

Interview: Karel Kucera CEO, CzechInvest, Czech Republic



The Czechs are naturally good at developing new technology and solutions needed on a global scale

17.06.2016

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The CEO of CzechInvest elaborates on the significance of the healthcare and life science industry for the Czech Republic's transition into an industry 4.0. Furthermore, he reviews what the Czech Republic has to offer for foreign investors over its regional neighbors.

Before assuming the position of CEO at CzechInvest you have worked in numerous industries. How does this diverse background give you and your work at CzechInvest a competitive edge?

One of the main reasons I was chosen as CEO for CzechInvest was indeed my diverse industrial background. It proved to be the right decision, my background gives us a competitive edge. It helped in business changes in organization and it eases the process of entering in productive discussions with key clients.

In 2014, when I was appointed, the incentive possibilities in the Czech Republic dropped by approximately 15 percent in comparison to our neighbors Poland, Slovakia and Romania. Nonetheless, I was asked to create at least 10,000 employment opportunities per year. Due to the expertise I had gained in the past, I averaged 14,000 per year. Remarkable in this achievement is not necessarily the employment creation per se, but that we increased the number of employment opportunities in high-end industries by 250 percent; these high-end industries are usually aerospace or applied IT in which for instance MSD invested. It was a strategic pillar for us to focus on these high-end industry deals, because the added value chain within these industries result in higher paid employment opportunities for Czech citizens. Another key performance indicator I am proud of is that

we managed an increase to 30 percent of companies which don't require incentives as they decide that the Czech value proposition is already top notch!

How significant is the healthcare and life sciences industry among this target group of high-end industries?

The healthcare and life science industry is significant as our deals with this industry are typically long term and investments go beyond manufacturing. Research and development is an integral part of high-end value chains and it is definitely something we aim to attract into the country. In the healthcare and life science industry, we're currently focusing on applied IT deals; as a nation we are superbly skilled in natural sciences and MSD is just one of many examples of pharmaceutical companies establishing IT hubs in the Czech Republic. Applied IT within this industrial segment is used to narrow down research possibilities for new treatments, assessment of drug performance under varying drug compilations and virtual task execution to limit the scope of alleys to pursue with research, ultimately saving an immense amount of costs. Allowing significant cost reductions and an enhanced focus on results, that is what the Czech Republic offers!

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The Investment Incentives Act the Czech government amended on May 1st 2015 signals the government's efforts to increase foreign direct investment into the Czech Republic. What is the role of CzechInvest in the context of the Investment Incentives Act?

We're a monopolistic government institution. If a company desires incentives when investing in the Czech Republic, we are the sole point of contact. But our strategy and added value goes far beyond governmental incentives. We cover every need of potential investors as well, whether it be information, data, contacts or consulting. In a nutshell: We are lobbyists paid by the state.

The Czech Republic is also a significant beneficiary of EU funding. To what extent are you involved in the facilitation process of European financial aid?

EU funding into the Czech Republic is administered by different ministries. For our sector it also lies within the Ministry of trade and industry. In previous years, the administration of EU funding was also our responsibility; however, EU regulations are required to pass this responsibility on to ministerial level. The responsibility regarding EU funding remaining with us is the consultancy part, where we support the application process for instance. The rationale for keeping the consultancy part is simply that we have the business network and industrial ties, thus making us an efficient link of EU funding and industry.

Another important entity regarding EU funding is the Ministry of Education. In recent years, a significant part of EU funding was used to establish a R&D infrastructure in the Czech Republic consisting of state of the art facilities such as laboratories or biotechnological centers of excellence. The Ministry of Education is now using this infrastructure to connect academia with industrial purposes, which we fully support as it is obvious that the relationship between academia and industry is of value for both; we also provide consultancy in this specific area.

Some of the main factors of attractiveness our interviewees note about the Czech Republic are the political stability and the high level of transparency. However, these are characteristics many of the CEE countries share. In this context, why should the Czech Republic be the destination for foreign direct investment?

I disagree. Especially in the political context, I can say in full confidence that we provide a level of stability no other country in the region currently does. Especially in other CEE countries the political

situation does not provide long term stability. For example, recent changes in Poland have made investors more uncertain. In the Czech Republic, such a situation could never arise as the economy is export oriented and ties with Germany are too strong to ever allow that whichever kind of government gets elected.

In terms of human resources, it is noteworthy that we are the only country in the CEE region which draws quality people from our regional neighbors. We are historically a preferred location of tertiary education for Polish, Slovaks, Russians, Ukrainians and the other Slavic nations. The benefits of our country and the quality of life forms the decision for many of the top brains from those countries to remain in the Czech Republic for work after their education is finished.

In a nutshell: in comparison to our neighboring countries we are the least nationalistic and offer the best price over value conditions, an unmatched quality of life homogeneous across every city in the country, an excellent infrastructure and the best human resources. Frankly speaking, we are more comparable to Bavaria than to the CEE countries.

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One of the government's targets is to set the right conditions for the Czech industry to transition into the so-called industry 4.0. Can you please briefly introduce us to the concept and why it is important for the Czech Republic?

Industry 4.0 is all about moving up the value chain. Especially in the international business context the Czech Republic can't be overlooked when it comes to innovative concepts such as just in sequence logistical concepts or reducing costs in utilizing robotic manufacturing opportunities. We are the geographic center of Europe, have one of the most stable electricity networks and we are the center of value chain data! Moreover, we have successfully used EU funding as a means to establish the right market and economic conditions for business to innovate in the Czech Republic, paired with the already mentioned reasons we are a mandatory location for any company wishing to establish an excellent Pan-European value chain.

Essential for companies from the healthcare and life science industry when coming to a country is the potential of collaboration with academia to jointly engage in R&D. How would you assess the academic competitiveness of the Czech Republic?

Historically, the scientific R&D capabilities of the Czech Republic are excellent in the international context. For instance, many people don't know that contact lenses were invented in the Czech Republic. The Czechs are naturally good at developing new technology and solutions needed on a global scale; often the challenge is to find the right partner with the financial means to commercialize these inventions. Another example is Mr. Holy who, with the help of Gilead Sciences, helped revolutionize the treatment of HIV patients.

CzechInvest is not the only entity promoting the Czech Republic to foreign investors; what distinguishes you from other agencies and institutions?

As mentioned before, we lobby on behalf of the state, supported by the state. Naturally we are in a beneficial position when it comes to dealing with any of the public bodies. Our government is pro economic development and as government agency we submit economic and business propositions to government level on a regular basis. All the other institutions are private and are usually cooperating with us rather than competing; we aim at the same goals, therefore competing is not an option, instead we bundle our resources for the benefit of the Czech Republic!

In a nutshell: Why should the healthcare and life science industry invest in the Czech Republic?

We have the best conditions for development in the future and offer the best environment for any business to grow due to market conditions. If you want to invest in the future you should invest in the Czech Republic!

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