in Czech Culture	38
4. Survey of attitudes.....	42
4.1 Creating the Model.....	43
4.2 Findings.....	44
5. Analysis of Results.....	55
5.1 Model Verification	55
5.1.1 Findings Comparison and the Model Extension	55
5.2 New Findings.....	73
6. Observations and Recommendations.....	79
6.1 Model Update.....	79
6.1.1 Czechs and Formality	79
6.1.2 Czechs and Reserve.....	79
6.1.3 Czechs and Networking.....	80
6.1.4 Czechs and Rules & Restrictions	80
6.1.5 Team-working with the Czechs.....	80
6.1.6 Body Language in the Czech Republic.....	81
6.1.7 Czechs and Direct Confrontation	81
6.1.8 Corruption in the Czech Republic	81
6.1.9 Czechs and Self-Confidence	82
6.1.10 Czechs and Loyalty towards a Company or a Business Partner.....	82
6.1.11 Czechs and Creativity	82
6.1.12 Czechs and Using of Humour	82
6.1.13 A typical Czech Business Person	83
6.1.14 The Overall ease of doing business in the Czech Republic	83
7. Conclusion.....	84
8. Bibliography	86
9. Supplements	91

1. Introduction

The world has become highly interconnected in the last decades. Travelling has never been easier and more available than it currently is. Communication with people around the globe has become usual. People can purchase almost any goods from any country they want with no significant obstacle. Such a progress in the world demolishes national borders and brings different people from different cultures together.

Nowadays, there are many international organizations, multinational corporations which deal with the cultural diversity. But it is not only a case of big and truly international organizations. Even small and medium enterprises and organizations have to deal with cross cultural differences, since many businesses have become international. An organization can only be successful if these differences are understood and members of the organization know how to synchronize diverse people and gain a positive outcome from different cultures. Therefore, the understanding of cultural differences has become essential.

When the communist regime collapsed, the Czech Republic became a popular place for expatriates from all over the world. Since the most successful multinational companies come to the Czech Republic from the western world, the expatriates are also mainly from places like the United States of America, United Kingdom, Benelux, France, Scandinavia, Germany, Austria, Italy etc. The expatriates bring to the Czech Republic needed know-how about doing business, their knowledge, expertise and western business styles. Such an expertise is crucial for successful developing of the Czech Republic and its competitiveness.

Understanding and taking into account Czech culture differences significantly facilitates expatriates doing business in the Czech Republic. The thesis gives answers on how expatriates perceive the Czech culture and its effects on doing business in the Czech Republic and what the biggest issues are.

2. Objectives and Methodology

2.1 Objectives

The goal of this thesis is to provide with information how foreigners, who do business in the Czech Republic, perceive the Czech business people and Czech culture. In addition, thesis should give answers on the affects of Czech culture on doing business and what the most important cultural issues for doing business in the Czech Republic are.

2.2 Methodology

1. Theoretical Part

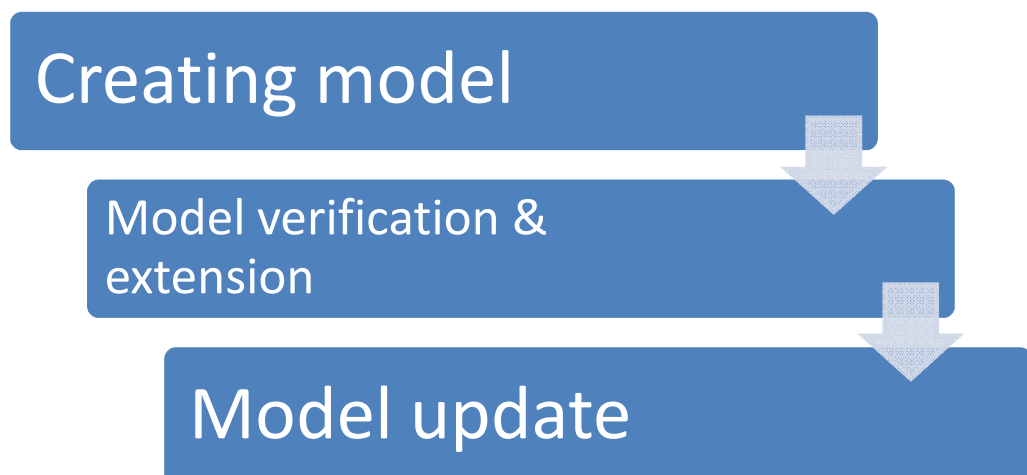
Collection and elaboration of information found in academic books, internet articles and lecture notes which deal with the topic.

2. Practical Part

In the practical part the author asks foreigners, who do business as well as work in the Czech Republic, about Czech culture and its effects on doing business. The focus is put upon well educated foreigners, who can bring their gain knowledge and experience, which are beneficial for the progress of the Czech Republic. Hence, manual workers are excluded from the research. Also, Slovaks are excluded from the research thanks to their similar cultural background.

The theoretical findings are used to create a model of Czech culture for the practical part. The model is verified and extended. Moreover, the model is updated with new findings. The scheme of author's approach is illustrated in figure nr.1:

Figure nr.1: Scheme of the author's procedure:



Creating the model

Based on theoretical findings, key values and concepts of Czech culture, which affect doing business, are chosen. They create the basis for the model of Czech cultural hallmarks.

Model Verification and Extension

Both qualitative and quantitative research is used for the model verification. The author prepared questionnaires, which contain both open and close questions. A vast focus is put upon comments, which holds valuable information. The questionnaires were distributed to the foreigners, who do business in the Czech Republic. Also several people were interviewed, which provides the author with more quality information. This process consists of two steps

1. Findings

In the first step of verification process, the findings from the research are presented and summarized.

2. Comparison and Extension

Second step compares the findings with the model, which can either corresponds with the findings or not. Also, findings about the effects of Czech culture on doing business and new findings, which were not part of the model, are presented.

Model update

Based on results of comparison and model extension, the model is updated.

3. Literature Overview

3.1 PEST Analysis of the Czech Republic

3.1.1 What is PEST Analysis and its purpose

The PEST analysis is a part of the external macro-environmental scanning, which provides information of external factors affecting business within the environment. This analysis is used in this work as an overview of the Czech Republic and provides the author with basic information, which is indispensable when considering starting business in the Czech Republic. In this analysis the author will often compare the Czech Republic with countries, which share similar historical and economical background, namely, Slovakia, Poland, Hungary and Slovenia. It is because, those countries are the main competitors to the Czech Republic, when foreign investors deciding about location of their businesses. PEST analysis is adjusted to the needs of this work and examines following factors:

- Political (P), such as:
 - Political stability
 - Taxation
 - Employment laws
 - International groupings
- Economic (E), such as:
 - Economy characteristic
 - Key economic indicators
 - Foreign Direct Investment (FDI)
 - Foreign trade
- Social (S), such as:
 - Demographics
 - Education
 - Class structure

- Technological (T), such as:

- Research and Development

- Infrastructure

- ICT diffusion

[6], [7]

3.1.2 Czech Republic Basic Facts

Area: 78,867 sq km

Population: 10,211,904 (July 2010 est.)

Capital city: Prague (1.21 mil inhabitants)

Language: Czech

Currency: Czech Crown (CZK)

GDP per capita (PPP): USD 25,600 (2010)

[11]

3.1.3 Political Factors

Political Stability

According to Worldwide Governance Indicators (All the following figures can be found in Supplement nr. 1), the Czech Republic scores **+0.93** (79% rank) for the factor “Political stability“. Thus, it is considered to be politically stable country. It is second best among countries from Eastern Europe, which have comparable GDP per capita. The first one is Slovenia with score **+1.07** (85% rank), closely after the Czech Republic is Slovakia with score **+0.92** (78% rank), followed by Poland and Hungary with score **+0.79** (74% rank), respectively **+0.59** (68%). More importantly, the Czech Republic is on the same level as many other western European countries (Netherlands receives **+0.95** (80% rank) and even outdo some of them (France receives **+0.58** (67% rank). The most politically stable country is Luxembourg with score **+1.52** (100% rank). [39]

These figures were collected before Parliamentary Elections 2010, where middle-right wing coalition gained biggest majority in the history of the Czech Republic. Moreover, radical right-wing political parties, which are becoming common in other European countries (e.g. Swedish party Sverigedemokraterna in elections in September 2010 received enough votes to

get into Parliament), are not gaining any political power. That fact positively contributes to the political stability in the Czech Republic.

Taxation

The taxes in the Czech Republic are relatively low compared to EU-27. According to the 2010 European Commission's (EC) Taxation Trends Report, the total taxes as percentage of GDP were in 2008 **36.1%**, which are the eleventh lowest in the EU. Whereas, the same indicator is in Slovakia **29.1%**, in Poland **34.3%**, in Hungary **40.4%** and in Slovenia **37.3%**. Slovakia has the second lowest taxes as percentage of GDP within the EU, which gives Slovakia an advantage for attracting foreign investors within the Eastern Europe region. Otherwise there are no significant differences in the region. [40]

The personal income tax was changed from progressive in 2007 to flat tax. Currently, it is **15%**. The corporate tax was reducing in recent years in order to attract foreign investors. Nowadays, the corporate tax is **19%**, which is very similar to corporate taxes in Eastern Europe. Most goods and services are subject to a standard VAT rate of **19%**. However, certain goods and services such as food, drugs and construction works for housing, are eligible for a reduced rate of 9 percent. Banking, insurance and financial operations services are exempt from VAT. [8],[9]

Employment laws

As a member of the EU, the Czech Republic follows European labour law. Moreover, the Czech Republic also has its own legislation, which is called the Labour Code. Baker Tilly Czech Republic in its report "Doing Business Guide Czech Republic 2010" describes the Labour Code: *"It provides minimum guarantees for employees, such as holidays, working hours, minimum notice period, dismissals and employment equality. Any employment contract provision which is in contradictory to Labour Code cannot be enforced."* [10]

There are several key features which define the relationship between employers and employees. They are important for identifying the bargaining power when negotiating about the contract:

- Employment can be full-time, part-time, carried out at home, or simultaneous employment
- Employment can be either for an indefinite or definite period of time

- Minimum wage is CZK 8,000 per Month
- To terminate an employment contract, the employee must be given two months' notice
- To terminate an employment contract of the employee, the employer must give three times the average monthly salary to the employee
- The probationary period is maximum 3 months in the Czech Republic

[10]

International groupings

As was mentioned above, the Czech Republic is member of the EU. It has been member since 2004, when it joined concurrently with Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia. Moreover, it is member of NATO (Joined in 1999), OECD (Joined in 1995), United Nations Organization, WTO, IMF and WHO.

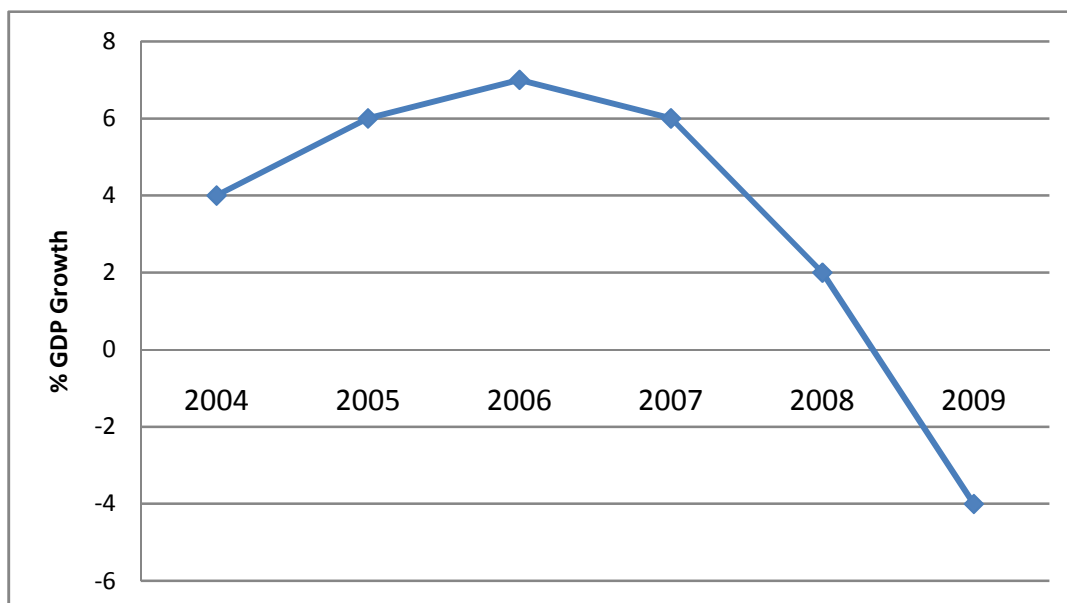
3.1.4 Economic Factors

Economy characteristic

According to CIA World Fact Book, Czech economy is: *“one of the most stable and prosperous of the post-Communist states of Central and Eastern Europe”*. [6] It is a small, open, export driven economy highly dependent on business partners abroad, mainly Germany. This dependency was proven during the economic downturn, when GDP of the Czech Republic decreased by **4%**. That was caused by diminished demand from the export partners, who fell into recession. [11]

The GDP growth trend can be seen in Graph nr.1:

Graph nr.1: Annual Percentage Growth Rate of GDP of the Czech Republic at Market Prices Based on Constant Local Currency.



Data source: www.worldbank.org

The Czech Republic was enjoying a great economic boom before the economic crisis, which came in 2008. The boom reached its top in year 2006, when the GDP growth achieved **7%**. As was mentioned above, the economic downturn hit the economy intensely that the Czech Republic with its open economy experienced negative GDP growth of **4%**.

GDP per capita in purchasing power standards (PPS) of the Czech Republic is **81.3%**, where EU-27 is **100%**. It is the **second best** among the Eastern European countries. The highest GDP per capita in that region has Slovenia with **87%**. [12], [13]

Since, the Czech Republic is considered as an economically and politically stable country it received following credit rankings. The Czech Republic obtained following ratings for long term issues in local currency: **Fitch AA-, Moody's A1 and Standard & Poor's A+**. That gives a possibility to borrow money for a low interest rate. [41]

Key economic indicators

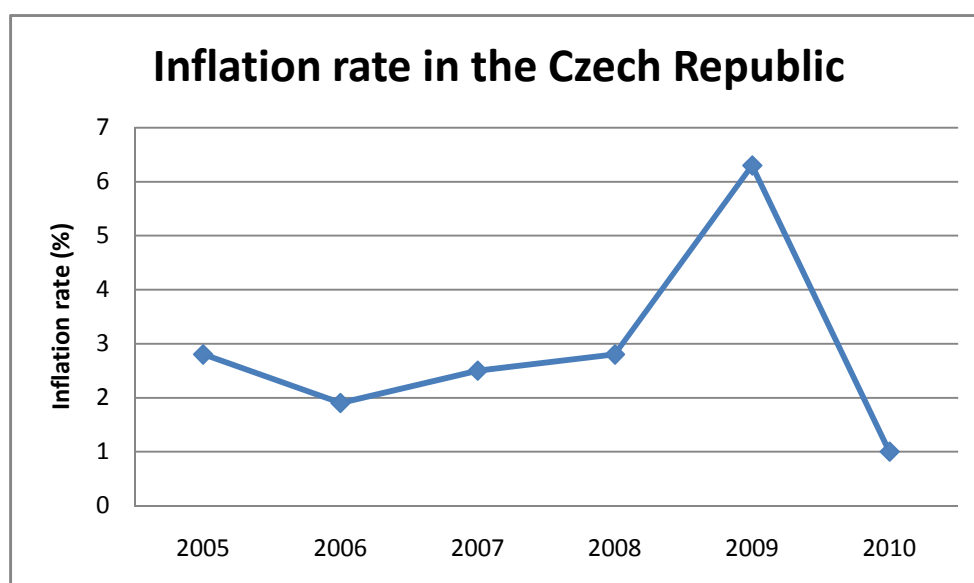
There are several economic indicators, which are necessary to examine when analysing economy and have not been mentioned yet; Unemployment, inflation and interest rates

Unemployment rate in the Czech Republic in the second quarter in 2010 was **7.1%**. The lowest rate **3.5%** is in Prague. In contrast, the highest rate is in Ústecký region (**11.1%**), Karlovarský region (**10.8%**). Compared to the average of European Union **9.6%**, the Czech

Republic's unemployment rate is lower by **2.5%**. Furthermore, in the Eastern European region is **7.1%** rate the second lowest. Slovenia achieved to have unemployment rate of **7%**. The worst in the region ranked Slovakia with **15%**. The other countries in the region have unemployment rate around the average of the EU, specifically, Hungary has **10.4%** and Poland **9.4%** [14], [19]

The development of the inflation rate in the Czech Republic can be seen in the graph nr.2

Graph nr.2: Inflation Rate in the Czech Republic



Data source: Czech Statistical Office

The inflation in recent years was relatively stable with exception of year 2008, when the whole world was hit by high inflation. Moreover, in the Czech Republic from January 1, 2008 was enhanced level of VAT on certain goods. This fact also helped to increase inflation rate. However, the goal of the Czech National Bank is to maintain inflation rate between **1%** and **3%**. [12]

Interest rate in the Czech Republic is **0.75%**. Such a low rate is supposed to stimulate money borrowing and boost the economy. Interest rates that low are currently used all over the world. It is a part of the expansionary monetary policy, which leads to increasing the size of the money supply. [15]

Foreign Direct Investments (FDI)

Foreign direct investments have played an important role in developing the country in the last two decades. The Czech Republic was primarily attractive for foreign investors for following reasons: location in the middle of Europe, low-cost structure, well developed infrastructure and well-educated labour force.

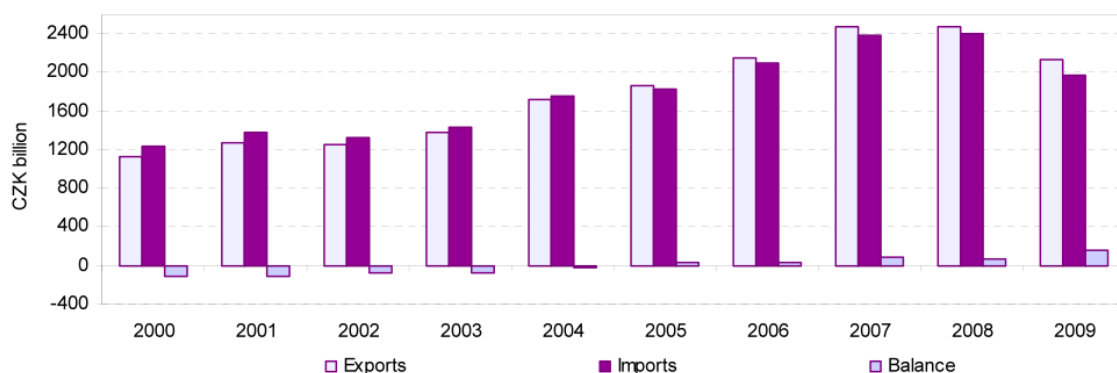
Furthermore, the government established CzechInvest, the Investment and Business Development Agency. Its mission is: *“to advise and support existing and new entrepreneurs and foreign investors in the Czech Republic....CzechInvest also promotes the Czech Republic abroad and acts as an intermediary between the EU and small and medium-sized enterprises in implementing structural funds in the Czech Republic”* [16]

The biggest FDI inward flow to the Czech Republic in 2009 carried out Austria and Belgium, which invested **CZK 25,172.7 mil.**, resp. **CZK 23,226.8 mil.** Cyprus surprisingly ranked third with **CZK 12,763.7 mil.** Germany, the most important foreign business partner for the Czech Republic, invested **CZK 6,620.3 mil.** In total FDI in 2009 counted for only **CZK 51,950.8 mil.** Due to many negative FDI inward flows. [17]

Foreign trade

In 2005, the foreign trade balance became positive and it has been positive since. Both, imports and exports were steadily growing (with an exception of year 2002) till 2009, when they both dropped. Export decreased by **13.8%** (in CZK) and import decreased even more by **22.8%** (in CZK). Thus, the external trade turnover in 2009 returned to the level of the year 2006. The exact development describes graph nr. 3 [18]

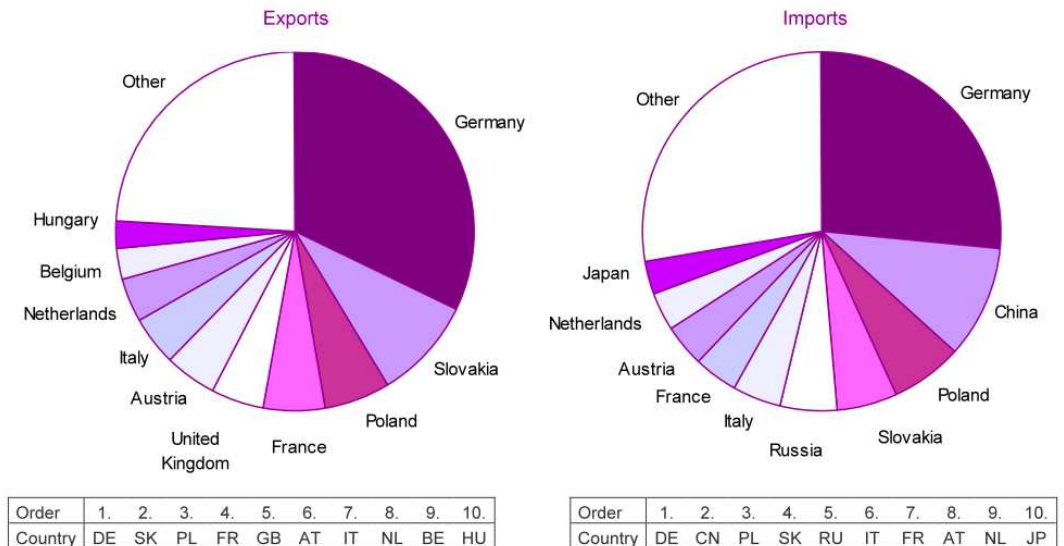
Graph nr. 3: External Trade by years 2000-2009



Source: Czech Statistical Office, External Trade of the Czech Republic in 2009 [18]

The structure of the Czech Republic's main foreign business partners shows graph nr.4:

Graph nr. 4: The most important trading partners of the Czech Republic in 2009



Source: Czech Statistical Office, External Trade of the Czech Republic in 2009 [13]

From the graph nr.4 is clearly visible a vast dependency on Germany as a trade partner for imports and exports. However, Germany is a main trade partner for almost every European country and it is the economic engine of the EU. With its geographical location next to the Czech Republic, such a dependency is understandable.

Second highest exports were accomplished to Slovakia followed by Poland. Thus, to countries which border with the Czech Republic. Exports to Austria, which is the fourth country bordering with Czech Republic, were the sixth highest.

There are several differences between the structure of the Czech exporters and importers. China is the second biggest importer of the goods to the Czech Republic. In contrast, it does not rank among the 10 most important Czech export trading partners. The same situation occurs with Russia and Japan as the fifth, resp. tenth biggest importer. Nevertheless, Germany holds unequivocally the first position also in imports.

Social Factors

Author examines Czech culture itself deeply in another chapter dedicated to that topic. In this chapter are discussed Czech demographics, education and class structure.

Demographics of the Czech Republic

The estimated number of inhabitants in the Czech Republic is **10,211,904** and the number is slightly decreasing. The estimated population growth rate for 2010 is **-0.094%**. The negative population growth rate is a demographic trend in all Western countries, which is causing aging of the population. Thankful to the immigration the growth rate is not lowering anymore. The age structure of the Czech Republic is following:

- 0-14 years: 13.6%
- 15-64 years: 71%
- 65 years and over: 15.5%

When median is 40.4 years

The Czech Republic is ethnically very monotonous. Czechs number **90.4%** of the whole population, followed by Moravian (**3.7%**) and Slovak (**1.9%**). People originally from Vietnam and former Soviet Union create other important communities in the Czech Republic. [11]

There are many nationalities currently living and working in the Czech Republic. It is important to know a structure of foreigners living in the Czech Republic in order to be able to compare their cultures to the Czech culture.

Structure of foreigners living in the Czech Republic

In December 31, 2009, there were **433,305** foreigners with resident permits. Out of them, **318,462** (73.5%) were employed and **87,753** (20.2%) hold a trading licenses. The structure of foreigners, who have resident permits, illustrates table nr. 1:

Table nr.1 Employment and Resident Permits of Foreigners in the CR in 2009 (Ranked according to the number of foreigners)

Ranking	Country	Number of foreigners	Total Employment	Foreigners holding a trading license
1	Ukraine	131,977	83,701	26,233
2	Slovakia	73,446	108,057	9,865
3	Vietnam	61,126	39,260	35,590
4	Russian Federation	30,393	4,948	1,336
5	Poland	19,273	21,728	1,450

6	Germany	13,792	4,415	1,426
7	Moldova	10,049	7,265	1,559
8	Bulgaria	6,403	5,555	977
9	United States	5,941	2,310	663
10	Mongolia	5,745	4,493	288
11	China	5,354	1,566	210
12	Belarus	4,427	1,621	386
13	United Kingdom	4,363	3,043	866
14	Serbia and Montenegro	4,140	1,418	794
15	Romania	4,096	4,099	319
16	Kazakhstan	3,933	844	244
17	Austria	2,992	1,187	365
18	Italy	2,558	1,456	455
19	Netherlands	2,507	803	178
20	Croatia	2,356	539	285
21	France	2,278	1,866	258
22	Bosnia and Herzegovina	2,233	999	277
23	Macedonia	2,068	7,265	1,559
24	Armenia	2,049	834	300
25	Uzbekistan	1,923	2,117	145

Source: International Labour Migration in the Czech Republic, Bulletin nr.24 [20]

The biggest number of foreigners comes from Ukraine. They arrive to the Czech Republic mainly to seek a manual work. In case of Slovakia is situation different. Due to similar language and culture is living and working for Slovaks much easier. Moreover, there is a significant number of Slovak students, who are studying at Czech universities and after graduation are staying in the Czech Republic, where work opportunities are higher than in Slovakia.

The reason for high number of Vietnamese in the Czech Republic is also different. Vietnam is a communist country and as such there used to be a strong partnership with former communist Czechoslovakia. Thousands of Vietnamese came to the Czechoslovakia in order to gain a working experience or get a university degree. However, many of them stayed in the Czechoslovakia. After the Velvet Revolution in 1989 many Vietnamese followed their families to the Czechoslovakia or later the Czech Republic. Here, they started their own businesses, which can be proven by a fact that 35,590 of them (58.2%) living in the Czech Republic possess a trading license. For other nationalities can be used a simple rule. Foreigners from countries, which are less economically developed than the Czech Republic, usually come to work

manually due to different level of salaries in their home country and in the Czech Republic. Whereas, foreigners from economically more developed countries come to start a business or pursue a career, which requires high level of qualification. The author will focus solely on the second group of foreigners, since; they are more often in the interaction with Czech employees and Czech business culture. [20], [21]

Education

According to the American Chamber of Commerce, the Czech education system is compared to the international standards on a high level. In 2009, there were 76 universities and colleges. 26 of them were public and 45 were private. There are no tuition fees at public schools in the Czech Republic, which makes the studying more accessible. Ordinarily, the public schools provide students with a higher level of education. The biggest universities are Charles University in Prague with **45,578** students, Masaryk University in Brno with **34,263** students and finally Czech Technical University in Prague with **21,973** students. All of them are public. The number of students from all universities and schools was **369,619** in 2009. Where **338,435** students (91.6%) had the Czech citizenship and **31,218** (8.4%) were foreigners. [12], [22]

The number of persons with a university degree of education is compared to countries in OECD very low. According to the report: Education at a Glance 2010: OECD Indicators: only **14%** of people in the Czech Republic between 25-64 years old have a third level education in 2008. In contrast, the average number within OECD members is **28%**. This is relatively surprising, when investors claim that one of their main reasons for investing into the Czech Republic is its well-educated labour force. A similar rate can be only found in Brazil (**11%**), which is the lowest among OECD members, Turkey (**12%**), Italy (**14%**), Portugal (**14%**) and Slovakia (**15%**). [23]

Class structure in the Czech Republic

Differences between rich and poor are very low in the Czech Republic, which makes the society very equal when it comes to wealth distribution. There are several ratios which demonstrate that fact. Firstly, **10%** of the richest people in the Czech Republic receive only **22.4%** of the total income. It is one of the lowest figures in the world. Secondly, the income of the richest 10% to the poorest 10% ratio is only **5.3**. In other words, the richest people earn only 5.3 times more than the poorest. That figure is the second lowest in the world, right after Japan with its ratio **4.5**. Finally, the population living below **50%** of median income is only **4.9%**, which is again very low figure. In contrast, the same ratio for Canada is **12.8%**, for Italy

14.2% or for Denmark **9.2%**. The data above prove that Czech society from the point of the income distribution is very homogenous and equal compared to other countries. [24], [25], [26]

3.1.5 Technological Factors

Research and Development (R&D)

In general, expenditures to R&D in the Central and Eastern Europe are lower than in Western Europe. According to Eurostat's statistics from 2008, gross domestic expenditures on R&D were **1.47%** of GDP in the Czech Republic. In Slovakia it was **0.47%**, Hungary **1%** or in Slovenia **1.66%**. In contrast, Western countries are willing to invest in R&D much more. For instance, Germany invested **2.63%** of their GDP or Sweden, which ranked as number one in this statistic, invested **3.75%** of their GDP. [28]

Transportation

Transportation is well developed in the Czech Republic. There are **0.6km per 100 km²** of motorways, **161.4 km** of roads and **12 km** of railways. All these three figures are higher than in Slovakia, Hungary and Poland. Also the number of passengers using Prague airport is higher than at airports in Budapest, Warsaw and Bratislava. [12]

ICT Diffusion

Usage of ICT in the Czech Republic is not that developed as in western countries. For instance, currently, **65.5%** of population is using internet. In contrast, in Sweden it is **92.5%** or in Netherlands **88.6%**. In Hungary, Poland and Slovakia are the statistics similar to the Czech ones. Another statistics say that **45.9%** of households have internet connection at home. That is below average of EU, where **57%** of households possess internet connection. The most common internet connection in the Czech Republic is Wi-Fi (**38%**), followed by Cable TV (**23%**) and ADSL (**22%**). [12], [27]

3.2 Starting up a business in the Czech Republic

In this chapter the author will examine, what requirements for starting up a business in the Czech Republic are and how amiable the Czech Republic for business start ups is.

3.2.1 Environment of the Czech Republic for setting up a business

There are several indicators, which illustrate the ease for starting a business. Number of procedures needed to register a company, number of days needed to register a company, costs for registering a company (as % of income per capita), which includes all official fees and fees for legal or professional services if such services are required by law, and finally the amount of money used as a deposit in a bank or notary. OECDs average will be used as a benchmark. [29]

Table nr.2: Indicators for starting up a business in the Czech Republic

Indicator	Czech Republic	OECD Average
Procedures (Number)	9	5.6
Days (Number)	20	13.8
Cost (% of income per capita)	9.3	5.3
Paid-in min. capital (% of income per capita)	30.9	15.3

Source: <http://doingbusiness.org/data/exploreconomies/czech-republic>

By looking at the data, it is clear that the Czech Republic's indicators are worse than OECDs average in every single one. Especially relevant is number of procedures needed to register a firm and paid-in min. capital, which discourage possible entrepreneurs. In **overall ranking for 2011** the Czech Republic scored **130th** in the whole world, worsening its position from **127th** in 2010. Considering a fact that was analyzed 183 countries, the environment for starting up a business is deep below the world average. Spain and Greece were the only two countries from the EU, which have worse score, ranking **147th** and **149th** respectively. Other countries from central Europe ranked in 2011 as follows: Poland **113th**, Slovakia **68th**, Hungary **35th** and Slovenia **28th**. [30]

3.2.2 Requirements for setting up a business

There are **9** needed procedures for starting a business. In parenthesis is number of days needed to complete a task:

1. Check business name for uniqueness (1 day)
2. Obtain extracts from criminal record and real estate (1 day)
3. Notarize articles of association (1 day)
4. Obtain confirmation of the administrator of the capital contribution of the company along with the confirmation of the bank that the capital contribution is held in the company's special bank account for the registered capital (2 days)
5. Register with the Trade Licensing Office and obtain extract of the trade license (5 days)
6. Register in the Business (Commercial) Registry of the Regional Commercial Court (7 days)
7. Register for taxes (1 day)
8. Register for social security (1 day)
9. Register with health insurance (1 day)

[30]

Foreigners can start a business under same conditions as Czech entrepreneurs. CzechInvest Agency explains: *“Foreign legal entities are allowed to conduct trade activities, including acquisition of real estate, under the same conditions and to the same extent as Czech entrepreneurs. They may become founders or co-founders of a company, or may join an existing Czech company”*. [31]

Generally, it can be done in two different ways. Firstly, by establishing a branch office or by creating a Czech company.

Branch Office

Branch office is not considered as a Czech legal entity. It works as a representative of the foreign company, thus all the obligations are on foreign company's behalf. They must register all their business activities on their application in the Commercial Register. Moreover, the branch office must have a director, who is also registered in the Commercial Register and who is entitled to act on a behalf of the foreign company as regards branch. [31]

Czech Company

Entrepreneurs can choose from a variety of legal forms for their business. The most common in the Czech Republic are self-employed, limited liability company, joint stock company, limited partnership, general commercial partnership. In order to be able to set up a business, a person has to meet the following conditions:

- 18 years of age
- Capable of undertaking legal acts
- An irreproachable character
- If the person is already doing a business or had previously done a business in the Czech Republic, then the person must be free of any outstanding tax obligations, social security contributions, and public health insurance contributions. [32]

3.2.3 Acquisition of Real Estate

Since May 2009 citizens from EU and other countries can acquire real estate without any limitations. In other words, they can buy real estate as Czech citizens without any additional requirements. However, foreigners still cannot obtain land, which is part of agricultural land fund or forests. [31]

3.3 Culture

Although, the world becomes more globalized every year, due to the ease of travelling, communicating, cargo shipping etc., the differences in cultures still remain. Since the business became truly international, it is essential to understand those differences in order to successfully do your business. In this chapter the author will be analysing culture, its differences and its impact on business. He will also present different concepts of culture categorizing.

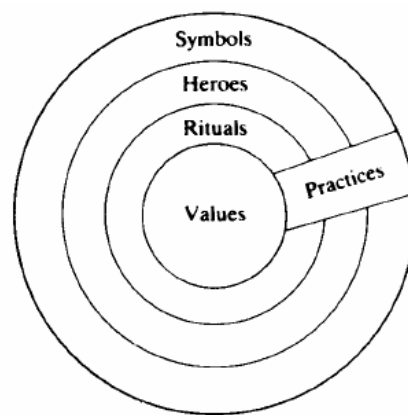
3.3.1 Culture definition

There are plenty of definitions of culture. The author will use the one, which Geert Hofstede used in his work. He defines culture as *“collective programming of the mind which distinguishes the members of one group or category of people from another”*. [1] Culture cannot be inherited, but is learned. The learning process starts from the birth of the child. For instance, Japanese babies always sleep in the same room as their parents do. In contrast, American babies are often put to different rooms. [2]

Shaping the culture continues, when parents bring up their children, then in kindergarten, school etc. Children observe and are thought what the right, wrong and normal is. The instructions differ from country to country, which consequently leads to culture differences.

Hofstede in his work compares culture to an onion. Culture, like the onion, consists of different layers. He identifies four levels of culture: Values, Rituals, Heroes and Symbols. Viz. Figure nr.2

Figure nr.2: Culture Layers



Source: Hofstede, G.: Cultures and Organizations: Software of the Mind [1]

- **Values:** Values are the core of culture. They are not visible, until they are observed in behaviour. They are broad tendencies to prefer certain states of affairs over others. The first values are thought in family. Later on people acquire values at school, work etc. Values deal with: ugly vs. beautiful, normal vs. abnormal, evil vs. good, irrational vs. rational, dirty vs. clean etc. [1]

- **Rituals:** Hofstede defines them as collective activities, which are not crucial for obtaining wanted goals. However, the society considers them as important part of their lives. Thus, they are done for their own sake. Examples can be found in people's greetings, religion ceremonies, celebrations etc. [1]

- **Heroes:** They are persons, who can be alive or dead, imaginary or real, with highly appreciated behaviour, which is seemed as an example to follow in that particular culture. For example, Asterix in France or T.G. Masaryk in the Czech Republic. [1]

- **Symbols:** They are words, gestures, pictures or objects, which carry a certain meaning that is clearly understood by those, who share the culture. Symbols can easily disappear and new can come up quickly. Moreover, they are easily copied. Therefore, they are that unstable, they are on the outer level in the diagram. For instance, flags, logos, hair styles etc. [1]

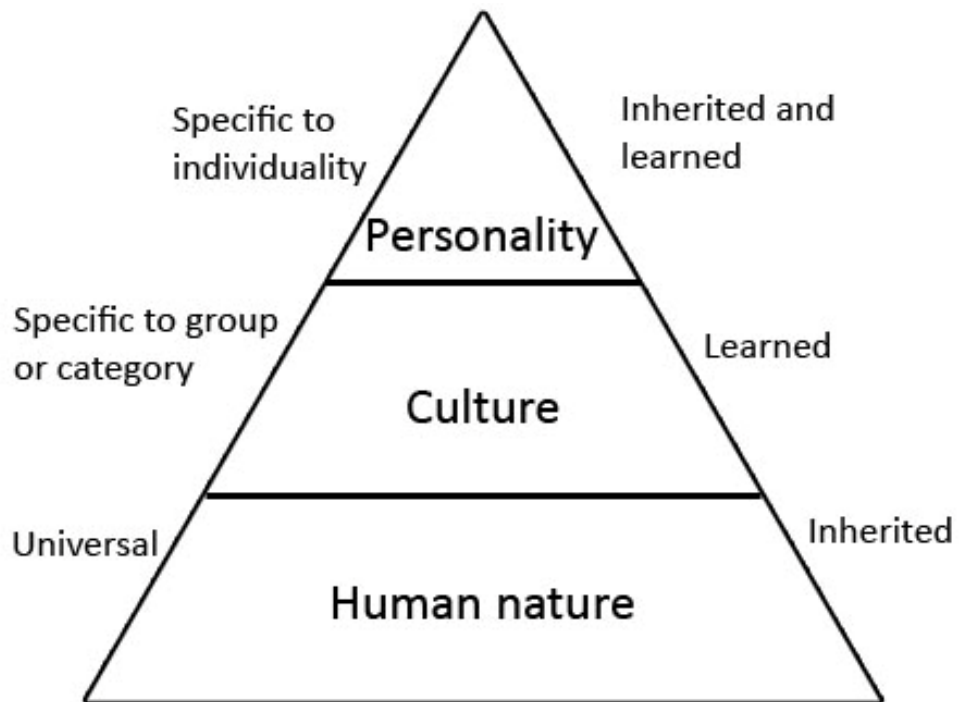
Rituals, heroes and symbols are in a category Practices. It is due to a fact that they are easily observable. They are prominent to an observer, who has different cultural background. However, their meaning is hidden and it requires interpret in order to understand them. [1]

Furthermore, man's behaviour is not determined only by the culture he or she was born in. There are two other determinants of human mental programming.

Firstly, there are certain characteristics, which are same for all human kind. No matter where the person comes from.

Secondly, there are characteristics which are unique only for the one individuality. Figure nr.3 illustrates the array of human mental programming.

Figure nr.3: Human Mental Programming



Source: Hofstede, G.: Cultures and Organizations: Software of the Mind, own arrangement [1]

Among the characteristics, which apply for all people, are procreation, anger at injustice, gratitude for favours, survival or wanting to be liked. Above that is culture, which was already described. Finally, stubbornness, intellect or empathy to name few, are examples of features, which are related to individuals and differ with each person. [2]

3.3.2 Differences in cultures and their importance

Cultures differ significantly around the globe. People speak different languages, have different rituals, customs, habits etc. Those who travel extensively observe diversities in places they visit. It is important for them to know the diversities and adjust their behaviour accordingly. For example, giving or not giving tips in a restaurant, having late dinner in Spain, wearing offensive dresses in Islamic countries, a meaning of a nodding head in Bulgaria etc. Usually these distinctions are considered funny, unusual or weird for visitors. But they are considered absolutely normal to locals. Which is raising a question what is normal and what abnormal? Is using many gestures normal for Italians? Without a doubt, it is normal for them as well as for Spaniards or Greeks. In contrast the very same thing seems strange to Japanese. The key is that normality depends on one's perception and his cultural background. Whatever is foreign and different from a person's culture seems abnormal to him or her. For instance, Spaniards find Swiss stuffy, Italians consider Norwegian gloomy, Germans think Australians are undisciplined or the example with using gestures mentioned above.

To sum up, our perception of other cultures vastly depends on who we are and what is our own cultural background. It is colouring our view and opinion on other cultures. [2], [5]

It is relatively easy to define culture differences when it comes to actions and common practices. They are visible and exposed. On the other hand, it is intricate to indicate differences in thoughts. They are intangible, hidden and it consumes more time to disentangle them. However, differences in thoughts are the main cause which gives arise to cross-cultural differences and problems. Almost every culture uses the same concepts. Such as honour, justice, truth, love, duty, contract, revenge etc. No matter where the person comes from, he or she is familiar with these terms. Nevertheless, the notion of these concepts varies from culture to culture. People from different cultures perceive these concepts differently. There are several examples, which can illustrate it.

When it comes to truth, Germans claim that there is only one absolute truth. Scandinavian nations would agree with them. In contrast, Chinese do not believe there is only one absolute truth and most Asians and Italians would agree with them.

Interpretation of a contract also varies. For a Swiss, Scandinavian, American the contract means a bounding agreement, which is valid after the signature. In contrast, Japanese regards the contract as a document, which can be modified if it is necessary. A South American sees it as a something, which will probably never be reached, but it is done in order to avoid arguments.

The similar misunderstanding can arise from different views on the ethics. The American thinks the Japanese unethical if the latter breaches the contract. On the other hand the Japanese thinks that is unethical if the American demands the details of the contract, when the circumstances have changed. Similar disputes can be seen in case of common sense, gossips, silence etc. [2], [5]

Why is it so important to understand these differences? The world in the last decades has become highly interconnected. People can travel easily all over the world, communicate without any problems, buy any goods from almost everywhere they want etc. All these possibilities gave rise to globalization. Such a progress in the world demolishes national borders and brings different people from different cultures together. Nowadays, there are many international organizations, multinational corporations which deal with cultural diversity. It is not only a case of big and truly international organizations, even small and medium enterprises and organizations have to deal with cross cultural differences, since many businesses have become international. An organization can only survive if these differences are understood and members of the organization know how to synchronize diverse people and gain a positive outcome from it. Hofstede sums the importance of cross-cultural management up: *"The survival of the mankind will depend to a large extent on the ability of people who think differently to act together"* [3], [2], [5]

3.3.3 Culture Categorizing

There are over 200 recognized countries or nations states in the world. Imagine a work team, which consists of 200 different nationalities. Such a high number would make an executive's cross-cultural managing very difficult, if there was not any simplification. Culture sectioning makes managing and succeeding among different cultures easier. It enables:

- predict a culture's behaviour,
- clarify why people did what they did,
- avoid giving offenses,
- search for some kind for unity,
- standardize policies
- perceive neatness

There are many possible categorizing of cultures. For instance, Geert Hofstede defines cultures by five different dimensions; power distance, individualism, masculinity, uncertainty avoidance and long-Term Orientation. Edward T. Hall classifies cultures into groups; monochronic or polychronic, high or low context, past- or future-oriented. Ferdinand Tönnies divided cultures into two categories Gemeinschaft and Gesellschaft. Richard D. Lewis created three groups; linear-active cultures, multi-active cultures and reactive cultures.

For the purposes of this work, the Author has chosen categorization by Richard D-Lewis, whose model gives a solid background for practical part of the work and Geert Hofstede, who is a pioneer in the area of cross cultural management. [2], [3]

Linear-Active Cultures vs. Multi-active Cultures vs. Reactive Cultures

Richard D.Lewis divides cultures into three categories; **Linear Active**, **Multi Active** and **Reactive**. Linear-actives are those who plan, schedule, organize, pursue action chains, do one thing at the time. When then accomplish they move on and start do next thing, which is in schedule. Classic examples are Germans or Swiss. In contrast, multi-actives do many different things at the same time. They are lively and talkative. They plan their priorities according to importance not according to plan or schedule. Spaniards, Italians or Latin Americans belong to this group. The last group is reactive. In this group are cultures where respect and courtesy are honoured. They are calm, great listeners and respond carefully to other's proposals. Chinese, Japanese and Finns are in this group. Table nr.3 gives key features of each group and thus helps to understand differences between them. [2]

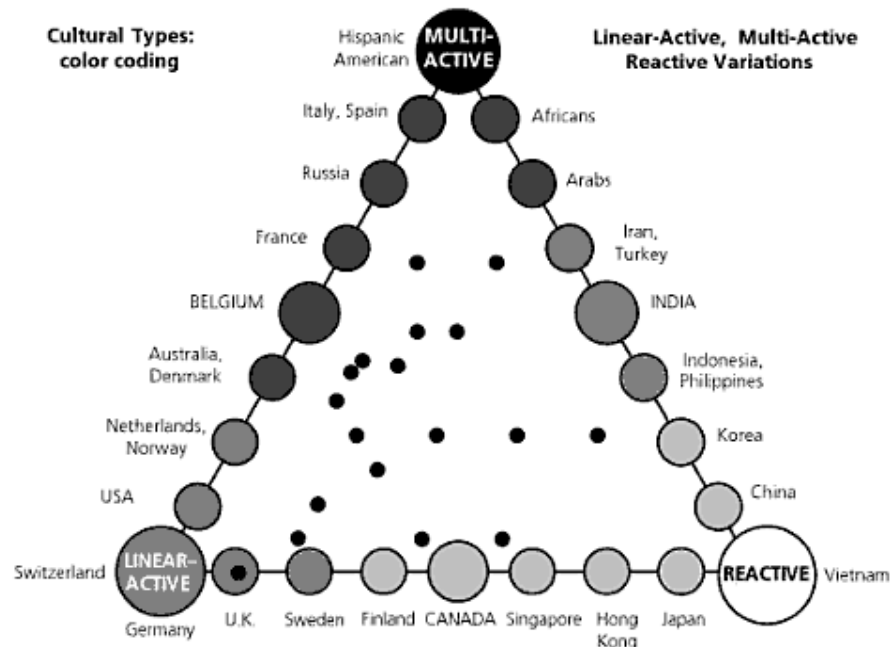
Table nr.3: Key features of linear-active, multi-active and reactive categories

Linear-Active	Multi-Active	Reactive
Introvert	Extrovert	Introvert
Patient	Impatient	Patient
Quiet	Talkative	Silent
Minds own business	Inquisitive	Respectful
Likes privacy	Gregarious	Good listener
Plans ahead methodically	Plans grand outline only	Looks at general principles
Does one thing at a time	Does several things at once	Reacts
Works fixed hours	Works any hours	Flexible hours
Punctual	Not punctual	Punctual
Compartmentalizes projects	Lets one project another	See whole picture
Sticks to plans	Changes planes	Make slight changes
Gets information from statistics, reference book, database	Gets first-hand (oral) information	Uses both first-hand and researched information
Unemotional	Emotional	Quietly caring
Confronts with logic	Confronts emotionally	Avoid conflicts
Follows correct procedures	Pulls strings	Networks
Limited body language	Unrestricted body language	Subtle body language

Source: Lewis, Richard D.: When Cultures Collide: Leading Across Cultures [2]

The exact layout of countries in Lewis's model is illustrated in figure nr. 4

Figure nr.4: Cultural Types Model



Source: Lewis, Richard D.: When Cultures Collide: Leading Across Cultures [2]

It is clear that the reactive countries are usually the ones, which are located in Asia – Japan, Vietnam, China, Korea etc. However, due to globalization in business there is a trend that the economically very successful countries such as Japan or Singapore tend to move forward to linear-active countries. They adopted certain patterns from linear-active cultures, since they do business with them. [2]

When moving from reactive countries to linear-active, Nordic countries begin to appear. Finns and Swedes are considered to be calm and respectful. Nevertheless, Danes, who are perceived as "Nordic Latins" inclines to be more multi-active. Germans and Swiss were already mentioned as a great illustrative example of linear-active countries. [2]

The linear-active/multi-active axis is straightforward. USA, Norway and Netherlands also plan ahead and then follow the plan, although they are more flexible than Germans. Australia ranked in between due to sizeable immigration from Italy, Greece and former Yugoslavia. Belgium is a mixture of linear-active Flemings and multi-active Walloons. French are the most linear-active among the Latins, when Italians and Spaniard the least.

Hispanic Americans, Africans and Arabs are extreme of multi-active. Whereas, Turkey and Iran were influenced by Eastern cultures and thus rank more towards reactive cultures. [2]

Hofstede's Cultural Dimensions

Professor Geert Hofstede is the pioneer at the field of cross-cultural management. He conducted a comprehensive research about how values at workplace are influenced by one's culture. He was working for IBM during 60's and 70's in 70 different countries. His research is based on data collected from employees' at IBM. Hofstede distinguishes 5 culture dimensions:

1. Power Distance Index
2. Individualism vs. Collectivism
3. Masculinity vs. Femininity
4. Uncertainty Avoidance Index
5. Long-Term Orientation vs. Short-Term Orientation

[1]

A) Power Distance Index

It can be defined as the extent to which the less powerful members of organizations and institutions accept and expect that power is distributed unequally. This represents inequality, but defined from below, not from above. It suggests that a society's level of inequality is endorsed by the followers as much as by the leaders. Power and inequality, of course, are extremely fundamental facts of any society and anybody with some international experience will be aware that 'all societies are unequal, but some are more unequal than others. Table nr. 4 shows some differences between small and large power distance index. [1]

Table nr.4: Power Distance Index

Small Power Distance	Large Power Distance
Inequalities among people should be minimized	Inequalities among people are both expected and desired
There should be, and there is to some extent, interdependence between less and more powerful people	Less powerful people should be dependent on the more powerful; in practice, less powerful people are polarized between dependence and counter dependence
Decentralization is popular	Centralization is popular
The ideal boss is a resourceful democrat	The ideal boss is a benevolent autocrat or good father
Powerful people try to look less powerful than they are	Powerful people try to look as impressive as possible

Source: Hofstede, G.: Cultures and Organizations: Software of the Mind [1]

B) Individualism versus Collectivism

This dimension describes the degree to which individuals are integrated into groups. On the individualist side we find societies in which the ties between individuals are loose: everyone is expected to look after him/herself and his/her immediate family. On the collectivist side, we find societies in which people from birth onwards are integrated into strong, cohesive in-groups. Table nr.5 illustrates some of the differences between individualistic and collectivist cultures. [1]

Table nr. 5: Individualism vs. Collectivism

Individualism	Collectivism
Everyone grows up to look after him/herself and his/her immediate (nuclear) family only	People are born into extended families or other ingroups which continue to protect them in exchange for loyalty
Identity is based in the individual	Identity is based in the social network to which one belongs
Relationship employer-employee is a contract supposed to be based on mutual advantage	Relationship employer-employee is perceived in moral terms, like a family link
Management is management of individuals	Management is management of groups
Everyone is expected to have a private opinion	Opinions are predetermined by group membership

Source: Hofstede, G.: Cultures and Organizations: Software of the Mind [1]

C) Masculinity versus Femininity

It refers to the distribution of roles between the genders. Masculinity pertains to societies in which social gender roles are clearly distinct (i.e., men are supposed to be assertive, tough, and focused on material success, whereas women are supposed to be more modest, tender, and concerned with the quality of life. Femininity pertains to societies in which social gender roles overlap i.e., both men and women are supposed to be modest, tender, and concerned with the quality of life. Table nr.6 gives several examples of features in cultures, where prevail masculine or feminine features. [1]

Table nr.6: Masculinity vs. Femininity

Masculine	Feminine
Money and things are important	People and warm relationships are important
In the family, fathers deal with facts and mothers with feelings	In the family, both fathers and mothers deal with facts and feelings
Sympathy for the strong	Sympathy for the weak
Resolution of conflicts by fighting them out	Resolution of conflicts by compromise and negotiation
Big and fast are beautiful	Small and slow are beautiful

Source: Hofstede, G.: Cultures and Organizations: Software of the Mind [1]

D) Uncertainty Avoidance Index

It indicates to what extent a culture programs its members to feel either uncomfortable or comfortable in unstructured situations. Unstructured situations are novel, unknown, surprising and different from usual. Uncertainty avoiding cultures try to minimize the possibility of such situations by strict laws and rules, safety and security measures, and on the philosophical and religious level by a belief in absolute Truth; there can only be one truth and we have it. People in uncertainty avoiding countries are also more emotional, and motivated by inner nervous energy. The opposite type, uncertainty accepting cultures, are more tolerant of opinions different from what they are used to; they try to have as few rules as possible, and on the philosophical and religious level they are relativist and allow many currents to flow side by side. Table nr.7 indicates differences between countries with weak and strong uncertainty avoidance index. [1]

Table nr.7: Uncertainty Avoidance Index (UAI)

Weak UAI	Strong UAI
Uncertainty is a normal feature of life and each day is accepted as it comes	he uncertainty inherent in life is felt as a continuous threat which must be fought
Low stress; subjective feeling of wellbeing	High stress; subjective feeling of anxiety
Comfortable in ambiguous situations and with unfamiliar risks	Acceptance of familiar risks; fear of ambiguous situations and of unfamiliar risks
Comfortable feeling when lazy; hardworking only when needed	Emotional need to be busy; inner urge to work hard
Tolerance of deviant and innovative ideas and behaviour	Suppression of deviant ideas and behaviour; resistance to innovation
Few and general laws and rules	Many and precise laws and rules

Source: Hofstede, G.: Cultures and Organizations: Software of the Mind [1]

E) Long-Term Orientation versus Short-Term Orientation

This fifth dimension was found in a study among students in 23 countries around the world, using a questionnaire designed by Chinese scholars. It deals with virtue regardless of truth. Values associated with Long Term Orientation are thrift and perseverance; values associated with Short Term Orientation are respect for tradition, fulfilling social obligations, and protecting one's "face". [1]

3.4 Czech Culture

In this chapter the author will be describing Czech culture and its specifics. He will explain the cultural impacts on doing business in Czech environment and the way how to successfully collaborate with Czech business people.

3.4.1 Czech Modern History

Czechs and Slovaks were ruled by the Austrian Hapsburg dynasty from year 1526 until the end of the First World War in 1918. Although both nations were living within the Austro-

Hungarian Empire, they were developing independently. Czech provinces were highly industrialized and prospered under the direct Austrian control.

After the end of the First World War, the Austro-Hungarian Empire was broken up into smaller pieces. Czechs and Slovaks reckoned themselves to be the same nation and with approval from Woodrow Wilson and representatives from other winning nations, Czechoslovakia was created. Tomas Garrigue Masaryk became the first president of the Czechoslovakia and led the country until 1935. During this time Czechoslovakia was 10th industrial power in the world and this time is perceived by the Czechs as one of the greatest times in their history. [2], [4]

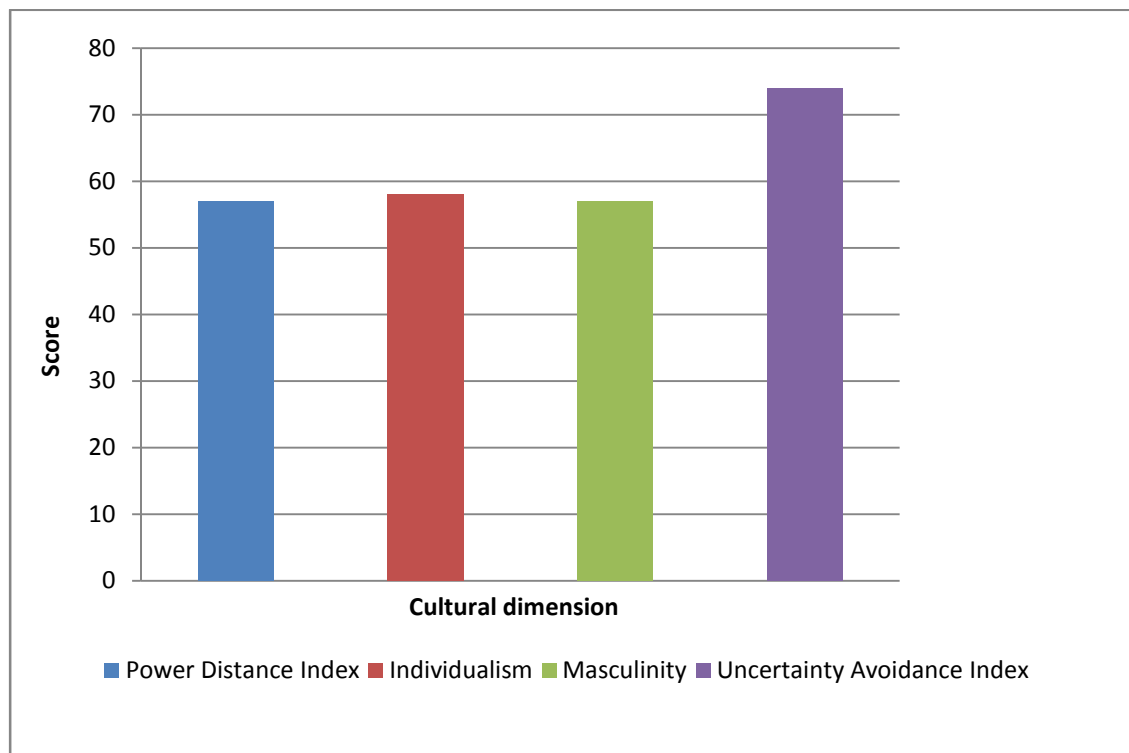
The progress was interrupted by Germans in September 1938, when France, Great Britain, Italy and Germany agreed on annexation of bordering areas with German population to Germany. In spite of a massive Czechs' disapproval and their army mobilization, the Czechs agreed with conditions of annexation and let Germany take over the areas. Later in March 1939 Germany began to occupy the whole Czechoslovakia.

In 1945 the majority of the country was liberated by Soviet army. Such a fact combined with the former annexation and its approval by Great Britain and France gave a rise to a vast reinforcement of the Communist Party. They ruled the Czechoslovakia from 1948 until 1989. The Communist Party started several reforms in the end 60's in order to create "socialism with a human face". These reformatory efforts by Alexander Dubcek were ended by Russians army and others from Warsaw pact in August 1968, when the Czechoslovakia was invaded. Also this time the resistance was rather passive than active. Russian army stayed in the Czechoslovakia until 1991. The communist regime collapsed in 1989 during the Velvet Revolution, which was a non-violent way of changing regime into democratic one. The revolution was led by a play writer and poet Václav Havel, who later became the president of the Czechoslovakia. In 1993 Slovakia separated and created their own state. [2], [4]

The modern history shapes Czech current culture. For instance, almost 50 years under the Soviet control left a legacy of spiritlessness and avoidance of responsibility. Moreover, there is a very strong sense of egalitarianism within the Czech society due to the former communist regime. Also the passive resistance observable in 1939 or 1968 can be considered as a hallmark of the Czechs; the tendency of keeping off the troubles. However, with the new generation coming up, which was raised in a democratic regime, these patterns are slowly disappearing and changing. [2], [4]

3.4.2 Czech Culture in Hofstede's Theory

Graph nr.5: Czech Republic according to Hofstede's Theory



Source: Author

The Czech Republic scores **57** at Power Distance Index, meaning the Czechs accept and expect moderately that power is distributed unequally. The roles in society are distinguished, but the differences are not remarkable. Compared to other European countries, the figure is rather high. However, in comparison to the entire world, it is a rather low score. [1], [3]

The Czechs have on the Individualistic scale score **58**. It is also a moderate figure, inclining to high values. It indicates that Czechs appreciate personal achievements and everyone has a right to have an opinion. Nevertheless, the groups also play a relatively important role in the Czech society and standing out too much can be considered inappropriate. The score is low compared to other European countries, but high in comparison to the rest of the world.

[1], [3]

On the Masculinity scale, Czechs score **57**, which is again a moderate figure, leaning to high values. It suggests that Czechs consider money and success as relatively important things in their lives. Being assertive is somewhat appreciated and encouraged. Nonetheless, there is a certain tendency for showing modesty and humbleness. [1], [3]

Czech Republic has a high level of the Uncertainty Avoidance. It scores **74**, which

indicates a tendency to prevent unstructured situations by having many rules, laws and restrictions. However, compared to other European countries, the figure is medium. [1], [3]

3.4.3 Czech Culture in Richard Lewis's Theory

According to Richard D. Lewis, the Czech Republic in his theory is linear-active and data-oriented country. It suggests Czechs plan well ahead, work fixed hours, do one thing at time within scheduled time and are punctual. Moreover, they like their privacy and mind their own business. They can be considered as quite, unemotional, patient and introvert. More characteristics of liner-active cultures were presented earlier in table nr.3. The similar cultures at linear-active scale as Czech are French, Belgians, Slovenians and Croats. [2]

Data-oriented means Czechs rather stick to accurate facts and figures and make their decision based upon them. They are the key element for decision making process. In contrast, there are dialogue-oriented cultures, which acquire key information through network of their contacts. Facts and figures are considered as only part of the big human picture. [2]

3.4.4 Key Concepts and Values in Czech Culture

Before examining the key values and concepts, it is essential to point out a fact that people's attitudes towards business issues differ significantly according to the generation they belong to. It is because of a fact that the older generation is influenced by the Soviet-style systems they were brought up to see as the norm. However, the younger generation, which has gained education and has started to work in post-soviet era, is vastly influenced by western business styles. [33]

Values

There are several key values, which a foreigner should bear in mind, when doing business with the Czechs and by which they can be characterized.

The Czechs adhere to formality and politeness. It can be observed at usage of academic titles or "Mr./Mrs." in verbal and written communication when addressing people. It is considered offensive to use first names without permission. First names are reserved for friends and family. This differentiation is also seen in the Czech language, which formal and informal versions vary significantly. Their usage occasions are markedly distinguished. Moreover, any ostentatious behaviour or disrespectful body language is disliked and considered as inappropriate by the Czechs. [2], [4], [33], [34]

Furthermore, the Czechs are known for being reserved and restrained. They value their privacy and try to keep business separately from personal lives. Thus, friendships with

colleagues and working relationships emerge after a relatively long period of time. For instance, as networking is almost necessary in many countries to open and expand your business, the term “networking” does not exist in the Czech language. Closely related to being reserved is a problem of developing a deep business relationship with Czech businessmen. Such mistrust is from the entire beginning of a relationship and can be purged only through a great period of time. Therefore, being patient and relentless is crucial for developing a successful business relationship. [2], [4], [33], [34]

Among key values also belongs keenness for orderliness. Earlier mentioned high uncertainty avoidance index suggests that the Czechs try to prevent unknown situations and tend to eliminate doubtfulness whenever possible. As a result, they are more likely to adhere to rules and regulations in order to reduce the amount of uncertainty and allow for careful planning. Therefore, there is excessive officialdom and stifling bureaucracy. An example can be seen in days needed for opening a new business, which exceeds the OECD average by more than 6 days (see table nr.2). [2], [4], [33], [34]

More values typical for Czech culture provides table nr. 8.

Table nr. 8: Values in Czech Culture

Individualism, creativity	Sense of humour
Work ethic	Flexibility
Love of learning	Pragmatism, egalitarianism
Tolerance, tidiness, thrift	Rationality
Love of music	Discipline, steadiness, loyalty
Morality	Lack of self-confidence
Lasting friendships	Passive resistance

Source: Lewis, D. Richard: When Cultures Collide [2]

Management style

Since the Czech Republic has rather high power distance index, Czech managers incline to use paternalistic leadership style. It reflects the hierarchical, bureaucratic nature of the ex-state monopolies which were the norm in the economy. This leadership style marks out a fact that managers tend to keep distant from their subordinates and give direct commands which employees are expected to follow without questioning them. However, a leader can still consult possible options with his or her subordinates. Knowledge, exercising power and showing authority are respected characteristics of Czech business leaders. Thus, leadership is vertically structured and decision-making is centralized, where individuality takes responsibility

for the decision. [2], [4], [33], [34], [35]

As was already mentioned, the Czechs are reserved and do not trust easily when meeting new people. These characteristics have consequences on a team work. It takes relatively long time to create bonds among team members. It is necessary to give a team time in order to work effectively and successfully. Team in the Czech Republic is viewed as a group of individuals reporting vertically to a strong leader and interaction between team members at the same peer level is more limited. [2], [4], [33], [34], [35]

Space and time

The Czechs are not particularly tactile people. Kissing, embracing and hugging in public occur very rarely. However, handshaking is needed for greeting and leaving. The distance, which is required to keep for being comfortable, is around a meter. [2]

The Czechs' relationship towards time is similar as Germans have. They arrive on time for appointments and expect it from their business partners. [2]

Communication

The Czechs are soft speakers, who display only little body language. They communicate pensively and self-possessedly. Going straight to the point is not typical and conclusions usually take a long time to achieve. They are often seen as phlegmatic and indolent. Moreover, the Czechs think of themselves as non-confrontational, which mirrors the way they speak. Their communication is rather indirect in order to avoid hurting somebody feelings. Thus, it is difficult to get a straight "no" from a business partner. He or she will more likely talk around the topic in order to elude confrontation. [2], [4], [33], [34]

The Czechs are attentive listeners, always polite and courteous. As well as when they talk, their body language is limited during listening. It makes hard to their business partners to know what they think. Interruption does not occur often. They incline to wait and think over before giving a response to a discussed topic. They like to stick to a topic, which is discussed and make it clear in order to avoid ambiguity. If they are unhappy, their respond can be ironic and include hidden sarcasm. [2], [4], [33], [34]

Business Meetings and Negotiations

Meetings should be planned well in advance, it is difficult to arrange meeting on a short notice. During the meetings the Czechs take a reserved and often impersonal approach. Their body language is limited as well as showing emotion or facial expressions. Therefore, it can be rather difficult to be able read your counter partner. However, the lack of body language does

not mean counter partner's unconcern. Due to reserved Czech nature, establishing trust and friendship is slow and requires relatively long time. [2], [4], [33], [34]

The Czechs can be described as reflective and rational when negotiating. They avoid confrontation and tend to show their flexibility and adaptability. The negotiation process is gradual, slow and detailed. The Czechs adopted the German tendency to slow and methodical planning. Every aspect of the deal is carefully perused. It is necessary to have all facts and figures at disposal, since the Czechs are data-oriented and they make their decisions based upon fact and figures. Establishing and securing trust is a crucial element of the negotiation process, even up to the closing of a business deal. Final decisions are rarely sealed verbally and any renegotiating may damage business credibility. [2], [4], [33], [34]

Motivation

According to a survey by European Working Conditions Observatory from 2005, for Czech employees, a good basic pay remains the most important motivator and a source of loyalty to the employer. Interpersonal relations in the workplace ranked in the second place, followed by respectful treatment from the employer. Employees also rate a non-confrontational environment and good compensation as more important than either the nature of the work being performed or career advancement. A possibility of advancement, the prospects of long-term career growth, and the possibility of continuing education and development are less important sources of motivation for the Czechs. Only one-third of employees consider these factors to be extremely or very important. [2], [4], [33], [34], [36]

Corruption

Corruption in the Czech Republic represents one of the biggest problems, which the country has to face. It is a legacy of communistic regime, when the corruption became a usual way of getting things done. According to Transparency International Corruption Perceptions Index 2010, Czech Republic ranks 52, which is deep below EU average. Many studies showed dramatic negative consequences of bribery on economic, political and social situation of a country. [37], [38]

4. Survey of attitudes

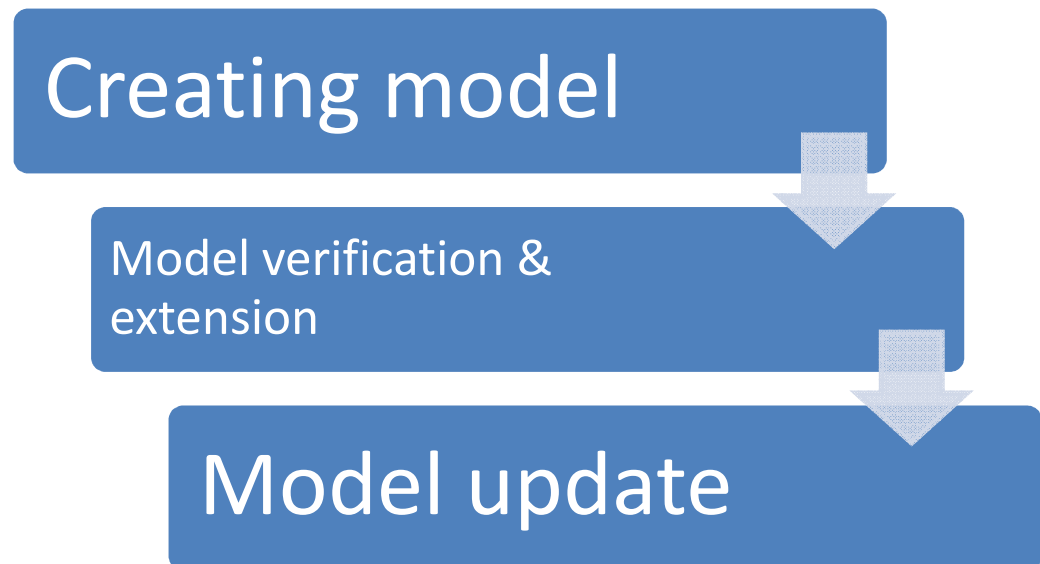
In the theoretical part, the Czech Republic's business background and Czech business culture are presented.

In the practical part the author asks foreigners, who do business in the Czech Republic about Czech culture and its effects on doing business. The focus is put upon well educated foreigners, who can bring their gain knowledge and experience, which are beneficial for the progress of the Czech Republic. Hence, manual workers are excluded from the research. Also, Slovaks are excluded from the research thanks to their similar cultural background.

The author works with an assumption that culture modifies over a time. This is especially valid in a country, which went through a recent dramatic change and started to be influenced by western culture almost overnight. These events gave rise to a dramatic cultural change, which can be also seen in doing business.

The theoretical findings are used as to create a model for the practical part. The model is verified. Moreover, the model is updated with new findings. The scheme of author's approach is illustrated in figure nr.5:

Figure nr.5: Scheme of the author's procedure:



4.1 Creating the Model

As was already mentioned above, the model is based on the theoretical part of the work, which analyses the Czech Republic and its key cultural values and concepts. The author picked the values and concepts, which are typical for the Czech culture and can affect doing business. Moreover, the author included other concepts to be examined; networking, corruption and characteristics of a typical business person

Here is the list of the values and concepts, which creates the model about the Czech culture. Detailed description can be found in theoretical part:

- Being formal
- Being reserved and restrained
- Tendency to have many rules and restrictions
- Being soft speakers and displaying little body language
- Avoiding confrontation and rather using passive resistance
- Lacking self-confidence
- Loyalty to a company or a business partner
- Being creative
- Using a lot of humour

Concepts and questions extending the findings and not present in the model:

- Ease of networking
- Corruption
- Characteristics of a typical business person

Effects of these concepts and values on doing business in the Czech Republic are analysed. They can be perceived as:

- Positive
- Rather positive
- Rather negative
- Negative

In case of creativity, humour, lacking-self confidence and corruption is no need for studying their impacts. Creativity and humour are clearly positive and, in contrast, corruption and a lack of self-confidence are negative.

4.2 Findings

In total, the author approached 146 foreigners and 55 respondents filled out the questionnaire and four persons were interviewed. The majority of respondents come from the United States of America (19 respondents), followed by British (9 respondents) and French (3 respondents). In total 23 different nationalities completed the questionnaire. The exact figures show table nr. 9

Table nr.9: Nationalities of Foreigners

Nationalities	Number of Respondents
American	19
British	9
French	3
Swiss	2
Mexican	2
Dutch	2
Russian	2
Belgian	1
German	1
Chinese	1
Italian	1
Bulgarian	1
Danish	1
Japanese	1
Chilean	1
Polish	1
South African	1
Hungarian	1
Portuguese	1
Brazilian	1
Ukrainian	1
Romanian	1
Peruvian	1

Source: Author

Respondents were divided into four different categories according to the length of doing business in the Czech Republic. Categorization illustrated table nr. 10

Table nr.10 Foreigners according to Their Length of Doing Business in the Czech Republic:

The length	Number of respondents
0-1 years	10
2-4 years	18
5-10 years	19
11 and more years	8

Source: Author

Respondents were also divided into two groups based on their cultural background. The key for a division was theoretical model by Richard Lewis. The groups are following: **Linear-active**, **Multi-active** and **Reactive**. Unfortunately, there were not enough respondents for the Reactive group, therefore, it is omit from the analyses based on cultural background. The respondents are, however, included in all other analyses. The detailed description of the groups can be found in chapter 3.3.3. Table nr.11 shows the categories.

Table nr.11 Foreigners according to Their Culture

Group	Included Nationalities	Number of Respondents
Linear-Active	American, British, Dutch, Swiss, Danish, German, South-African	35
Multi-Active	Brazilian, Mexican, Italian, French, Belgian, Russian, Ukrainian, Romanian, Portuguese, Polish, Peruvian, Chilean, Hungarian	18

Following tables present the exact research findings; including comments, which were summarized and edited.

Question	From your experience, do you perceive the Czechs as formal?
Answers	Yes: 38 No: 17
Question	If yes, do you perceive it for doing business as:
Answers	Positive: 4 Rather positive: 13 Rather negative: 20 Negative: 1
Comments	<ul style="list-style-type: none"> - Very ingrained system of politeness makes it difficult to operate outside of preordained parameters. - The Czechs like to feel being important. Showing them enough respect is crucial. - For instance, people use their academic titles on their door bells.

Question	From your experience, do you perceive the Czechs as reserved and restrained?
Answers	Yes: 45 No: 10
Question	If yes, do you perceive it for doing business as:
Answers	Positive: 1 Rather positive: 9 Rather negative: 27 Negative: 8

Comments	<ul style="list-style-type: none"> - The Czechs seem to be very cold and reserved, not showing much of body language. However, after a certain period of time, when trust is built, they are not reserved anymore. - Being reserved makes hard to read people and their thoughts. - It is necessary to interact more with the Czechs to overcome their seclusiveness - Chit chats do not take a long time, people usually go straight to business.
-----------------	--

Question	From your experience, do you think it is difficult to network with Czech business persons?
Answers	<p>Yes: 34</p> <p>No: 21</p>
Question	If yes, do you perceive it for doing business as:
Answers	<p>Positive: 0</p> <p>Rather positive: 1</p> <p>Rather negative: 23</p> <p>Negative: 10</p>
Comments	<ul style="list-style-type: none"> - During networking events the Czechs either sit in a back, because their boss sent them there or to see what is new on the market. However, they lack efforts to actively engage and gain new experience from other people at the event. - The Czechs give bad first impression, thus foreigners rather network with other expats. Nevertheless, successfully networking with Czechs requires enough time and then it is easy. - The Czechs are open to new business opportunities.

Question	From your experience, do you think the Czechs tend to have many rules and restrictions?
Answers	Yes: 38 No: 17
Question	If yes, do you perceive it for doing business as:
Answers	Positive: 1 Rather positive: 3 Rather negative: 20 Negative: 14
Comments	<ul style="list-style-type: none"> - Getting visa is very problematic. An assistant from a Czech person facilitates the procedure significantly. - Czech bureaucracy makes it very difficult to get things done. - Feeling that many things have to be done for no reason whatsoever. - A process for setting up a limited liability company for a foreigner requires a vast amount of paperwork, many stamps at government offices. - Rules and restrictions are needed for preventing disorderliness

Question	From your experience, do you think a team in the Czech Republic works as a group of individuals reporting vertically to a strong leader and interaction between team members is more limited?
Answers	Yes: 39 No: 16

Question	If yes, do you perceive it for working as:
Answers	<p>Positive: 0</p> <p>Rather positive: 6</p> <p>Rather negative: 19</p> <p>Negative: 14</p>
Question	If no, how would you briefly describe team-working in the Czech Republic?
Answers	<ul style="list-style-type: none"> - I do not see good "follower" attitude which might make strong leadership possible in my Czech colleagues. Meanwhile, people look dependent on each other. Leader as a person who cleans the mess seems to be a definition of the leader and his/her charisma in the Czech Republic. - The Czechs yield quickly & directly to a strong leader, and work hard to look good in the leader's eyes. But they network between themselves, politicizing each situation, drawing lines between perceived friends (insiders) and competitors (outsiders). This characteristic is rather omnipresent among most Czechs, and does not cultivate a strong sense of team spirit and cooperation. - Their first reaction to any proposed new program is not how do we achieve it and what good will it bring, but rather how does it affect me and how can I benefit from this. - If in situations where there is a strong leader, there is often a lack of common vision. Therefore, even in cases where there is a strong leader there is a lot of interaction between team members to compensate for the lack of vision/ lack of clear, common goals. - Working with Czechs in a team is different every time, depending on who is in your team. It has ranged from really hard working, dedicated team members who are always one step ahead of, to people who don't even try to make it look like they are working. - Working on a team there is usually one main leader. From there the group will follow the hierarchy even if they don't agree. They feel that since he/she is the team leader that they must know best and

	<p>therefore, even if they are incorrect will follow.</p> <ul style="list-style-type: none"> - I don't find that a lot of initiative is taken. No one wants to be a leader or try new ideas. It seems to me as if people just wait to be told what to do. - I think, in Czech teams you have individuals, who mainly try to look good in boss's eyes - From my experience Czech teams are able to work rather independently and communicating effectively among the team members.
<p>Comments</p>	<ul style="list-style-type: none"> - The Czechs do not have a good spirit when team working. They are lacking pro-activity and often bring negativisms, which impairs a good spirit. - They work hard in order to reach a set goal - Self employed, cannot comment on team work. - We have trained the Czechs employees to solve problems rather than take orders. We have insisted that they become more assertive. I have heard from other ex pats that Czechs work very badly in teams, they work against each other. - Czechs in general seem to be competent when they are told what to do by a leader and have the knowledge of facts / methods to execute the tasks; they tend to however not be very pro-active. There seems to be a fear of taking responsibility. - Team work is generally good, members tend to cooperate well. - Working with a team of Czechs can be rather difficult because they are really individualistic, independent and reserved. - An average, inter-culturally not exposed person will work very well in the above structure. Younger people with international experience can be introduced to more western stylish structured. - Distant, suspicious, slow, not seeing the big picture.

Question	From your experience, do you perceive the Czechs as soft speakers, who display only little body language when communicating?
Answers	Yes: 39 No: 16
Question	If yes, do you perceive it for doing business as:
Answers	Positive: 0 Rather positive: 8 Rather negative: 27 Negative: 4
Comments	<ul style="list-style-type: none"> - It makes people hard to read. - Only a few people smile. The Czechs keep a distance and feel uncomfortable when their personal space is invaded.

Question	From your experience, do you think the Czechs tend to avoid direct confrontation and rather use passive resistance?
Answers	Yes: 48 No: 7
Question	If yes, do you perceive it for doing business as:
Answers	Positive: 1 Rather positive: 5 Rather negative: 24 Negative: 18

Comments	<ul style="list-style-type: none"> - For instance, the Czechs rather accept bad service than to complain about it. - Talking behind back occurs often. - It makes hard to find any possible errors or problems, because the Czechs do not tell you straight. It needs to escalate to a monumental proportion in order to be confronted.
-----------------	--

Question	Have you ever come across corruption, when doing business in the Czech Republic
Answers	<p>Yes: 30</p> <p>No: 25</p>
Comments	<ul style="list-style-type: none"> - Not sure if when officials are making life difficult, it means asking for a bribe.

Question	From you experience, do you think the Czechs have a lack of self-confidence?
Answers	<p>Yes: 36</p> <p>No: 19</p>
Comments	<ul style="list-style-type: none"> - The Czechs are not initiative - A lot of people lack confidence in the Czech Republic and tend to be overly excited about foreign matters. Bu they are rightfully proud of their progress since the end of communism. - For instance, during job interviews sometimes the candidates do not know how to sell themselves.

Question	From you experience, do you think the Czechs are loyal to their company or business partner?
Answers	Yes: 29 No: 26
Comments	<ul style="list-style-type: none"> - Not like Japanese style loyalty, but the Czechs, like in any other functional capitalist society, tend to focus on their own self-interest and forwarding their careers. - They work in order to earn money. They do not push the company forward or commit themselves to the company. The bond between the company and the employee is missing.

Question	From you experience, do you perceive the Czechs as creative?
Answers	Yes: 29 No: 26
Comments	<ul style="list-style-type: none"> - The Czechs rather operate in established norms rather than creating new ones - They lack pro-activity and usually do not come up with new ideas.

Question	From you experience, do you perceive that the Czechs use relatively a lot of humour when communicating?
Answers	Yes: 22 No: 33
Comments	<ul style="list-style-type: none"> - It tends to be dark and verbal. - They usually tell the jokes among themselves. It is usually black humour.

Question	If you should describe a typical Czech business person by using 3-5 characteristics, which would they be?
Answers (Summary)	<ul style="list-style-type: none"> - Lacking initiative - Intelligent - Not customer oriented - Short-term oriented - Mediocre - Risk averse - Submissive - Quite - Hard-working - Polite

Question	On a scale from 1 to 5, please rate the ease of doing business in the Czech Republic (1- the highest, 5- the lowest)
Answers	<p>1: 0</p> <p>2: 13</p> <p>3: 22</p> <p>4: 19</p> <p>5: 1</p>

5. Analysis of Results

5.1 Model Verification

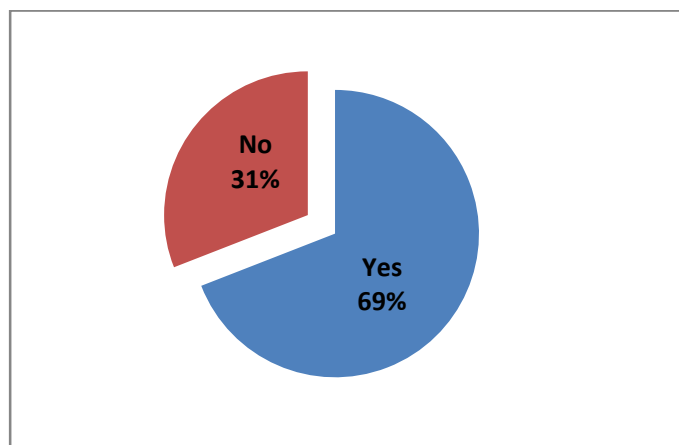
The analysis of the survey results is created and compared to the proposed model.

5.1.1 Findings Comparison and the Model Extension

The model: The Czechs are formal.

The findings: The structure of respondents' answers is illustrated in graph nr. 6

Graph nr.6: The Czechs as Being Formal

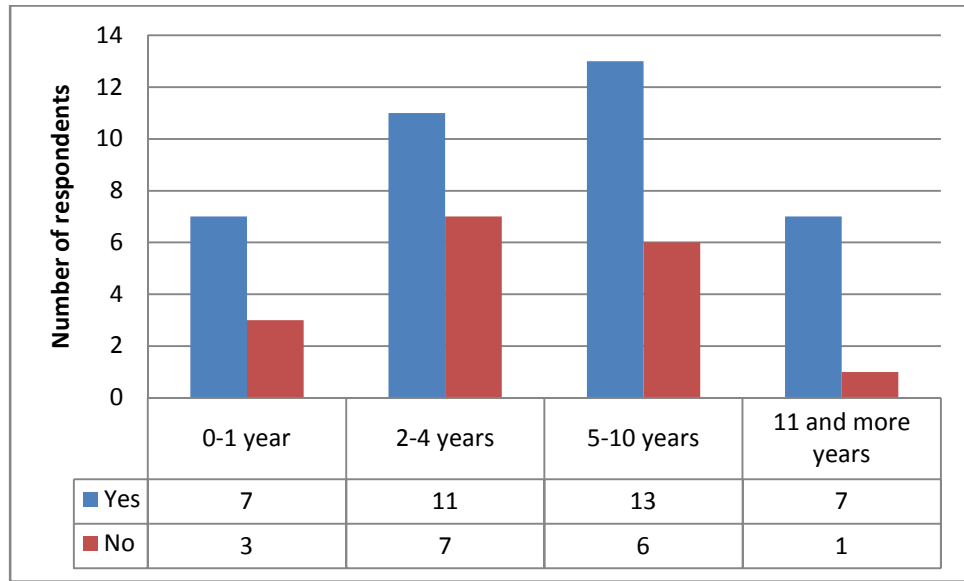


Source: Author

38 out of 55 respondents see the Czechs as formal. Also, the comments indicate that the Czechs like when people show them a lot of respect and recognition. That can be seen, for instance, at adding academic titles on door bells. Moreover, for less formal cultures it can be rather difficult to operate in the system, where people are formal. However, **31%** of respondents do not perceive the Czechs as formal, which is a relatively high figure.

Graph nr.7 analyses the answers according to the length of doing business in the Czech Republic and can explain the figure.

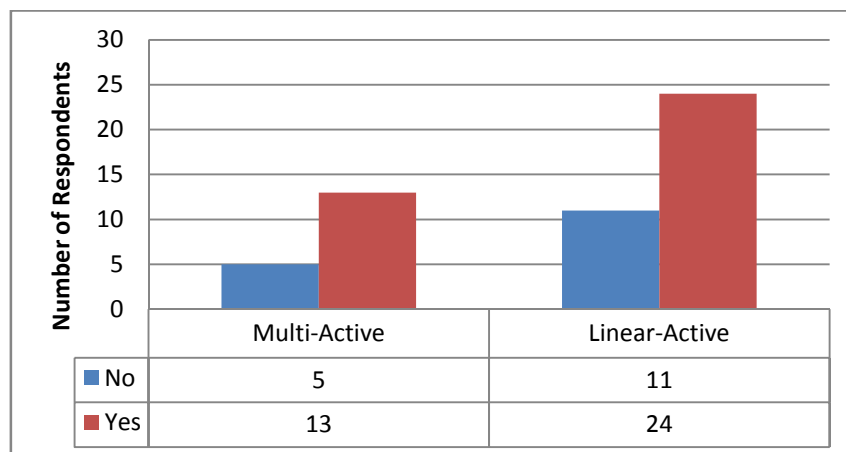
Graph nr.7: Formality in the Czech Republic according to the Length of a Stay



Source: Author

The foreigners, who have been in the Czech Republic for more than 11 years almost unanimously, claim that Czechs are formal (**85.7%**). However, the foreigners, who have been in the Czech Republic for a shorter period of time (categories 0-1 year, 2-4 years and 5-10 years) do not unequivocally think that. Only **65.9%** of them (31 out of 47 respondents) think that the Czechs are formal. It can be due the fact, the younger generation, who they interact with, is becoming less formal. Such a trend can explain the differences in the answers.

Graph nr.8: Formality in the Czech Republic according to the Cultural Background

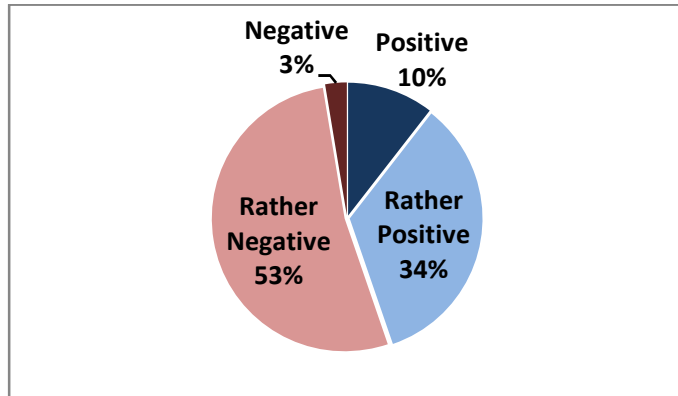


Source: Author

There are no significant differences in the answers structure between two examined groups.

Model extension: Graph nr.9 illustrates perception of the formality among the respondents, who agreed with the asked question.

Graph nr.9: Perception of the Formality



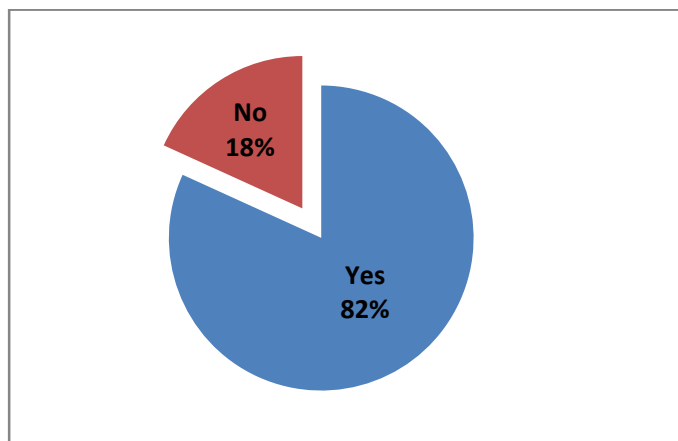
Source: Author

21 out of 38 respondents perceived formality as negative or rather negative for doing business in the Czech Republic. That is slightly over a half of respondents, who perceived the Czechs as formal. The result suggests it is not a crucial issue for foreigners.

The model: The Czechs are reserved and restrained.

The findings: The structure of respondents' answers is illustrated in graph nr. 10

Graph nr.10: The Czechs as Being Reserved and Restrained

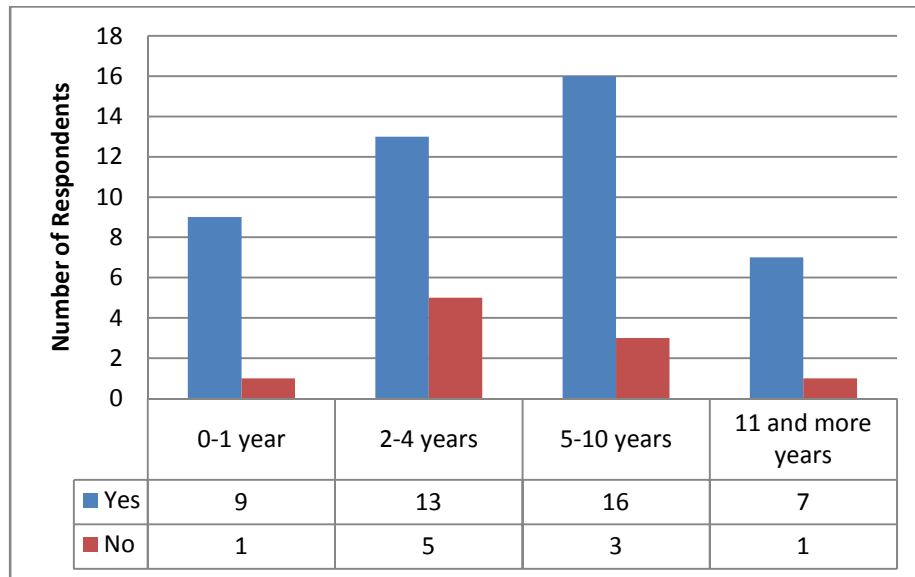


Source: Author

45 out of 55 respondents claimed the Czechs are reserved and restrained. It indicates an overall agreement with the statement. Respondents were adding that people seem cold and stuffy in the Czech Republic and use only limited body language. Among the respondents was a mutual opinion that it takes a relatively long time and enough interaction with the Czechs in

order to develop a closer relationship and overcome their reticence. Moreover, people assert that this fact makes the Czechs hard to read. The overall reticence can be observed, for instance, at using only a very small chit chat before a start of a meeting.

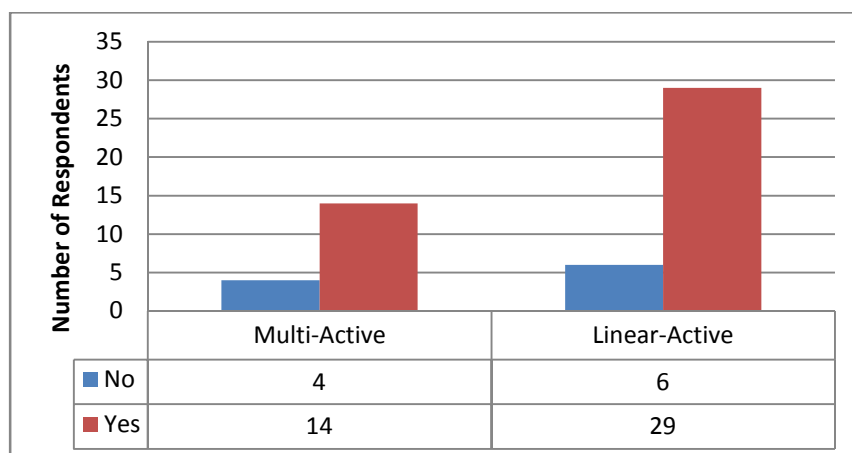
Graph nr. 11 Reserve in the Czech Republic according to the Length of the Stay



Source: Author

The model of the Czechs being reserved is agreed across all categories. However, foreigners, who are in the Czech Republic between 2 and 4 years, tend to be more ambiguous about the model than the other categories.

Graph nr. 12 Reserve in the Czech Republic according to the Cultural Background

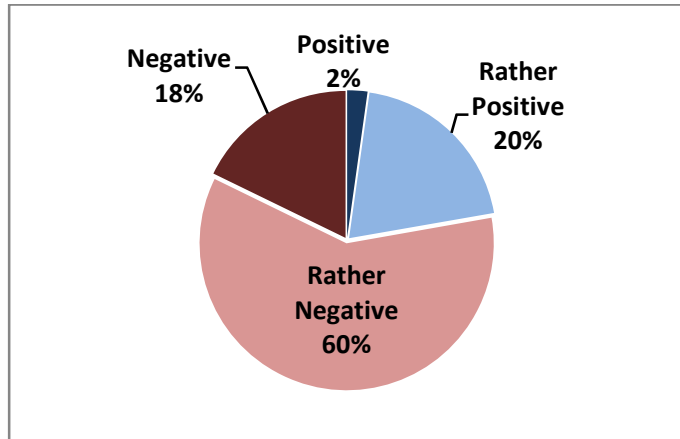


Source: Author

There are no significant differences in the answers structure between two examined groups. However, since the people from multi-active culture tend to be extrovert and liner-active introvert, different structure in the answers would be expected.

Model extension: Graph nr.13 illustrates perception of the reserve among the respondents, who agreed with the asked question.

Graph nr. 13: Perception of the Reserve



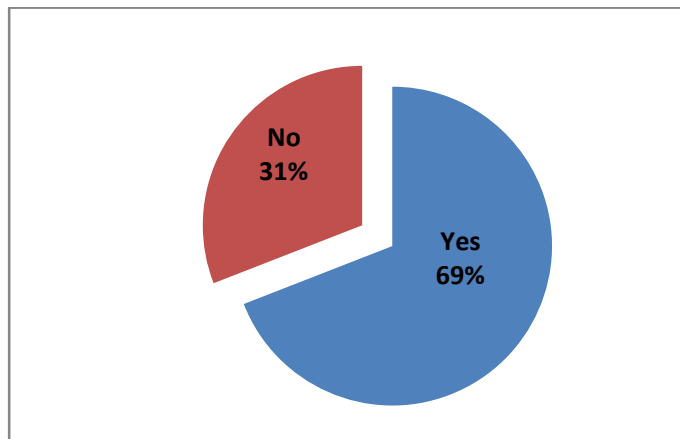
Source: Author

35 out of 45 respondents perceive the reserve as negative or rather negative for doing business in the Czech Republic. In total, it is **78%**. Such a finding asserts that the fact the Czechs are restrained makes doing business more complicated and difficult.

The model: The Czechs tend to have many rules and restrictions

The findings: The structure of respondents' answers is illustrated in graph nr. 14

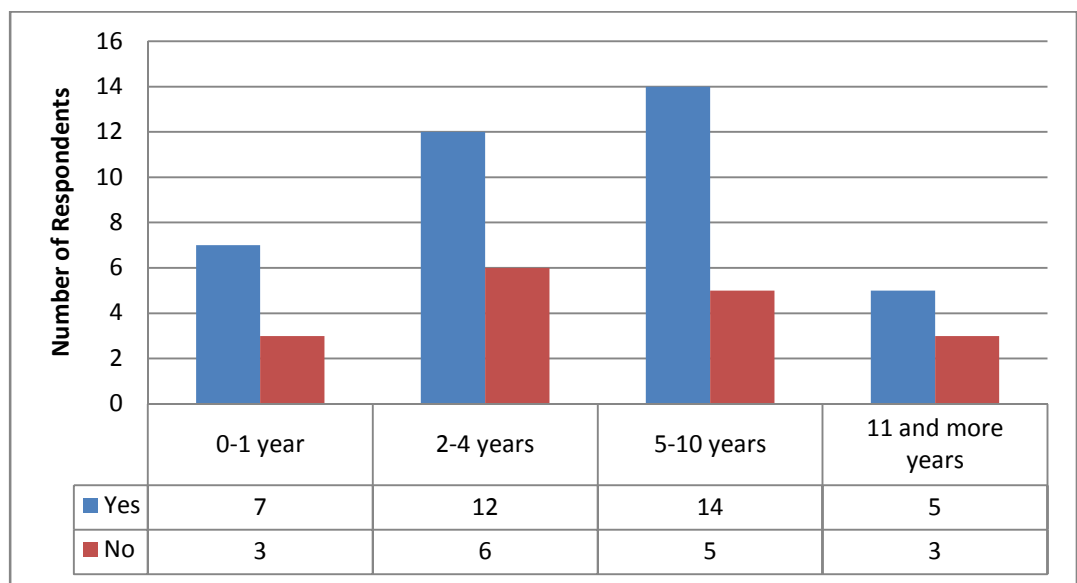
Graph nr.14 The Czechs Tend to Have Many Rules and Restrictions



Source: Author

38 out of 55 respondents agreed that the Czechs tend to have many rules and restrictions. Foreigners mostly complained about a high level of bureaucracy, which makes doing business difficult and slows implementing new ideas into practice. A good example can be seen at obtaining a visa, which takes a long time and the procedure is complicated. Thus, assistance from a Czech speaking person is highly recommended. However, the survey also suggests that rules and restrictions are needed, because they create guidelines, which prevent from any kind of disorder. One respondent added that many Czechs still believe that a free economy means “wild west”; therefore, many rules can prohibit them from unbridled actions.

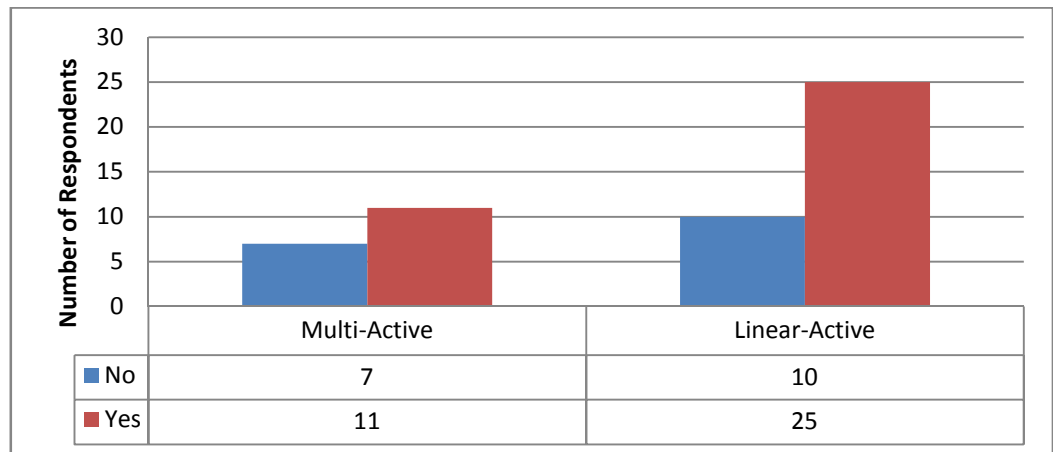
Graph nr.15: Tendency to Have Many Rules according to the Length of the Stay



Source: Author

There are no significant differences in the answers across categories. Only the foreigners, who have been in the Czech Republic for 11 and more years, are ambivalent about the tendency to have many rules and restrictions. It can be explained by the fact that they got used the situation and do not perceive the tendency anymore.

Graph nr.16: Tendency to Have Many Rules according to the Cultural Background



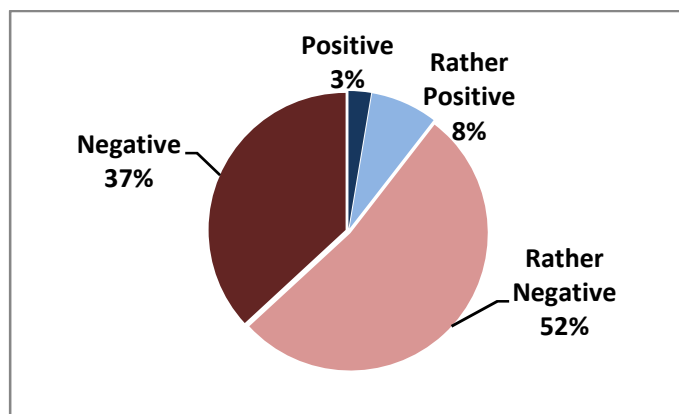
Source: Author

Graph nr.16 proves the fact that nations with multi-active culture tend to have many laws and rules. Thus, they do not see such a tendency in the Czech Republic.

In overall, majority of the foreigners think that the Czechs tend to have many rules and restrictions. Nevertheless, the majority is not remarkable, implying the difference from the rest of the world is not significant.

Model extension: Graph nr.17 illustrates perception of the rules and restrictions among the respondents, who agreed with the asked question.

Graph nr. 17: Perception of the Rules and Restrictions



Source: Author

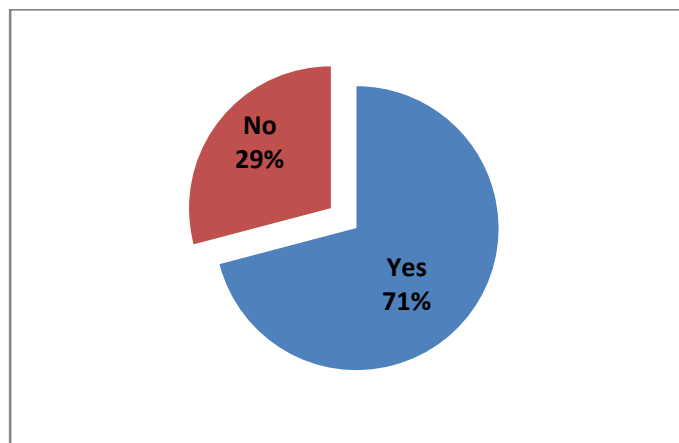
34 out of 37 respondents perceived many rules and restrictions as rather negative or negative for doing business in the Czech Republic. According to the comments, it is explained but the high level of bureaucracy, which creates barriers for doing business in the Czech Republic. It makes difficult to navigate through the system and slows the overall progress of

the business. However, such a high number is surprising, since the rules and restrictions create certain guidelines and patterns, which eliminate disorderliness. Therefore, they also have a positive impact on doing business.

The model: A team in the Czech Republic works as a group of individuals reporting vertically to a strong leader and interaction between team members is more limited.

The findings: The structure of respondents' answers is illustrated in graph nr. 18

Graph nr.18 The Czechs and Team working



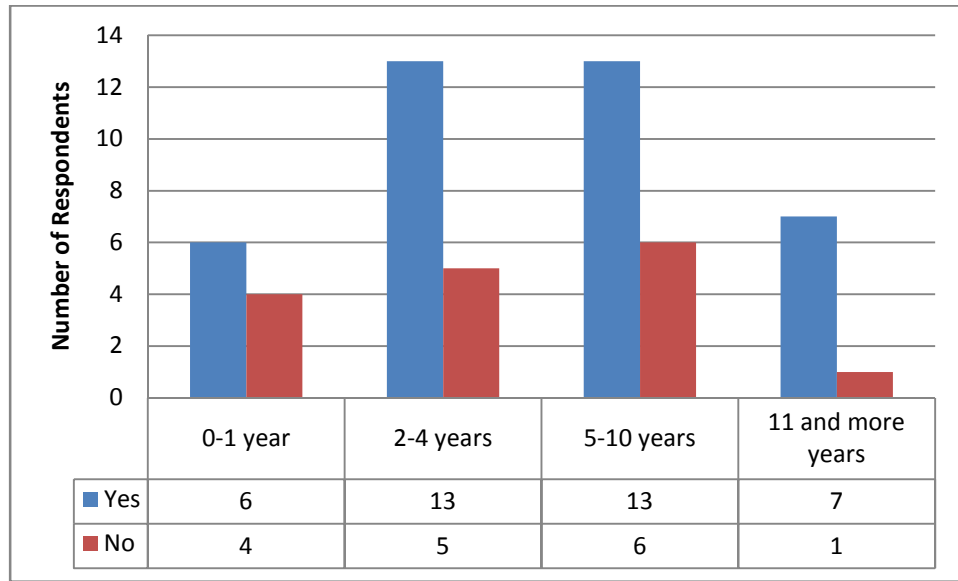
Source: Author

39 out of 55 respondents agreed with the asked question. The **16** respondents answered in different ways about team-working in the Czech Republic. However, several respondents claimed that usually there is a one main and strong leader in a team. The team members communicate between themselves either because they politicize each situation, draw lines between perceived friends (insiders) and competitors (outsiders) or the communication compensate for lack of vision and common goals.

In contrast, a few respondents assert that communication between team members works effectively and team members work hard to reach the set goals. This ambiguity of the responds marks a wide range of team-working styles in the Czech Republic. However, the figure of a strong powerful leader is a denominator of a team working in the Czech Republic.

Among the comments about team working the most often occurred a lack of pro-activity and assertiveness. The team members only rarely question the boss's orders. Moreover, the Czechs often bring negativism into teams, which impairs a good spirit. Also, several respondents noted that the Czechs work individually so their performance can be clearly recognized and appreciated in boss's eyes. In general, respondents perceive team-working with the Czechs as difficult.

Graph nr. 19: Team working according to the Length of the Stay

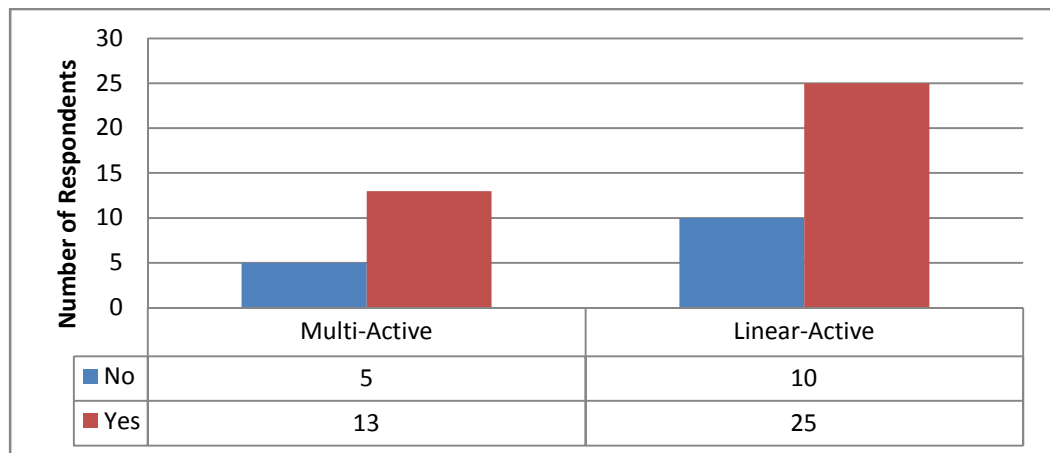


Source: Author

From the graph nr.19 is visible that the foreigners, who have been living in the Czech Republic for more than 11 years have almost identical opinion on team-working and agree with the asked question.

In contrast, the foreigners, who have been in the Czech Republic up to one year, do not fully agree with the model. It can be result of the changing pattern of the team-working, where the more western styles have been introducing recently and foreigners do not see any vast differences.

Graph nr. 20: Team working according to the Cultural Background

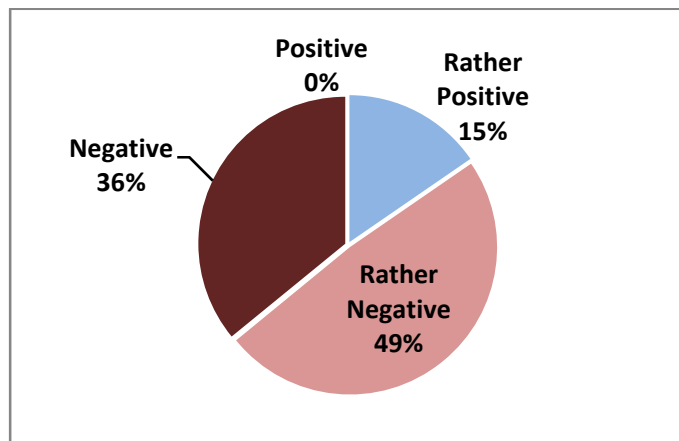


Source: Author

There are no significant differences in the answers structure between two examined groups.

Model extension: Graph nr.21 illustrates perception of the team-working among the respondents, who agreed with the asked question.

Graph nr. 21: Perception of Team-working in the Czech Republic



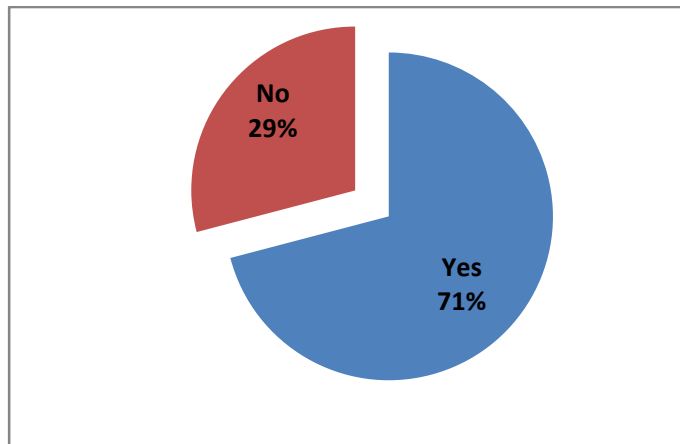
Source: Author

33 out of 39 respondents perceived team-working style in the Czech Republic as negative or rather negative for doing business in the Czech Republic. None of the respondents see it as positive. It shows that majority of foreigners do not find team-working easy and smooth. Usual complaint was against a lack of pro-activity and individualistic approach, which limits smooth running of the team. Moreover, the problem of not questioning leader's orders and ideas occurred in the research several times. However, the foreigners were satisfied with the fact that the Czechs work hard in order to reach the set goal.

The model: The Czechs are soft speakers, who display only little body language when communicating

The findings: The structure of respondents' answers is illustrated in graph nr. 22

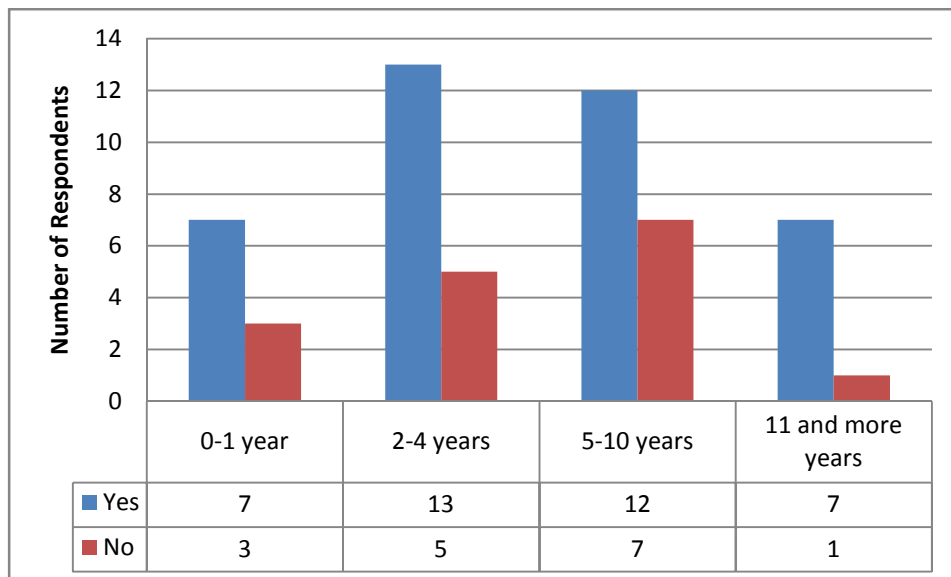
Graph nr.22: The Czechs Being Soft Speakers, Displaying Only Little Body Language



Source: Author

39 out of 55 respondents agreed with the asked question. The additional comments were indicating that such a fact makes people hard to read. Furthermore, the respondents added the Czechs rarely smile and keep a distance from the others. They do not feel comfortable, when their personal space is invaded.

Graph nr. 23: The Czechs Being Soft Speakers according to the Length of the Stay

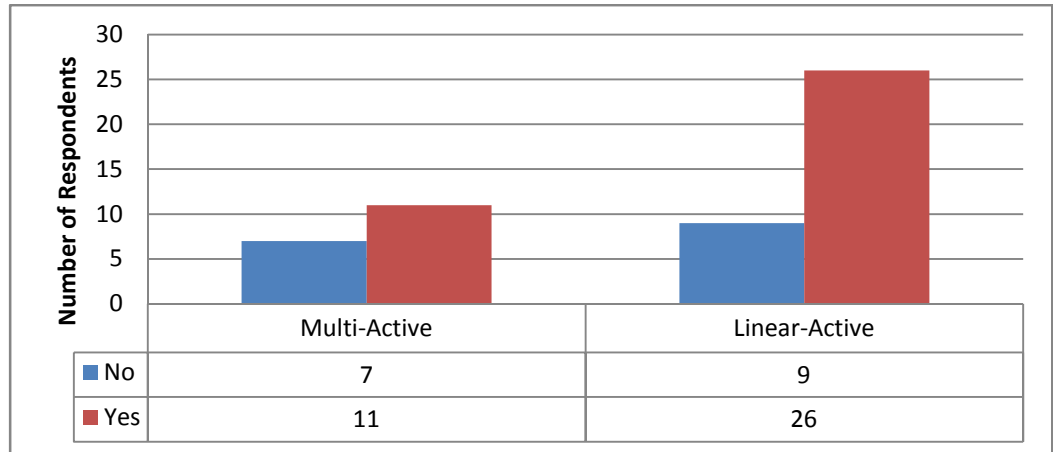


Source: Author

In the graph nr.23 can be observed variety in the answers among different categories. The respondents, who have lived in the Czech Republic for more than 11 years, almost harmoniously perceive the Czechs as soft speakers. In contrast, the answers are not uncompromising among the other categories. Again, it can be clarified by the fact that the

Czechs have been changing under the influence of the western cultures, where more of body language is used.

Graph nr. 24: The Czechs Being Soft Speakers according to the Cultural Background

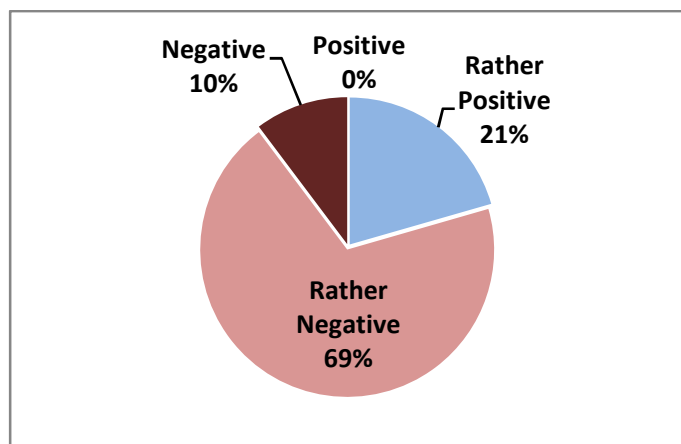


Source: Author

The structure of the responses based on cultural background are very surprising, since the nations with multi-active culture use body language extensively compared to the countries with linear-active culture. Therefore, opposite structure of the answers would be expected.

Model extension: Graph nr.25 illustrates perception of the fact that the Czechs are soft speakers and display only little body language among the respondents, who agreed with the asked question.

Graph nr. 25: Perception of the Czechs as Soft Speakers, Displaying only Little Body Language



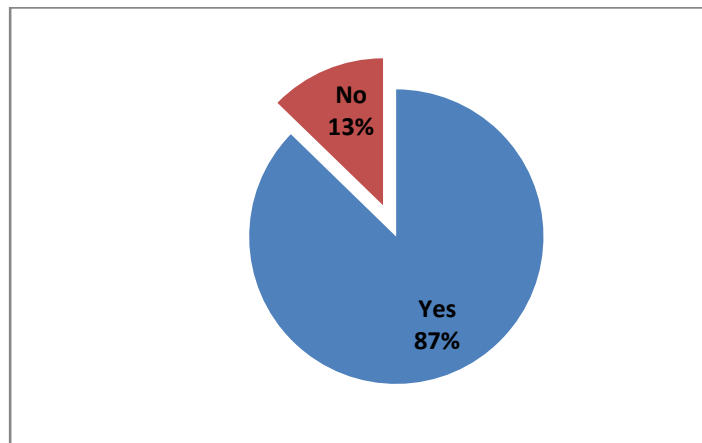
Source: Author

31 out of 39 respondents perceived the fact that the Czechs are soft speakers as negative or rather negative for doing business in the Czech Republic. None of the respondents see it as positive. The foreigners assert that it is due to the fact that it makes people very hard to read, thus, communication with the Czechs become more difficult. Moreover, in some cultures people do not hesitate to invade one's personal space. The Czechs do not feel comfortable with such an act and rather keep distance, thus, some foreigners think of this negatively.

The model: The Czechs tend to avoid confrontation and rather use passive resistance

The findings: The structure of respondents' answers is illustrated in graph nr. 26

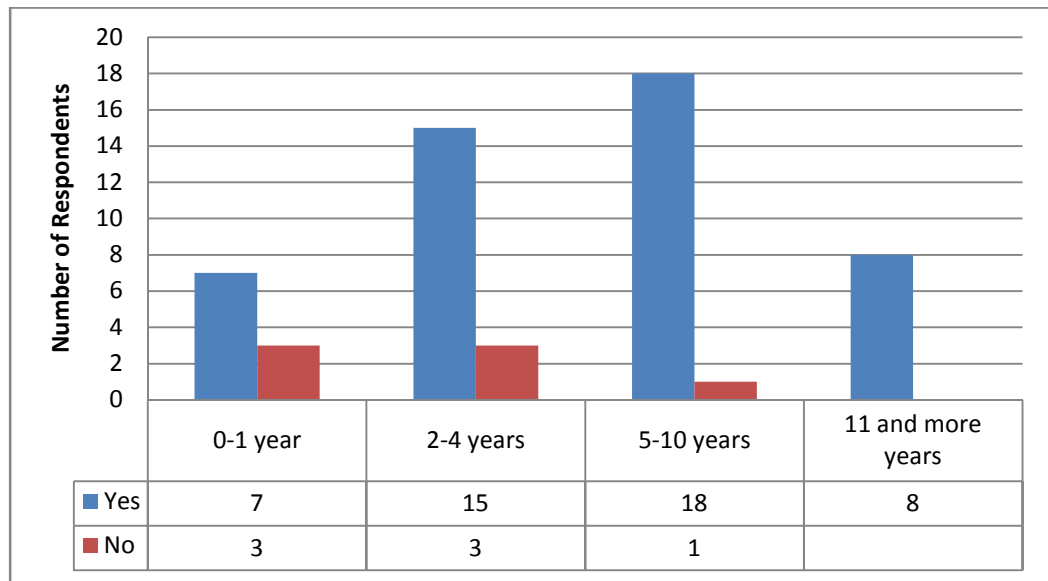
Graph nr.26: The Czechs Avoid Confrontation and Use Passive Resistance



Source: Author

48 out of 55 respondents agreed with the asked question. It is underlying majority, which clearly corresponds with the model. Good example from everyday life can be seen at restaurants. Respondents claimed that the Czechs rather accept bad service than complain about it. Furthermore, this type of behaviour can lead to difficulties with finding errors. For example, when working, the Czechs do not tell straight, what the problem is. After the error starts causing significant troubles, then the Czechs share the information about the error. This makes doing business very difficult and person cannot be sure if everything goes smoothly.

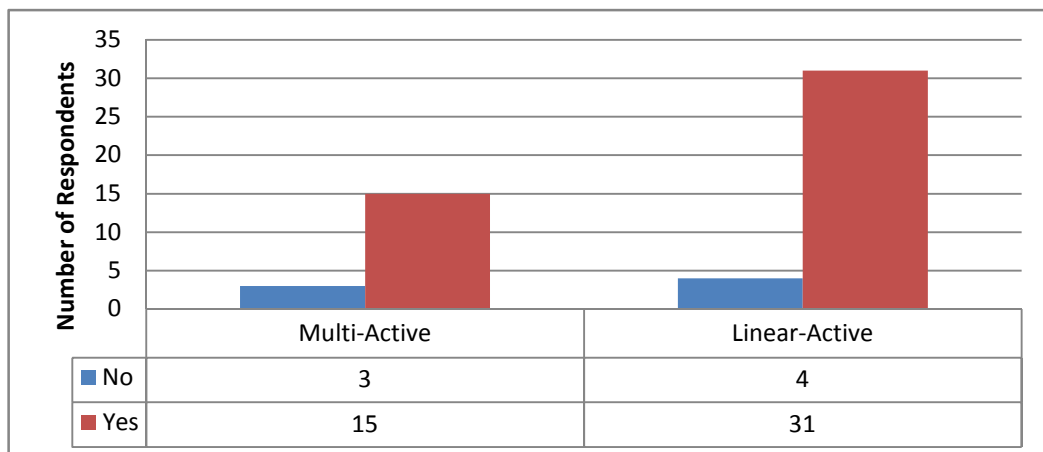
Graph nr. 27: The Czechs Avoid Confrontation according to the Length of the Stay



Source: Author

From the graph is evident that the longer a respondent has been living here the more he or she agrees with the model. None of the respondents, who have been living here over 11 years, disagree with the asked question. In contrast, nearly half of the respondents, who have been living in the Czech Republic for not even a year, disagree with the asked question. Again, this shows a recent change in the Czech culture.

Graph nr.28: The Czechs Avoid Confrontation according to the Cultural Background

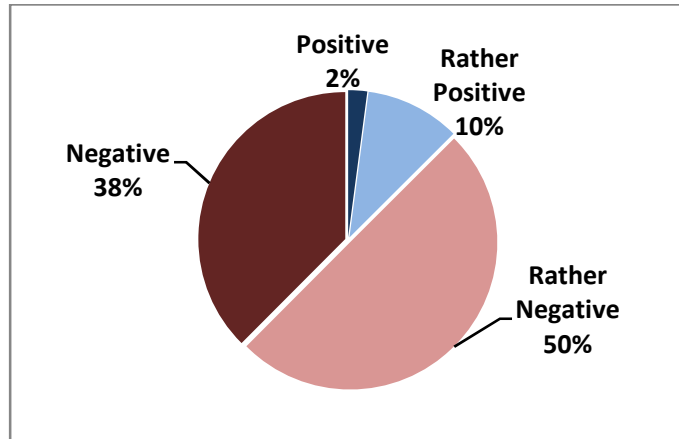


Source: Author

There are no significant differences in the answers' structure between two examined groups.

Model extension: Graph nr.29 illustrates perception of the fact that the Czechs tend to avoid direct confrontation and rather use passive resistance among the respondents, who agreed with the asked question.

Graph nr. 29: Perception of the Czechs Avoiding Direct Confrontation



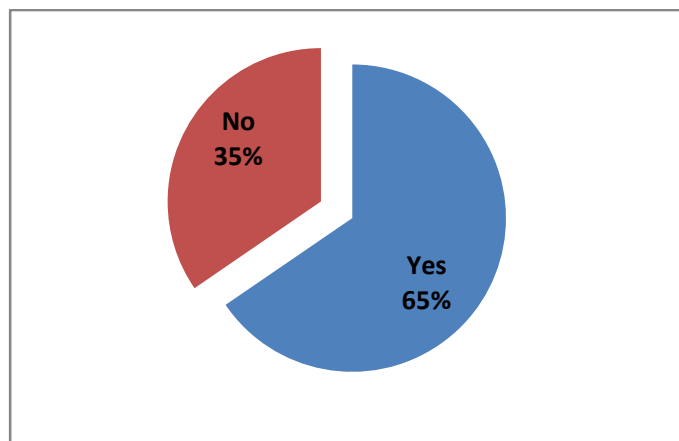
Source: Author

42 out of 48 respondents perceived avoiding confrontation as something negative or rather negative for doing business in the Czech Republic. Only 6 respondents see it as something positive or rather positive. Survey results that avoiding confrontation is a certainly issue for the foreigners. They would rather welcome if the Czechs directly tell them, what they think, rather than use passive resistance instead.

The model: The Czechs have a lack of self-confidence

The findings: The structure of respondents' answers is illustrated in graph nr. 30

Graph nr. 30: The Czechs Have a Lack of Self-Confidence



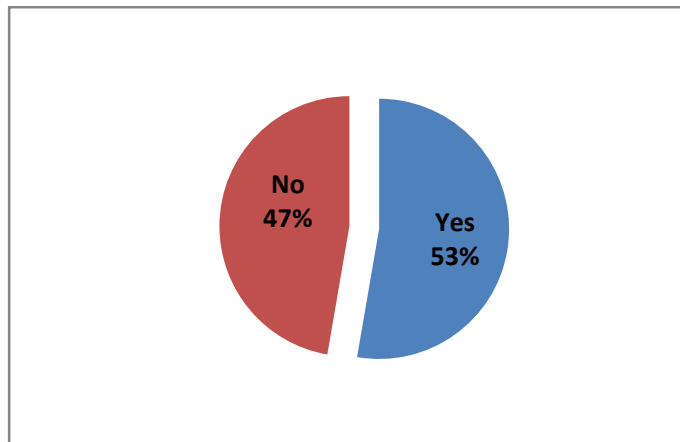
Source: Author

36 out of 55 respondents agreed that the Czechs lack self-confidence. As a consequence, for instance, the Czechs are not initiative. Furthermore, the respondents claimed that the Czech business persons do not like taking risks and rather use already created patterns and ways. In a case of hiring employees, the Czechs do not seem to be able to demonstrate enough their skills and knowledge during interviews.

The model: The Czechs are loyal to their company or a business partner

The findings: The structure of respondents answers is illustrated in graph nr. 31

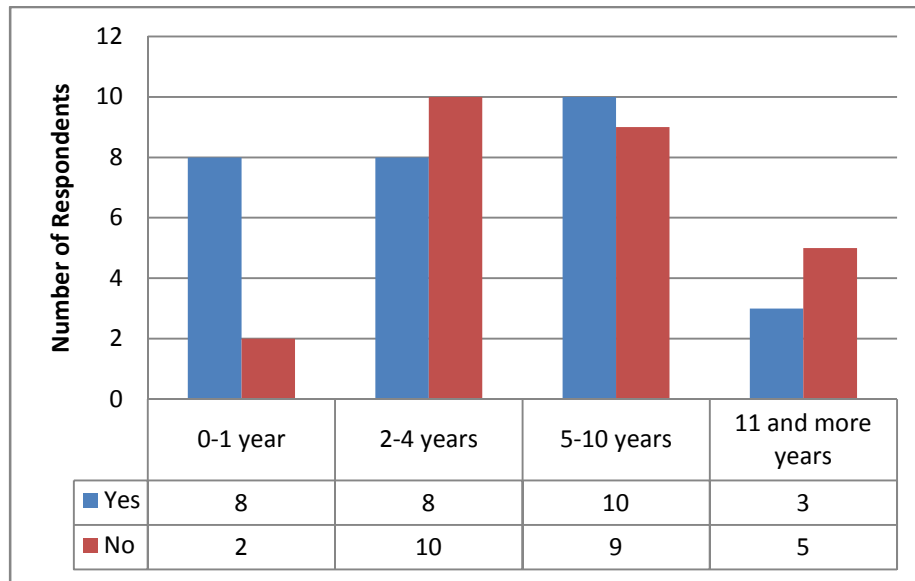
Graph nr.31: The Czechs Are Loyal to their Company or Business Partner



Source: Author

29 out of 55 respondents agreed with the asked question. The Czechs are not loyal in the Japanese way and rather make their business or working decision upon their own personal interests. Moreover, the Czechs do not commit to the company much and do not try to push it forward. The bond between the company and employees is weak or missing.

Graph nr.32: The Czechs Are Loyal according to the Length of the Stay



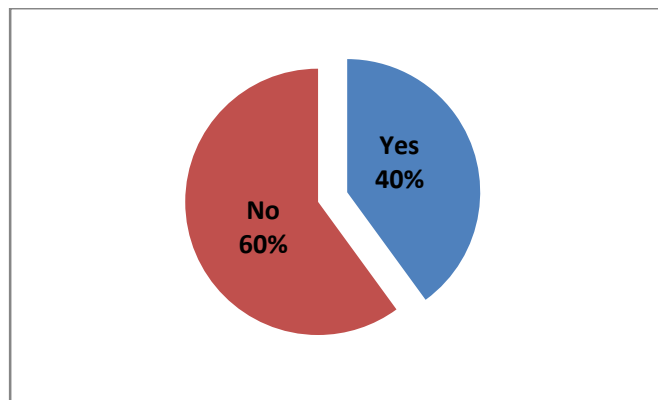
Source: Author

The respondents, who have been doing business in the Czech Republic over 11 years do not agree with the asked question. In contrast, the foreigners, who have been not over a year are significantly more certain about the Czechs being loyal. It can be due to two reasons. Firstly, they did not have enough chances to think differently, since the loyalty needs a relatively long time to be proven. Secondly, the culture could be changing and the Czechs have become more loyal recently.

The model: The Czechs are creative

The findings: The structure of respondents' answers is illustrated in graph nr. 33

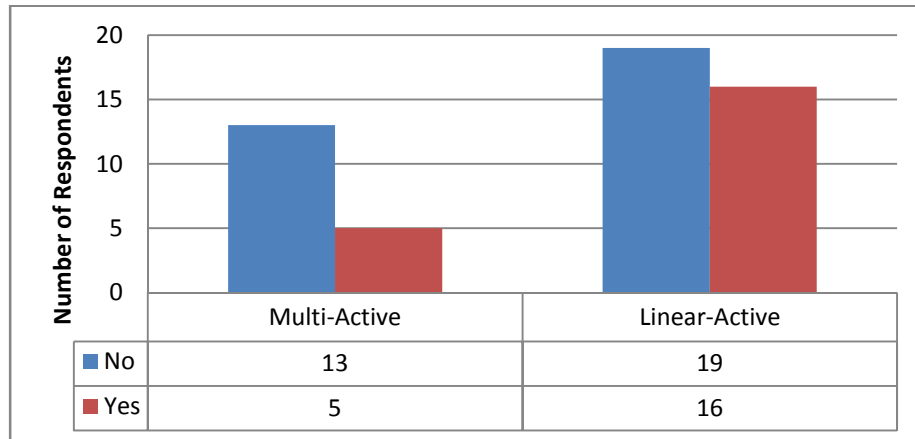
Graph nr.33: the Czechs as Being Creative



Source: Author

22 out of 55 respondents answered that perceive the Czechs as creative. The majority claimed the opposite. As was stated earlier, the Czechs lack pro-activity efforts, thus they do not try to come up with new ideas and solutions for problems. Therefore, foreigners do not see them as creative.

Graph nr.34: the Czechs as Being Creative according to the Cultural Background



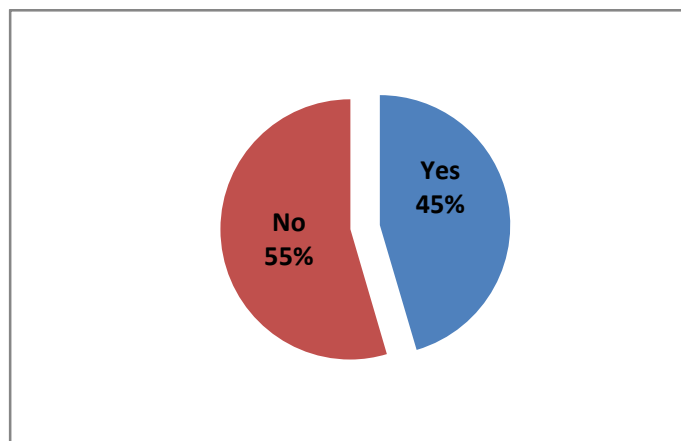
Source: Author

From a graph nr.34 a significant difference in the responses can be observed. Foreigners from multi-active cultures perceive the Czechs as not creative compared to foreigners from liner active cultures, who are uncertain about that fact.

The model: The Czechs use a lot of humour, when communicating

The findings: The structure of respondents answers is illustrated in graph nr. 35

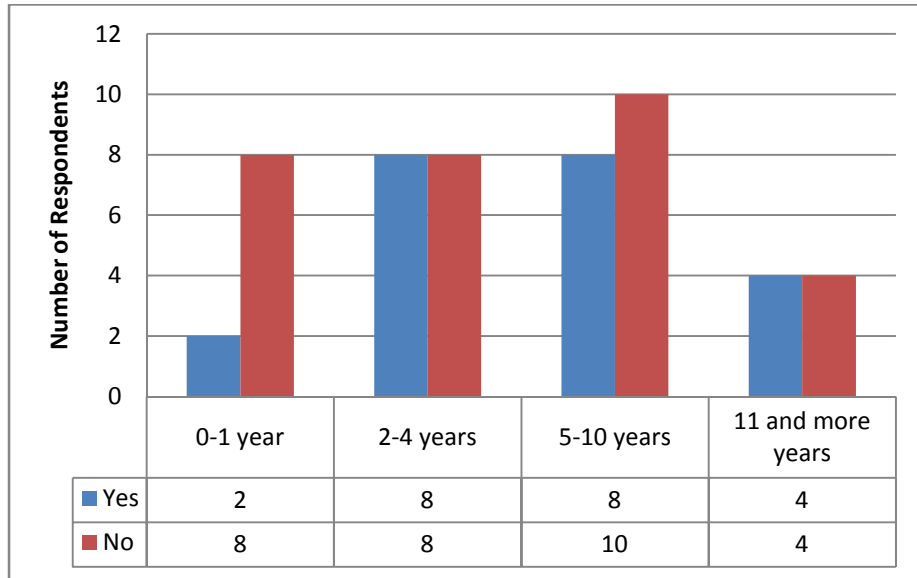
Graph nr.35: the Czechs as Being Humorous



Source: Author

25 out of 55 respondents agreed with the asked question. Comments suggest that the humour tend to be dark and verbal. Since it is verbal, it is difficult to translate and foreigners have problems to understand it.

Graph nr.36: The Czechs Being Humorous according to the Length of the Stay



Source: Author

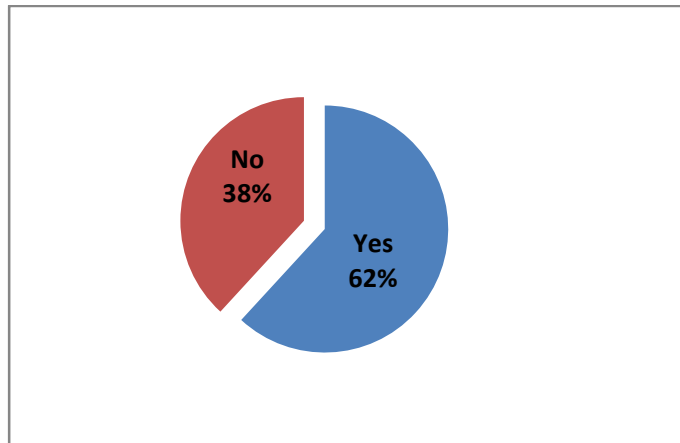
Graph nr. 36 proves that it is necessary to live in the Czech Republic for a longer period of time in order to understand the local humour. After 2 years, half of the foreigners are positive about the fact that the Czechs use a lot of humour. In contrast, **2 out of 10** foreigners, who have been living in the Czech Republic up to one year, think the same.

5.2 New Findings

Networking with the Czech business person

The structure of respondents' answers is illustrated in graph nr. 37

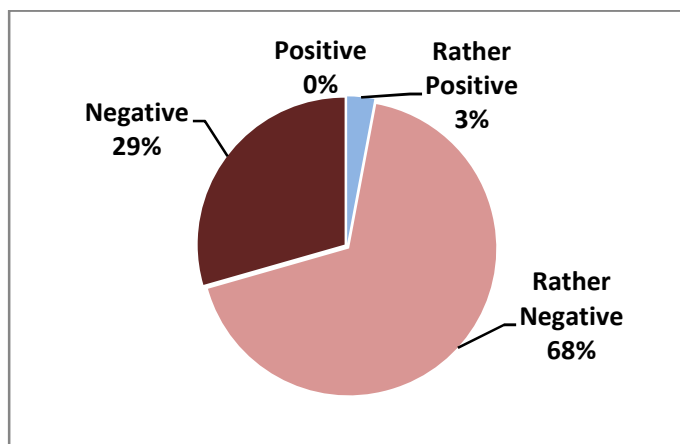
Graph nr.37: Networking Difficultness in the Czech Republic



Source: Author

34 out of 55 respondents claimed that it is difficult to network with the Czech business persons. Respondents answered that it is rather difficult with the Czech business persons, since they are reserved and therefore give bad first impression. Thus, the foreigners often network amongst them. Also, during the networking sessions, Czechs rarely actively engage to seek for new opportunities. They rather sit back and observe. Nevertheless, if a person tries to network for a longer period of time, it can manage to connect with the Czech business persons. As some respondents argued, Czechs are open to new business opportunities. It only needs enough time to develop the relationship and it is advised to initiate the contact.

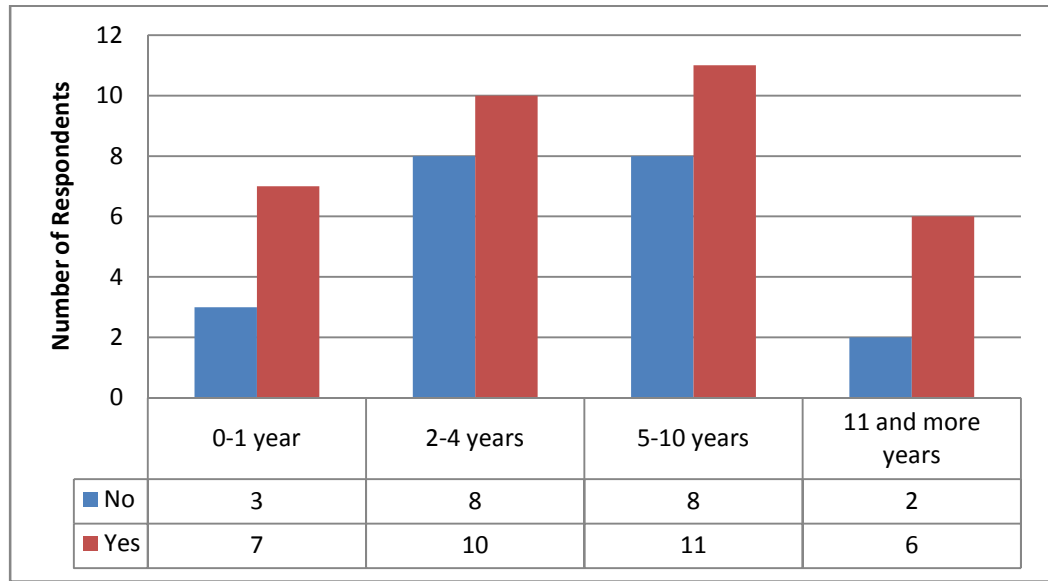
Graph nr.38: Networking Difficultness in the Czech Republic



Source: Author

33 out of 34 respondents perceived difficult networking as negative or rather negative for doing business in the Czech Republic. It is not a surprise, since networking is considered as one of the best tools for expanding business. Thus, it is alarming that 62% of respondents think that it is difficult to network with the Czech businessmen.

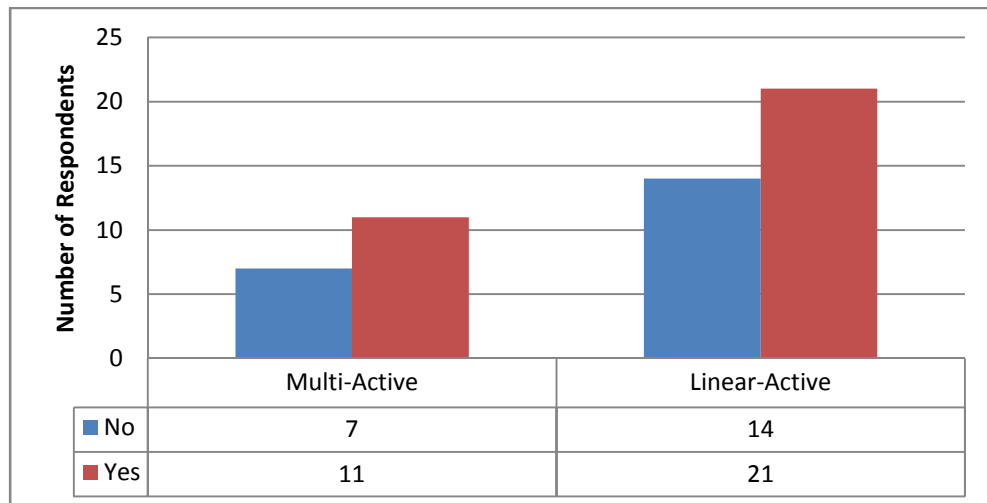
Graph nr. 39: Networking Difficultness according to the Length of the Stay



Source: Author

The foreigners, who have been in the Czech Republic only for a year, perceive it more difficult to network than the foreigners, who have been in the Czech Republic between 2 and 10 years. It can be explained by the fact, that they do not know where and how find people to network with. Also, the respondents, who have been in the Czech Republic over 11 years see networking as a difficult task to do. That can be clarified by the fact, that after the Velvet Revolution the concept of networking was not known in the Czech Republic. That combines with reserved Czech, whose culture was not exposed to western influences, made it relatively difficult to find new business partners. The positive is the fact that this trend is changing and the Czechs are becoming to be more open to the networking. The trend is proven by the foreigners, who have been in the Czech Republic between 2 and 10 years. Almost half of them do not see networking as difficult with the Czech Business persons.

Graph nr. 40: Networking Difficultness according to the Cultural Background



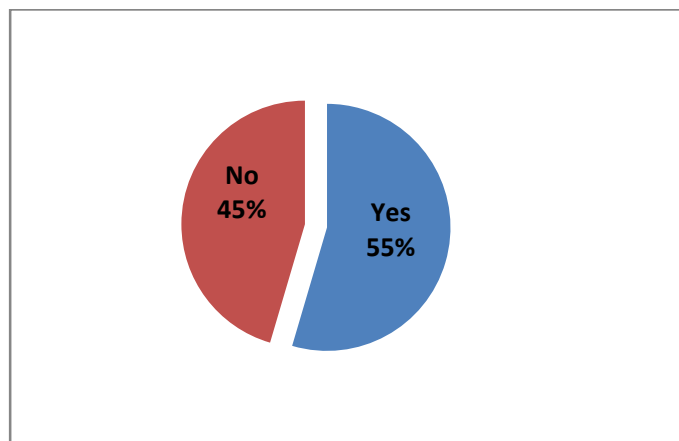
Source: Author

There are now significant differences in the answers' structure between two examined groups.

Corruption in the Czech Republic

The structure of respondents' answers is illustrated in graph nr. 41

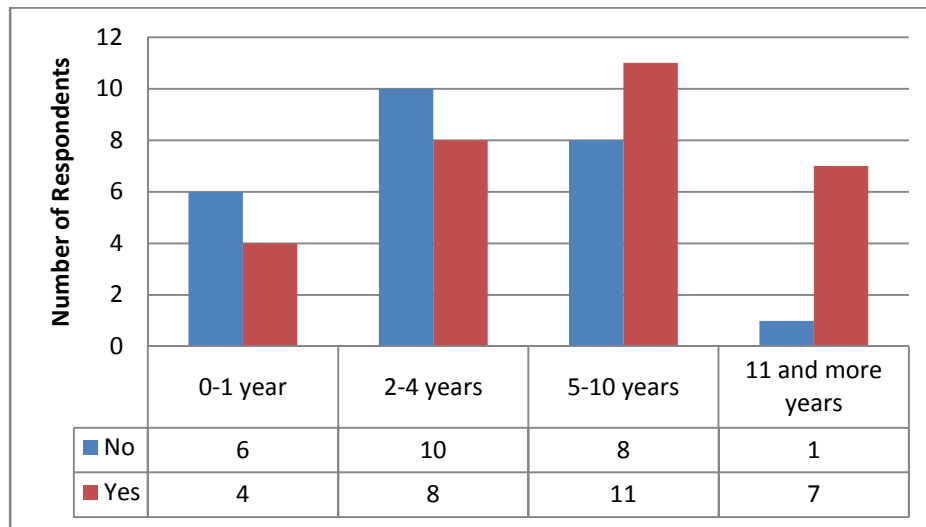
Graph nr.41 Corruption in the Czech Republic



Source: Author

30 out of 55 respondents have come across corruption on the Czech Republic. It is very high figure, which is alarming. The consequences of the bribery were described in the chapter 3.3.4.

Graph nr.42 Corruption in the Czech Republic according to the Length of the Stay



Source: Author

Very disconcerting fact is that according to the survey only **1 respondent out of 8**, who have been in the Czech Republic over 11 years, did not come across corruption. The survey suggests that the bribery is diminishing. But it is important to bear in mind that the chance of come across the corruption is smaller if a person has been in a country for a shorter period of time. Moreover, the Transparency International Corruption Perceptions Index does not show any progress in this area. Thus, it is clear that this problem remains unfixed.

Characteristics of a typical business person

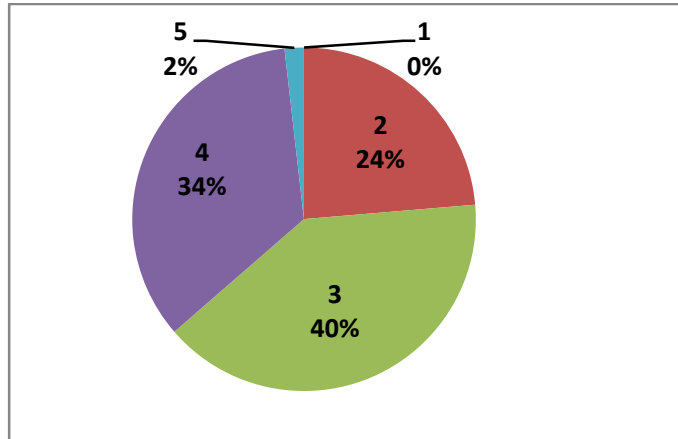
The respondents were asked to provide with several key characteristics of a typical Czech business person. The answers differentiated, nonetheless, it was possible to find a certain similarities in the answers. Here is the list of the key characteristics:

- Lacking initiative
- Intelligent
- Reserved
- Not customer oriented
- Short-term oriented
- Mediocre
- Risk averse
- Submissive
- Hard-working
- Polite

Overall ease of doing business in the Czech Republic from the cultural point of view

The respondents were asked to rate the ease of doing business in the Czech Republic. (1 the highest, 5- the lowest). The structure of the answers illustrates graph nr. 43:

Graph nr. 43: The Ease of Doing Business in the Czech Republic



Source: Author

None of the respondents rated the ease with a score **1** (the highest value)
13 out of 55 respondents rated the ease with a score **2** (second highest value).
22 out of 55 respondents rated the ease with a score **3** (average value).
19 out of 55 respondents rated the ease with a score **4** (second lowest value).
1 out of 55 respondents rated the ease with a score **5** (the lowest value).

The overall average is **3.145**, which is average rating. Also a majority of respondents rated the ease of doing business with value **3**. It indicates that foreigners do not perceive the Cultural differences as very important and as a significant barrier for doing business in the Czech Republic. Such a score does correspondent with the perception of the Czech culture.

6. Observations and Recommendations

This chapter updates the model by presenting the findings about the perception of the Czech culture by the foreigners and demonstrates whether it is either negative or positive. Moreover, it shows results from the survey about networking, corruption and the description of a typical Czech business person.

This chapter can be used for foreigners, who come to the Czech Republic as a summary of the Czech cultural values and concepts, which effect doing business in the Czech Republic.

6.1 Model Update

6.1.1 Czechs and Formality

The Czechs adhere to formality and politeness. It can be observed at usage of academic titles or “Mr./Mrs.” in verbal and written communication when addressing people. It is normal to find academic titles on door bells. It is considered offensive to use first names without permission. First names are reserved for friends and family. This differentiation is also seen in Czech language, which formal and informal versions vary significantly. Their usage occasions are markedly distinguished. Moreover, any ostentatious behaviour or disrespectful body language is disliked and considered as inappropriate by the Czechs.

For some foreigners, who come from less formal cultures, this ingrained system of formality and politeness causes troubles. They feel it is difficult to operate outside of this system, because the Czechs do not appreciate less formal behaviour. However, the formality is not an important issue for foreigners and it does not affect doing business in the Czech Republic significantly.

6.1.2 Czechs and Reserve

The Czechs are certainly reserved and restrained. Thus, it is difficult to read their thoughts and wishes. They value their privacy and try to keep business separately from personal lives. Thus, friendships with colleagues and working relationships emerge after a relatively long period of time. Foreigners advise to try to often interact with the Czechs and integrate among the Czechs. They appreciate the efforts and it facilitates overcoming the seclusiveness. Also, initiating the contact is recommended. The same applies for developing a deep business relationship with Czech businessmen. There is always a certain mistrust from the entire beginning of a relationship and can be purged only through a great period of time. Therefore, being patient and relentless is crucial for developing a successful business relationship.

This characteristic is perceived negatively by the foreigners in the Czech Republic, since they have to invest more efforts into overcoming it. Also, it requires a longer period of time than they are used to in order to develop a successful business or working relationship.

6.1.3 Czechs and Networking

Networking in the Czech Republic is a challenging task. For instance, the word networking does not have expression in Czech language. Due to the fact the Czechs are reserved and give a bad first impression, invest enough efforts and patient is essential for successful networking. Moreover, during the networking sessions, it is important to initiate the contact, since majority of the Czechs do not actively engage in these sessions. However, after a certain period of time, it is not a problem to connect with Czech business persons. The problematic networking is very negatively seen by the foreigners in the Czech Republic. For them it is a convenient way of expanding their businesses.

However, the trend is clear and the Czechs are becoming easier to network with and they are open to new business opportunities.

6.1.4 Czechs and Rules & Restrictions

The Czechs try to prevent unknown situations and tend to eliminate doubtfulness whenever possible. As a result, the Czechs are more likely to adhere to rules and regulations in order to reduce the amount of uncertainty and allow for careful planning. Therefore, there has led to excessive officialdom and stifling bureaucracy, which makes doing business difficult and slows implementing new ideas into practice. For instance, applying for the Czech visa is very problematic and it requires many official papers and stamps. Also, setting up a business is rather difficult and needs many paperwork and stamps from government offices. In these cases, an assistance from a Czech speaking person is highly recommended.

Many rules and restrictions are perceived very negatively by foreigners. However, a certain number of rules and restrictions is needed, because they create guidelines, which prevent from any kind of disorder.

6.1.5 Team-working with the Czechs

A team in the Czech Republic is mainly viewed as a group of individuals reporting vertically to a strong leader and interaction between team members at the same peer level is more limited. However, there are other team working styles in the Czech Republic, but the earlier mentioned prevail.

The typical team member in the Czech Republic lacks pro-activity and assertiveness.

The Czechs usually do not question boss's orders and simply follow them. They work hard in order to achieve the goal, which was set. Also, the Czechs take rather individualistic approach and do not seek for advises from the others. They often bring negativism into team-working, which impairs smooth running and a team spirit. In general, foreigners perceive team-working in the Czech Republic negatively, because of a lack of pro-activity and individualistic approach.

6.1.6 Body Language in the Czech Republic

The Czechs are seen as soft speakers, who display only little body language. They communicate pensively and self-possessedly. Going straight to the point is not typical and conclusions usually take a long time to achieve. They are often seen as phlegmatic and indolent. The Czechs are attentive listeners, always polite and courteous. As well as when they talk, their body language is limited during listening. It makes hard to their business partners to know what they think. Interruption does not occur often. They incline to wait and think over before giving a response to a discussed topic. Furthermore, Czechs rarely smile and keep a distance from the others and avoid a physical contact. They do not feel comfortable, when their personal space is invaded. This characteristic is seen rather negatively by foreigners, who have problems to read minds of their business partners.

6.1.7 Czechs and Direct Confrontation

The Czechs think of themselves as non-confrontational. They rather use passive resistance than openly discuss an issue. Their communication is rather indirect in order to avoid hurting somebody feelings. Thus, it is difficult to get a straight "no" from a business partner. He or she will more likely talk around the topic in order to elude confrontation. During negotiation they also avoid confrontation and tend to show their flexibility and adaptability. Furthermore, this type of behaviour can lead to difficulties with finding errors, since the Czechs do not tell straight, what the problem is. After the error starts causing significant troubles, then the Czechs share the information about the error. This makes doing business very difficult and person cannot be sure if everything goes smoothly

Foreigners perceive avoiding confrontation negatively. They believe that telling directly what a business partner or colleague thinks would facilitate doing business in the Czech Republic.

6.1.8 Corruption in the Czech Republic

Corruption in the Czech Republic represents one of the biggest problems, which the country has to face. It is a legacy of communistic regime, when the corruption became a usual

way of getting things done. According to Transparency International Corruption Perceptions Index 2010, Czech Republic ranks 52, which is deep below EU average. Many studies showed dramatic negative consequences of bribery on economic, political and social situation of a country. In overall, there is a high chance to come across corruption, when doing business in the Czech Republic.

6.1.9 Czechs and Self-Confidence

The Czechs are considered to lack self-confidence. As a consequence, for instance, they are not initiative, assertive and lack ambitions. This characteristic occurred in the research several time at different questions. Furthermore, Czech business persons do not like taking risks and rather use already created patterns and ways.

6.1.10 Czechs and Loyalty towards a Company or a Business Partner

It cannot be written that the Czechs are either loyal or disloyal. The survey results were uncertain and not evident enough in order to create a statement. However, the Czechs usually do not commit to the company in a sense of pushing it forward or come up with new ideas for the company. The Czechs tend to care about their own matters instead. In other words, the bond between an employee and the company is weak or missing. Even though, the Czechs do not change a job often and work for many years in the company. In that sense, they are seen as loyal.

6.1.11 Czechs and Creativity

The Czechs are seen as relatively not creative. It is due to the limited pro-activity and lack of interest, which are shown during doing business. Usually they do not come with new solutions and ideas.

6.1.12 Czechs and Using of Humour

It is relatively difficult to understand the Czech humour. In the beginning it can cause troubles, since the humour tends to be dark and verbal, which makes it hard to translate. However, after a longer period of time, foreigners start to understand and enjoy the humour.

6.1.13 A typical Czech Business Person

This is a list of attributes of a typical Czech business person seen by foreigners, who have been doing business in the Czech Republic. It describes the Czech business person in nutshell.

- Lacking initiative
- Intelligent
- Reserved
- Not customer oriented
- Short-term oriented
- Mediocre
- Risk averse
- Submissive
- Hard-working
- Polite

6.1.14 The Overall ease of doing business in the Czech Republic

Foreigners see the Czech cultural values and concepts as rather negative for doing business, their overall rating does confirm that fact. Their overall ranking on the scale from 1-5 (1 the highest, 5- the lowest) is **3.145**. In overall, they note the cultural differences, but do not find them as crucial and significant barrier for doing business in the Czech Republic.

7. Conclusion

The analysed model was based on available information from books and internet articles.

The survey results corresponded with a majority of the created model. It implies that foreigners should take the Czech cultural differences into account when doing business in the Czech Republic and dealing with the Czech business people. The majority of foreigners perceive the Czechs as formal, not showing much of body language and tending to have a significant number of rules and restrictions. Furthermore, the Czechs are considered to have a lack of self-confidence and tendency to avoid confrontation and use passive resistance instead. The overall consensus was vast especially at questions about the Czechs being reserved and avoiding confrontation.

Nevertheless, several parts of the proposed model did not correspond with the survey results. The findings were ambiguous at values such as creativity and loyalty, which were also supposed to be among key Czech values. Moreover, the Czechs, from foreigners' point of view, do not use much humour when communicating. This fact is also contradictory to the proposed model. However, the foreigners recognized the black and verbal humour as the one, which is most frequently used among the Czechs.

The author extended the basic model by three new categories; networking with the Czech business people, corruption in the Czech Republic and attributes of a typical Czech business person. The survey discovered that foreigners perceive networking as a relatively difficult task to do with Czech business people. Alarming information was found about corruption, when a majority of respondents stated they came across corruption, when doing business in the Czech Republic. Furthermore, the survey provided with a description of a representative Czech business person. Among the most frequent attributes were mentioned intelligent, lacking initiative, risk averse, polite, hard-working, short-term oriented, reserved and submissive.

Respondents were asked to share their opinion on how the key cultural values and concepts affect doing business in the Czech Republic. Unfortunately, all the characteristics, except formality, were perceived rather negatively. Almost half of the respondents perceived formality as positive for doing business. In contrast, the most problematic issues for foreigners were the tendency to avoid confrontation, team-working and the tendency to have many rules and restrictions.

However, a certain trend of changing the perception of the Czech culture can be observed. The foreigners, who have been in the Czech Republic for a shorter period of time, do not see the differences above mentioned distinctly. In contrast, foreigners, who have been in the Czech Republic for over eleven years, are more positive about the characteristics. It can be explained by a vast influence of the western culture, which has been shaping the Czech culture after the Velvet Revolution.

The overall ease of doing business in the Czech Republic for foreigners from cultural point of view is average. In combination with the other survey results, it suggests they are aware of the cultural differences and perceive them negatively. However, they do not find them as crucial and significant barrier for doing business in the Czech Republic.

It is certainly positive that it is not difficult to adapt to the Czech culture. Such a fact can attract more expatriates from abroad, who can bring their knowledge and expertise to the Czech Republic, which can only benefit from their presence.

8. Bibliography

Literature Resources

1. Hofstede, G. *Cultures and Organizations: Software of the Mind*. (2004)
New York: McGraw-Hill. ISBN: 0071439595
2. Lewis, Richard D. *When Cultures Collide: Leading Across Cultures*. (2006)
Boston, Massachusetts: Nicholas Brealey Publishing. ISBN: 978-1-904838-02-9
3. Hofstede, G. *International Differences in Work-Related Values*. (1984)
Newbury park, California: SAGE Publications, Inc. ISBN: 0-8039-1306-0
4. Morrison, T. And Conaway W.A. *Kiss, Bow or Shake Hands: The Bestselling Guide To Doing Business in More than 60 Countries*. (2006)
Avon, Massachusetts: Adams Media. ISBN: 1593373686
5. Brislin, R. *Working with Cultural Differences*.(2008)
Westport, USA: Praeger Publishers. ISBN: 978-0-313-35282-9

Internet Resources

6. PEST Analysis. *NetMBA: Business Knowledge Center*.(2002-2010)
Retrieved September 23, 2010 from <http://www.netmba.com/strategy/pest/>
7. PEST Analysis. *QuickMBA: Knowledge to Power Your Business*. (1999-2010)
Retrieved September 23, 2010 from <http://www.quickmba.com/strategy/pest/>
8. Czech Republic: Business Indicators Summary. *eStandards Forum: Financial Standards Foundation*. (2010)
Retrieved September 24, 2010 from <http://www.estandardsforum.org/czech-republic/business-indicators?id=158>
9. Daňový systém České Republiky. *Business Info: Oficiální portál pro podnikání a export*. (23. 5. 2009)
Retrieved September 27, 2010 from <http://www.businessinfo.cz/cz/clanek/dane-ucetnictvi/danovy-system-ceske-republiky/1000465/39277/>
10. Baker Tilly Czech Republic. *Doing Business Guide Czech Republic 2010*. (12.4.2010)
Retrieved September 28, 2010 from <http://www.czechmarketplace.cz/en/2463.doing-business-guide-czech-republic-2010>
11. The World Factbook: Czech Republic. *Central Intelligence Agency*. (29.9.2010)
Retrieved September 30, 2010 from <https://www.cia.gov/library/publications/the-world-factbook/geos/ez.html>

12. American Chamber of Commerce. *Czech Republic 2009*. (30.9.2009)
Retrieved September 16, 2010 from <http://www.amcham.cz/www/files/file/cr2009.pdf>
13. GDP per capita in PPS. *Eurostat: Your Key to European Statistics*. (2009)
Retrieved September 24, 2010 from
<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tsieb010>
14. Employment and Unemployment in the Czech Republic as Measured by the Labour Force Sample Survey 2nd quarter of 2010. *Czech Statistical Office*. (29.9.2010)
Retrieved September 30, 2010 from <http://www.czso.cz/csu/2009edicniplan.nsf/engp/3101-09>
15. The Main Instruments of Monetary Policy. *Czech National Bank*. (2010)
Retrieved September 30, 2010 from http://www.cnb.cz/en/monetary_policy/instruments/
16. About CzechInvest. *Czech Invest: Investment and Business Development Agency*. (1994-2010)
Retrieved October 4, 2010 from <http://www.czechinvest.org/en/about-czechinvest>
17. Foreign Direct Investments Inward Flow in 2009. *Czech National Bank*. (2009)
Retrieved October 4, 2010 from
http://www.cnb.cz/en/statistics/bop_stat/fdi/fdi_flows_2009/pzi_flows2009_countries_czk.html
18. Czech Statistical Office: External Trade Statistics Department. *External Trade of the Czech Republic in 2009*. (1.4.2010)
Retrieved October 4, 2010 from www.czso.cz/csu/2010edicniplan.nsf/engt/F5003F660B/.../t-6008-10.pdf
19. Unemployment Rates Members States. *Eurostat: Your Key to European Statistics*. (29.7.2010)
Retrieved October 4, 2010 from
http://epp.eurostat.ec.europa.eu/statistics_explained/index.php?title=File:Unemployment_rates_Member_States.PNG&filetimestamp=20101001090523
20. Ministry of Labour and Social Affairs International Labour. *Migration in the Czech Republic, Bulletin No.24*. (March 2010)
Retrieved October 10, 2010 from http://www.cizinci.cz/files/clanky/697/Bulletin_24_AJ.pdf
21. Foreign Communities in the Czech Republic. *Visiting Prague*. (15.8.2010)
Retrieved October 10, 2010 from <http://www.visitingprague.org/foreign-communities-in-czech-republic>
22. Czech Statistical Office. *Vysoké školy v České republice*. (2009)

Retrieved October 10, 2010 from http://www.czso.cz/cz/cr_1989_ts/1208.pdf

23. Organization for Economic Cooperation and Development. *Education at a Glance 2010: OECD Indicators*. (7.9.2010)

Retrieved October 10, 2010 from <http://dx.doi.org/10.1787/888932310092>

24. Economy statistics: Income distribution. *Nationmaster*. (2002)

Retrieved October 12, 2010 from http://www.nationmaster.com/graph/eco_inc_dis_ric_10-economy-income-distribution-richest-10

25. Human Development Report 2009, Ratio of the richest 10% to the poorest 10%. *United Nations Development Programme*. (2009)

Retrieved October 12, 2010 from <http://hdrstats.undp.org/en/indicators/160.html>

26. Economy statistics: Population below median income. *Nationmaster*. (2003-2010)

Retrieved October 12, 2010 from

http://www.nationmaster.com/graph/eco_pop_bel_med_inc-economy-population-below-median-income

27. European Union: Internet Usage Stats and Telecom Reports. *Internet World Stats*. (7.7.2010)

Retrieved October 12, 2010 from <http://www.internetworldstats.com/eu/eu.htm>

28. Gross Domestic Expenditures on R&D. *Eurostat: Your Key to European Statistics*. (2009)

Retrieved October 12, 2010 from

<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tsiir030>

29. Ease of Doing Business in the Czech Republic. *Doing Business: Measuring Business Regulations*. (2010)

Retrieved November 26, 2010 from <http://doingbusiness.org/data/exploreconomies/czech-republic>

30. Economy Rankings. *Doing Business: Measuring Business Regulations*. (2010)

Retrieved November 26, 2010 from <http://doingbusiness.org/rankings>

31. Czech Invest: Investment and Business Development Agency. *Setting up a Business*. (March 2010)

Retrieved November 28, 2010 from <http://www.czechinvest.org/en/business-in-the-czech-republic?downloadfile=fs-22-setting-up-a-business-86-en.pdf>

32. Ministry of Labour and Social Affairs. *Information Booklet for Foreign Nationals Czech Republic*. (2009)

Retrieved November 28, 2010 from

http://www.cizinci.cz/Files/clanky/452/inf_brozura_anglicky.pdf

33. Doing Business in the Czech Republic World Business Culture. *World Business Culture*. (2011)

Retrieved February 4, 2011 from <http://www.worldbusinessculture.com/Business-in-Czech-Republic.html>

34. Gorill, J., Communicaid Group Ltd. *Doing Business in the Czech Republic, Czech Social and Business Culture*. (2009)

Retrieved February 4, 2011 from

<http://www.communicaid.com/access/pdf/library/culture/doing-business-in/Doing%20Business%20in%20the%20Czech%20Republic.pdf>

35. Balcha D. Psychology and Behaviour at Work. *Lecture notes*. (2010)

36. Vašková, R. *Quality of working life in the Czech Republic*. (2005)

Retrieved February 22, 2011 from

http://www.eurofound.europa.eu/ewco/surveys/CZ0502SR01/CZ0502SR01_5.htm

37. Corruption perception Index 2010 Results. *Transparency International*. (2010)

Retrieved February 22 ,2011 from

http://www.transparency.org/policy_research/surveys_indices/cpi/2010/results

38. Vymětal P. *Costs and Consequences of Corruption*

Retrieved February 22, 2011 from http://www.vsem.cz/data/data/ces-soubory/konference-seminare/gf_VymetalOstrava.pdf

39. Kaufmann, A. Kraay, and M. Mastruzzi (Worldbank). *Governance Matters 2009: Worldwide Governance Indicators 1996-2008*.(2009).

Retrieved September 24, 2010, from

<http://info.worldbank.org/governance/wgi/index.asp>

40. European Commission: Taxation and Customs Union. *Taxation Trends in the European Union*. (2010)

Retrieved March 26, 2011 from

http://ec.europa.eu/taxation_customs/resources/documents/taxation/gen_info/economic_analysis/tax_structures/2010/2010_main_results_en.pdf

41. Rating. *Ministry of Finance of the Czech Republic*.(3.01.2011)

Retrieved March 26, 2011 from

http://www.mfcr.cz/cps/rde/xchg/mfcr/xsl/state_debt_13264.html

9. Supplements

Supplement nr.1: Governance Indicators 2008

Country	Code	2008			
		Rank	st.	.E.	.
AFGHANISTAN	FG		2,64	,27	
ALBANIA	LB	5	,01	,23	
ALGERIA	ZA	3	1,15	,21	1
AMERICAN SAMOA	SM	3		,46	
ANDORRA	DO	8	,4	,39	
ANGOLA	GO	0	0,43	,22	
ANGUILLA	IA	2	,19	,38	
ANTIGUA AND BARBUDA	TG	7	,85	,34	
ARGENTINA	RG	2	0,04	,21	1
ARMENIA	RM	4	,01	,23	
ARUBA	BW	8	,38	,38	
AUSTRALIA	US	5	,08	,22	0
AUSTRIA	UT	6	,3	,22	0
AZERBAIJAN	ZE	9	0,48	,22	
BAHAMAS	HS	3	,74	,31	
BAHRAIN	HR	6	0,18	,22	
BANGLADESH	GD	0	1,54	,21	0
BARBADOS	RB	7	,09	,32	
BELARUS	LR	1	,45	,24	
BELGIUM	EL	9	,61	,22	0
BELIZE	LZ	4	,25	,27	
BENIN	EN	7	,35	,24	
BERMUDA	MU	5	,83	,38	
BHUTAN	TN	8	,89	,31	
BOLIVIA	OL	5	1,02	,21	0
BOSNIA-HERZEGOVINA	IH	6	0,57	,24	
BOTSWANA	WA	1	,96	,21	0
BRAZIL	RA	8	0,12	,21	1
BRUNEI	RN	3	,22	,3	
BULGARIA					

	GR	9	,39	,21	1
BURKINA FASO	FA	9	0,11	,21	0
BURUNDI	DI	0	1,43	,23	
CAMBODIA	HM	4	0,27	,23	
CAMEROON	MR	8	0,53	,21	1
CANADA	AN	4	,03	,21	1
CAPE VERDE	PV	6	,85	,31	
CAYMAN ISLANDS	YM	2	,19	,38	
CENTRAL AFRICAN REPUBLIC	AF		1,77	,29	
CHAD	CD		1,92	,24	
CHILE	HL	6	,56	,21	1
CHINA	HN	3	0,32	,21	1
COLOMBIA	OL		1,66	,21	1
COMOROS	OM	5	1,01	,39	
CONGO	OG	5	0,61	,22	
Congo, Dem. Rep.	AR		2,34	,24	
COOK ISLANDS	OK
COSTA RICA	RI	5	,56	,22	
COTE D'IVOIRE	IV		1,91	,21	0
CROATIA	RV	7	,57	,22	0
CUBA	UB	6	,04	,22	
CYPRUS	YP	5	,52	,22	
CZECH REPUBLIC	ZE	9	,93	,21	1
DENMARK	NK	2		,22	0
DJIBOUTI	JI	8	0,13	,29	
DOMINICA	MA	2	,97	,31	
DOMINICAN REPUBLIC	OM	9	,1	,22	
ECUADOR	CU	0	0,83	,22	
EGYPT	GY	3	0,67	,21	1
EL SALVADOR	LV	8	,09	,24	
EQUATORIAL GUINEA	NQ	0	0,09	,26	
ERITREA	RI	0	0,84	,27	
ESTONIA	ST	7	,57	,21	1
ETHIOPIA	TH		1,79	,23	
FIJI	JI	1	0,05	,31	

FINLAND	IN	7	,36	,22	0
FRANCE	RA	7	,58	,21	1
FRENCH GUIANA	UF	7	,08	,38	
GABON	AB	3	,23	,22	
GAMBIA	MB	1	,14	,26	
GEORGIA	EO	6	1	,24	
GERMANY	EU	6	,08	,21	1
GHANA	HA	7	,06	,21	1
GREECE	RC	7	,32	,21	1
GRENADA	RD	1	,67	,31	
GUAM	UM	2	,47	,46	
GUATEMALA	TM	5	0,58	,21	0
GUINEA	IN		1,91	,23	
GUINEA-BISSAU	NB	2	0,38	,32	
GUYANA	UY	6	0,56	,25	
HAITI	TI	1	1,39	,26	
HONDURAS	ND	3	0,36	,22	
HONG KONG	KG	6	,09	,22	
HUNGARY	UN	8	,59	,21	1
ICELAND	SL	4	,22	,25	
INDIA	ND	7	0,99	,21	1
INDONESIA	DN	6	1	,21	1
IRAN	RN	4	1,06	,22	
IRAQ	RQ		2,69	,24	
IRELAND	RL	9	,16	,21	1
ISRAEL	SR	1	1,39	,21	1
ITALY	TA	0	,41	,21	1
JAMAICA	AM	5	0,27	,25	
JAPAN	PN	9	,94	,21	1
JORDAN	OR	3	0,32	,21	1
KAZAKHSTAN	AZ	4	,51	,21	0
KENYA	EN	2	1,25	,21	1
KIRIBATI	IR	8	,4	,39	
KOREA, NORTH	RK	8	,35	,35	
KOREA, SOUTH					

	OR	0	,41	,21	1
KOSOVO	WI	2	0,69	,51	
KUWAIT	WT	1	,45	,22	
KYRGYZSTAN	GZ	2	0,68	,23	
LAOS	AO	4	0,01	,25	
LATVIA	VA	9	,4	,22	
LEBANON	BN		1,94	,22	
LESOTHO	SO	3	0,03	,27	
LIBERIA	BR	7	0,99	,28	
LIBYA	BY	3	,48	,22	0
LIECHTENSTEIN	IE	8	,4	,39	
LITHUANIA	TU	2	,73	,21	1
LUXEMBOURG	UX	00	,52	,24	
MACAO	AC	2	,46	,38	
MACEDONIA	KD	4	0,31	,24	
MADAGASCAR	DG	0	0,42	,21	0
MALAWI	WI	6	,05	,23	
MALAYSIA	YS	0	,13	,21	1
MALDIVES	DV	9	0,1	,31	
MALI	LI	6	0,21	,23	
MALTA	LT	5	,3	,27	
MARSHALL ISLANDS	HL	0	,18	,61	
MARTINIQUE	TQ	0	,64	,38	
MAURITANIA	RT	8	0,93	,24	
MAURITIUS	US	6	,84	,22	
MEXICO	EX	4	0,62	,21	1
MICRONESIA	SM	9	,16	,34	
MOLDOVA	DA	2	0,38	,23	
MONACO	CO	8	,12	,45	
MONGOLIA	NG	8	,35	,25	
MONTENEGRO	NP	9	,59	,26	
MOROCCO	AR	9	0,47	,21	1
MOZAMBIQUE	OZ	6	,29	,21	0
MYANMAR	MR		1,56	,24	
NAMIBIA	AM	1	,96	,23	

NAURU	RU	0	,18	,61	
NEPAL	PL		1,69	,25	
NETHERLANDS	LD	0	,95	,22	0
NETHERLANDS ANTILLES	NT	2	,19	,38	
NEW CALEDONIA	CL	1	0,05	,4	
NEW ZEALAND	ZL	9	,16	,21	1
NICARAGUA	IC	1	0,39	,23	
NIGER	ER	1	0,75	,23	
NIGERIA	GA		2,01	,21	1
NIUE	IU
NORWAY	OR	7	,33	,21	1
OMAN	MN	0	,95	,22	
PAKISTAN	AK		2,61	,21	0
PALAU	CI	0	,18	,61	
PANAMA	AN	9	,11	,22	
PAPUA NEW GUINEA	NG	7	0,55	,23	
PARAGUAY	RY	3	0,63	,24	
PERU	ER	9	0,84	,21	1
PHILIPPINES	HL	1	1,41	,21	1
POLAND	OL	4	,79	,21	1
PORTUGAL	RT	4	,05	,21	1
PUERTO RICO	RI	4	,49	,3	
QATAR	AT	3	,01	,22	
REUNION	EU	2	,47	,46	
ROMANIA	OM	6	,3	,21	0
RUSSIA	US	4	0,62	,21	1
RWANDA	WA	7	0,14	,26	
SAMOA	AM	7	,11	,31	
SAN MARINO	MR	0	,18	,61	
SAO TOME AND PRINCIPE	TP	5	,29	,33	
SAUDI ARABIA	AU	1	0,39	,21	0
SENEGAL	EN	7	0,16	,21	0
SERBIA	UG	8	0,5	,23	
SEYCHELLES	YC	8	,91	,28	
SIERRA LEONE					

	LE	5	0,23	,25	
SINGAPORE	GP	6	,33	,21	1
SLOVAKIA	VK	8	,92	,22	0
SLOVENIA	VN	5	,07	,22	0
SOLOMON ISLANDS	LB	0	,12	,35	
SOMALIA	OM		3,28	,31	
SOUTH AFRICA	AF	2	0,04	,2	2
SPAIN	SP	3	0,03	,21	1
SRI LANKA	KA		2,04	,21	0
ST. KITTS AND NEVIS	NA	7	,85	,34	
ST. LUCIA	CA	1	,66	,34	
ST. VINCENT AND THE GRENADINES	CT	4	,81	,34	
SUDAN	DN		2,44	,23	
SURINAME	UR	1	,15	,28	
SWAZILAND	WZ	2	,22	,26	
SWEDEN	WE	8	,13	,21	1
SWITZERLAND	HE	4	,23	,22	0
SYRIA	YR	7	0,56	,21	0
TAIWAN	WN	2	,72	,21	0
TAJIKISTAN	JK	1	0,74	,23	
TANZANIA	ZA	5	,01	,22	0
THAILAND	HA	3	1,19	,21	1
TIMOR-LESTE	MP	4	1,13	,29	
TOGO	GO	0	0,1	,23	
TONGA	ON	2	,21	,31	
TRINIDAD AND TOBAGO	TO	8	,08	,24	
TUNISIA	UN	4	,29	,21	1
TURKEY	UR	2	0,73	,21	1
TURKMENISTAN	KM	3	,23	,24	
TUVALU	UV	8	,4	,39	
UGANDA	GA	9	0,88	,21	0
UKRAINE	KR	4	0,01	,21	1
UNITED ARAB EMIRATES	RE	3	,74	,22	
UNITED KINGDOM	BR	6	,56	,21	1
UNITED STATES	SA	8	,59	,21	1

URUGUAY	RY	5	,83	,22	
UZBEKISTAN	ZB	8	0,91	,22	
VANUATU	UT	5	,3	,39	
VENEZUELA	EN	2	1,23	,21	1
VIETNAM	NM	6	,32	,21	0
VIRGIN ISLANDS (U.S.)	IR	0	,62	,38	
WEST BANK GAZA	BG		1,76	,39	
YEMEN	EM		1,89	,22	
ZAMBIA	MB	5	,29	,22	0
ZIMBABWE	WE		1,56	,21	1

Source: Kaufmann, A. Kraay, and M. Mastruzzi (Worldbank). *Governance Matters 2009: Worldwide Governance Indicators 1996-2008*.(2009).

Retrieved September 24, 2010, from

<http://info.worldbank.org/governance/wgi/index.asp>

Supplement nr.2: Cover letter

Dear Madam/Sir

I am a student at Czech University of Life Sciences in Prague, majoring in economics and management. I am in the last year of my studies and working on my Diploma thesis. It focuses on a perception of Czech culture by foreigners, who work in the Czech Republic, and its impact on doing business in the Czech Republic.

I would like you to share your experience and fill out the attached questionnaire, which examines Czech cultural hallmarks and their influence on the ease of doing business in the Czech Republic. The overall time spend on filling the questionnaire does not exceed five minutes.

Here is the link:

<https://spreadsheets.google.com/viewform?hl=en&pli=1&formkey=dHUyeTJScVctUURva01uc1JETUI5VXc6MA#gid=0>

If you are interested, I can email you the results. Also, it would be very much appreciated, if you could please forward this message to your colleagues or friends, who are also expats in the Czech Republic.

Thank you very much for your cooperation in advance.

Have a great day!

Petr Danes

petr.danes@gmail.com

Supplement nr.3: Questionnaire for foreigners

Questionnaire: Foreigners Doing Business in the Czech Republic

1. What is your nationality?

2. How long have you been working in the Czech Republic for?

3. From your experience, do you perceive the Czechs as formal ?

Yes x No

If yes, do you perceive it for doing business as:

- A. Positive
- B. Rather positive
- C. Rather negative
- D. Negative

Comments:

4. From your experience, do you perceive the Czechs as reserved and restrained ?

Yes x No

If yes, do you perceive it for doing business as:

- A. Positive
- B. Rather positive
- C. Rather negative
- D. Negative

Comments:

5. From your experience, do you think it is difficult to network with Czech business persons ?

Yes x No

If yes, do you perceive it for doing business as:

- A. Positive
- B. Rather positive
- C. Rather negative
- D. Negative

Comments:

6. From your experience, do you think the Czechs tend to have many rules and restrictions ?

Yes x No

If yes, do you perceive it for doing business as:

- A. Positive
- B. Rather positive
- C. Rather negative
- D. Negative

Comments:

7. From your experience, do you think a team in the Czech Republic works as group of individuals reporting vertically to a strong leader and interaction between team members is more limited?

Yes x No

If yes, do you perceive it for doing business as:

- A. Positive
- B. Rather positive
- C. Rather negative
- D. Negative

If no, how would you briefly describe team working in the Czech Republic?

Comments:

8. From your experience, do you perceive the Czechs as soft speaker, who display only little body language when communicating ?

Yes x No

If yes, do you perceive it for doing business as:

- A. Positive
- B. Rather positive
- C. Rather negative
- D. Negative

Comments:

9. From your experience, do you think the Czechs tend to avoid direkt confrontation and ether use Pasove resistance?

Yes x No

If yes, do you perceive it for doing business as:

- A. Positive
- B. Rather positive
- C. Rather negative
- D. Negative

Comments:

10. Have you ever come across corruption when doing business in the Czech Republic ?

Yes x No

Comments:

11. From your experience, do you think the Czechs have a lack of self-confidence?

Yes x No

Comments:

12. From your experience, do you think the Czechs are loyal to their company or business partner?

Yes x No

Comments:

13. From your experience, do you think the Czechs are creative?

Yes x No

Comments:

14. From your experience, do you perceive the Czechs use a lot of humour when communicating?

Yes x No

Comments:

15. Describe a typical Czech business person by using 3-5 characteristics.

16. On a scale from 1-5 please rate the ease of doing business in the Czech Republic (1- the highest, 5-the lowest)

Additional comments, personal insights etc.