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# Foreign investors and their perceptions of socio-institutional and entrepreneurial environment in the Czech Republic: A pilot study

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**The paper examines the role of a favourable milieu in the region and the notion of social capital, work ethics and mutual confidence. Results of an empirical survey conducted among the foreign entrepreneurs in the Czech Republic are presented in the paper. The survey revealed opinions of foreign investors on cooperation and communication with various institutions in their environment. It also answered questions on the willingness to cooperate and the possibility of creation of cooperation networks of Czech and foreign firms in the local economy and analysed opinions and ideas about the general quality of the Czech entrepreneurial environment.**

**Key words:** Foreign investors, socio-institutional environment, entrepreneurial environment, Czech Republic, structured interviews, pilot study.

## INTRODUCTION

This paper aims to reveal the character of perception of foreign investors doing business in the Czech Republic, thus in a specific entrepreneurial environment of a country undergoing a far-reaching economic and societal transition. In the following sections it offers a theoretical framework to subsequent empirical survey and endeavours to explain frequently reported terms. It utilises the concepts of localised learning and knowledge. The role of information and knowledge based economy and discerns between tacit and codified knowledge in section two. Next, it explains the role of favourable milieu in the region and the notion of social capital, work ethics and mutual confidence. In section four the paper deals with cooperation networks and new forms of territorial production systems and the apprehension of region as a relational space. The results of an empirical survey conducted as a part of a pilot study are presented in the empirical part of the paper. The fifth section reveals the opinions of foreign investors on cooperation and communication with various institutions in their environment. The sixth part answers questions on willingness to cooperate and the possibility of creation of cooperation networks of Czech and foreign firms in the local economy. The last section analyses opinions and ideas about the general quality of the Czech

entrepreneurial environment. It also presents the reasons leading to particular respondents' evaluations. The most important remarks are summarised in the conclusion and some possible solutions for the creation of cooperation networks are sketched.

### The role of information and knowledge

Knowledge and information are key factors of successful competitiveness of each organization. The ability to create and keep effective social relations with the environment of the organization itself is therefore considered to be the key corporate competence. In this respect, geographical proximity may be an important factor, but it considerably differs in its importance. In some cases, geographical proximity can be replaced by simple mobility of actors or the use of communication technologies. Geographical proximity is above all the condition of informational exchange. As Rallet and Torre (2000) claim, knowledge cannot be treated as a public good, freely diffused in the local economy. They remind the fundamental distinction between two kinds of knowledge, namely tacit and codified knowledge. "Tacit

knowledge refers to knowledge which cannot be easily transferred because it has not been stated in an explicit form (Foray and Lundvall, 1996 cit. in Rallet and Torre, 2000). Codified knowledge is reduced to messages which can be easily transferred between agents, including long-distance communication through telecommunication devices. Tacit knowledge requires sharing of experience through face-to-face meetings of people with similar interests. The empirical survey (section 5) challenged the existence of tacit knowledge and its exchange within the entrepreneurial environment in the Czech Republic.

The localised learning and knowledge-based economy represent a vivid study area (Maskell and Malmberg, 1995; Maskell et. al., 1999; Lundvall, 1992). Maskell and Malmberg (1999) claim that the majority of knowledge remains in the tacit form within the company. Empirical evidence shows that in the environment of similar values, confidence, and shared understanding to technical and business problems, tacit knowledge exchange develops. The ability to exchange otherwise obviously internal information thus represents an important part of competitive advantages of spatial agglomerations and proximity of certain types of knowledge creation enhances the attractiveness of the region by adding to an already economically attractive institutional endowment", (Maskell and Malmberg, 1999). Another important competence that they suggest is the ability to creatively un-learn former routines to proceed in new and effective learning. This mention about creative un-learning seems to be crucial for the transforming economies, where the inherence to old routines of work and communication may represent a great problem and may crucially complicate communication and cooperation with the foreign investor or even discourage the foreign partner from the collaboration with local firms.

### **The role of favourable local milieu**

The creation of new knowledge in agglomerations of cooperating firms is often accompanied by the emergence of a favourable local milieu, which describes an area with common behavioural practice and common technological culture. That means processes to develop and distribute knowledge, technical know-how, norms and values related to a particular economic activity. Such environment represents both the result and also the condition for mutual learning. Many empirical studies (Maskell and Malmberg, 1999) acknowledge the emergence of spatial concentration in almost all economic sectors and creation of such contact-intensive environments. It is important to note that spatial elements of a local economy should be reconsidered and newly defined, because the milieu itself becomes an active part of economic processes in the region and also becomes a new production factor.

Caravaca et al. (2002) uses the term *innovative milieu*, which is defined as the set of relations interconnecting the geographical research area and uniting the productive system, technical culture and individual actors. Entrepreneurial spirit, organizational practice, company behaviour, technology usage, market perception and know-how are integral parts of the milieu. This environment comprises systematically united elements which can be analysed individually and represent different dimensions of researched agenda {These elements are: "Local" environment (not as delimited by administrative but merely as a region with same spirit, the inhabitants and employees working in it), "the set of actors" (companies, institutions, associations of producers, self-government, schools), "material" (infrastructure, cultural heritage, industrial plants) and "immaterial" (know-how, culture etc.) "resources, ways of communication" (how do the relations between actors emerge, what is the capacity, what is the level of consensus), "ways of learning" (adaptation to changes, common technological trajectory, capacity of actors for a change in behaviour) etc.}

Within the processes of local development, also the social values play an important role. The strong local identity and support of entrepreneurial activity in the place allows surpass even very risky situations experienced in the business process. The mutual confidence between entrepreneurs supports the cooperation and transactions between local firms which can significantly lower costs. These issues of confidence may represent a problematic area mainly in the case of foreign investors, which will be examined in the empirical part of the article. Work ethics helps to foster the qualification and develops human resources. In addition, it reduces social conflicts and encourages the accumulation of capital.

Next, each regional situation also stems from a particular historical development which configures the institutional, economic and organizational environment. This historical context should be considered mainly in the case of post-communist countries where it represents an important condition of development or, on the contrary, distortion of new business relations. The region and its milieu is also an agent of regional development that aims to integrate the region and its interests in the processes of general post-industrial development and structural changes (Granovetter, 1973, 1985; Barquero, 2000; Caravaca et al., 2002; Blažek and Uhlíř, 2002).

The concept of favourable local environment represents the current shift from "agglomeration advantages as understood in the narrow economic sense to agglomeration advantages in the socio-cultural area" (Blažek, 2001, author's translation) or, in other words, current transmission from the stressing of exogenous development to the endogenous one, based on the inner resources of region, atmosphere, work ethics, self-confidence, cooperation and effective relations in the region.

### **Cooperation networks and new organizational forms of production systems in the territory**

The key role of local factors of endogenous development and of local actors' activity for a successful function of particular Czech regions within the European Union and its competitive environment is now becoming an important study area. Blažek (2001) points out the new tendency of regional development, i.e. the formation of new spatial forms of regional development – clusters and networks. Similarly Camagni (1991) stressed the importance of a new, *behavioural space*, which should be included in economic theories. Besides the organizational space (growth due to inner development and acquisitions), competitive space (comprised of market transactions) and synergic space (represented by the concept of local milieu), the cooperation space emerges and its behavioural model is represented by the creation of networks. As Blažek and Uhlíř state (2002, author's translation) "the concept of region changes and many authors start to speak about region as about the intercept point of spatial relations and nets of contacts or as about the relational space".

Lundqvist and Olander (1999) examined also the extent and character of the dependency of firms on the home base and the factors influencing this dependency. One of the most important factors appeared to be the possibility to create horizontal networks between firms with similar technological capacity and similar demands on labour force. Thus, the current socio-economic research might usefully concentrate on studies of regional production systems from the point of view of different spatial and organizational forms of these systems and also from the point of view of cooperation networks and networking of individual actors. This fact becomes even more accentuated when it deals with a foreign investor active within these regional networks.

Exactly, the cooperation networks play major role when a foreign investor is coming to a region. In this case, the issue networks may originate (Brewer, 1993), that unite firms, governmental agencies and other organizations interested in the FDI inflows into home economy. These networks facilitate the flow of information between the participants in the processes related to the FDI and enable to gather and evaluate different types of information which are needed for the decision making about the FDI projects.

### **Social and institutional networks, institutional environment: a pilot study**

This pilot study of socio-institutional and entrepreneurial environment has been based on structured interviews with spokespersons of 15 selected foreign firms. These firms were selected from the database of foreign direct investors in the Czech Republic who were approached in the survey of perception of Czech micro-regions

(Spilková, 2007). Thus the set of nearly 800 firms has been reused. Within this set the firms included in the pilot study were strategically drawn from three different types of regions: the capital city of Prague, other metropolitan areas and rural areas. Similarly, the firms within each of the regional category were selected in terms of other different criteria: firms with branch companies only in the Czech Republic, firms with branch companies in other countries, firms from the service industry, firms from the manufacturing industry and firms from the advanced producer services and/or financial services. Altogether some 33 companies were approached for the purpose of the pilot study. Finally, from these 33 companies, only 15 company managers agreed with an in-depth structured interview.

The interviews were conducted in the period of June – August of 2005 and aimed at revealing the opinions on different institutions in their entrepreneurial environment. The respondents were asked questions about the relations with these institutions, the advantages of cooperation with these institutions, the effectiveness of these relations and other opinions on these institutions. The need and willingness to cooperate with other firms and mainly with Czech firms was also investigated. Similarly, interviews focused on the entrepreneurial environment in the Czech Republic generally as perceived from the point of view of foreign investors.

The interviews were conducted according to the general rules of interviewing (Hermanns, 2004); they were recorded and consequently transcribed. The transcribed interviews were analysed by using qualitative methods – formulation of analytic categories, recoding, quantification and interpretation. Next, the open ended questions were analysed by content analysis (Meester, 2004) and the most eloquent answers are cited in pertinent parts of the paper.

Social and institutional networks are often considered to be uniting elements of successful local economy. These networks also often transfer subsidies from the state or regional governments, or through these networks local and regional policy is executed. The following sections present in short the responses to questions on cooperation with various institutions. However, the pure listing of respondents' statements is enhanced with the description of respondents' relations with these institutions and the most cited problems.

### **Entrepreneur associations, industry associations**

Entrepreneur associations and similar organizations are mostly evaluated positively. The majority of the interviewed firms evaluate the cooperation with these institutions as very useful or just useful, three firms as satisfactory. On the basis of structured interviews analysis causes of the utility and high evaluation of these institutions among the entrepreneurs can be traced. Despite the fact that the economic contribution of membership in

these organizations is disputable (the membership fee is paid, but membership does not generate any value added), it is obvious that one of their main benefits is the possibility of interrelationship and acquisition of contacts on entrepreneurs from the same industry. A great potential is seen also in certain lobbying power of such associations, which can communicate with the governmental offices for example.

Since these institutions are nowadays one of few channels where exchange of tacit knowledge can be observed within the Czech business environment, membership in a similar association may also represent a certain competitive advantage. Thus, the evidence of tacit knowledge exchange, including that between competing firms, can be traced in the majority of the interviews with the spokesmen of firms participating in similar associations.

The provision of relevant business information in suitable extent and structure is another advantage of professional and industry associations. This strategic information is a fundamental condition for company operation. However, it is true that this information can be reached by each firm individually, but the role of the professional associations is in the possibility of sharing this information, discussing it and learning how to apply this strategic information. These personal communication networks may become set-outs of further clustering and cooperation of local firms (for socialization in the process of local communication (Amadeo and Golledge, 1975).

### **Chambers of commerce and commercial boards**

Various chambers of commerce are not evaluated equally high. The pilot study revealed that respondents tend to evaluate the activity of chambers of commerce only as satisfactory and only three firms consider them to be good and useful. However, the chambers of commerce basically cannot be as successful as the professional associations (see above). The level of mutual interests is lower and thus also the effectiveness of relations and contacts in chambers of commerce decreases. Their benefit is again mainly in information exchange and meeting other colleagues. Various opinions appear that the membership in the chambers of commerce did not fulfil the expectations of some entrepreneurs, e.g. that the contacts acquired in the chambers did not lead to new orders etc. However, some of the firms interviewed in the pilot study even are not members of any chamber of commerce and do not use their services. Finally, the national chambers of commerce (Austrian, British or Czech-German) are evaluated higher than the regional or municipal chambers of commerce.

### **Investment and business development agency CzechInvest**

Among the interviewed firms, six firms never communicated or cooperated with the governmental agency

CzechInvest. Another three firms stated that their cooperation with this agency was unsatisfactory. Usually the cooperation comprised only various register enrolments. Some firms complain that they cannot reach the support offered by CzechInvest. The firms, which evaluate the communication with CzechInvest better, usually utilise the service of mailing the news about investments being prepared and general information. Some successful cooperation was mentioned also when searching for a new industrial zone for corporate expansion or the facilitation of searching for some foreign clients.

The example of varying opinions on the governmental agency CzechInvest demonstrates apparent difference between the spontaneously created local networks and the networks created by central institutions. The interviewed firms came to the Czech Republic before the establishment of CzechInvest and thus were not able to use its services. They found partners on their own, created their supplier-customer networks and the networks of cooperating firms individually. It is therefore evident that these firms need a different form of regional policy or subsidies and programmes than the firms which were assisted by CzechInvest from the beginning of their enterprising in the Czech Republic.

The disputable role of issue networks, comprising of firms, governmental agencies and other organizations, was therefore revealed (Brewer, 1993). The successful cases of so created networks are rather unusual and thus may distort the focus on the overall situation and entrepreneurial reality in the country e.g. the case of Skoda Mlada Boleslav (Pavlínek, 1998).

### **Municipal and regional governmental offices**

The majority of firms evaluate their relations with municipal offices as very useful or good and useful and one third of firms evaluate them as satisfactory. The survey also revealed that this question was often understood as inverse, or purely business-based. Only a few firms cooperated with municipal offices on the base client – service or goods provider (3 firms).

On the contrary, the relations with the regional offices are evaluated worse. The most problematical issues seem to be the communication with sanitation department, construction department and various registers. Most of the interviewed firms complain “exaggerated” bureaucracy and problems with administrative work generally (long terms, complaints, lost documents etc.).

### **Local cooperation networks, territorial production systems**

The part of the structured interview, which discussed the potential for local cooperation networks, different forms of territorial production systems, social capital quality etc.,

**Table 1.** Summary of results for the main analytical categories and individual cases - the question on the need or potential of local cooperation networks.

Respondent nr.	Local cooperation		Causes of lack of interest in local cooperation			
	yes	no	Competition “everybody is a competitor“	Relative independent firm	„Why substitute the role of chambers of commerce? “	Other
1		X	X			
2	X		--	--	--	
3		X		X		X
4		X		X		
5		X	X			
6		X	X			
7		X		X		
8		X		X		
9		X				X
10		X			X	X
11		X		X		
12		X	X		X	
13		X				X
14		X	X			X
15		X	X			X
Total	1	14	6	5	2	6

Source: structured interviews.

may be considered as the most important area of the survey. It was aimed to prove, or disprove, the claim that nowadays the importance shifts from the stressing of importance of exogenous development to the stressing of endogenous development, based on inner resources of the region, its atmosphere, work ethics, cooperation and effective relation within the region generally (Uhlíř, 2002; Caravaca et al., 2002; Asheim, 2002).

The question was whether firms feel the need to set up any organization, agency, regional association, which would help to foster entrepreneurship in the region and the cooperation of foreign investors and Czech firms. A vast majority of the entrepreneurs responded negatively. The reasons for such refusal of intensive forms of cooperation seem to be the same for all the respondents. Hostility of the entrepreneurial environment and the strong competition were among the most often mentioned. These problems also highly correlate with the issues of mutual confidence and the confidence to Czech firms generally. Thus, the local entrepreneurial environment is in most cases considered as unfavourable.

The creation of favourable local milieu is related to the notion of social capital. Social capital explains how social and economic processes react. It is defined as the set of norms, institutions and organizations which help to foster the environment of confidence and cooperation (Caravaca et al. 2003). Basically, the social capital presents the ability of people and groups to work together for one common goal. Social capital differs from other develop-

mental factors by its character which accentuates the relations and ties between different actors. The level of confidence stands for one of the most important conditions of effective operation of territorial productive systems also e.g. in the sociological works of Granovetter (1985, 1973).

The evaluation of the potential for local cooperation and social capital enhancement by respondents, spokesmen of foreign firms enterprising in the Czech Republic, is stated in the Table 1.

In five cases the lack of interest in cooperation is being “excused” by relative independence of the firm – “...we prefer to coordinate the cooperation within our parent company, there is no need to join the competitors”. The opinions that the main goal should be the value added and not some untraded interdependencies are also very often – “such cooperation should result in value added, we are not interested if it is only about image and meeting”. It is interesting that the firms do not want to cooperate within the local economy also because they believe that the local networks and their creation is the task of the chambers of commerce – “the problem of cooperation and networks is the task of chamber of commerce...” or “when something emerges and it is successful, then it will attract the entrepreneurs, but generally, there is a great scepticism....why substitute the role of a commercial chamber?” However, some trials on lower levels of cooperation seem to emerge, such as common technical service, common education and train-

**Table 2.** Summary of results for the main analytical categories and individual cases - the question on entrepreneurial environment in the Czech Republic.

Respondent nr.	Most notable analytical categories			Other (or neutral standpoint)
	Bureaucracy	Corruption	Legal barriers, taxes	
1			X	
2				X
3	X			X
4	X			
5			X	
6		X	X	
7			X	
8	X			
9	X		X	
10	X	X		
11	X		X	
12			X	X
13	X	X		
14	X		X	
15				X
Total	8	3	8	4

Source: structured interviews.

ing, joint marketing strategies etc. – “*we do not want close cooperation, but rather a model of joint strategy for customers, technical support etc... (in this case) ... we do not care about the origin of the firm, we only ask what would be the economic contribution.*”

Another key area of the survey comprised problems of mutual confidence and work ethics in the local or regional economy. The level of confidence is very low: “*There is a distorted environment...the cooperation in the Czech Republic cannot be based on the confidence ...*” or “*Often, it were Czechs who caused economical problems of foreign firms in the Czech Republic. Generally, Czech firms are not given much credit...they only suit the purpose with lower price...*” Some remarks on the question of untraded interdependencies or latent relations state: “*For decent firms, the informal contract is sufficient and for discourteous ones, even the written contract does not mean anything.*” Even the survey itself remained often misunderstood – “*What you are doing here is only a theory, in practice nobody deals with these questions, we have to sell.*”

### Entrepreneurial environment, business support

The last part of the structured interview dealt with subjective perception of business support in the Czech Republic provided by the state, local government, specialised agencies etc. The interview contained also a free space for respondents’ opinions on the issues related with entrepreneurial environment, personal experience, suggestions etc. The summary of results for response coding is stated in the Table 2. It was aimed to study the conditions for enterprising from the point of view of

support, favourable local social environment and social capital, confidence, legal transparency and general milieu in the region.

One of the most cited facts, often associated with the business support and entrepreneurial environment in the Czech Republic, is bureaucracy. A majority of firms complain some administrative barriers to ordinary function of the organization which are being caused by exaggerated bureaucracy. “*Chaotic, unreasonable rules, exaggerated administrative work...*”, “*Czechs are used to it, but for a foreigner, it is awful and incomprehensible.*” “*Guidelines, norms, procedures – there are always several parallel possible explanations ...*” Governmental business support was commented by one of the respondents as: “*We do not need the state, let it restrain no more...*” The financial authorities are the most criticised organisations. “*The investors do not need anything special but the fixed rules that are clearly explained and valid.*”

The tax legislation and laws generally represent the second biggest analytical category of this part of survey. It is completely inevitable for improving of the entrepreneurial environment to clarify the area of tax legislation, in which often even antagonistic rules currently exist. The call for lower taxes represents a stand-alone issue, when “*the taxes we pay, do not come back, for example in the form of a better infrastructure...*” The fact that high taxes and exaggerated bureaucracy have already discouraged many potential investors, who rather choose some neighbouring country, was recognised also by Pavlínek (1998). The legislation and enforcement of law generally seems to be a problematic issue for a majority of interviewed firms. Often, a higher caution when dealing with the partners is necessary, which is obviously in contrast with

favourable entrepreneurial environment – “*One has to be careful...there is never a 100% confidence and will for a total cooperation.*” As one respondent notes: “*The Czech Republic is still rather like the ‘Wild East’.*”

Often, even though not explicitly, the corruption is being mentioned in many interviews. The results of international corruption monitoring are now an actual topic, where the Czech Republic reached the 47<sup>th</sup> – 50<sup>th</sup> place together with Greece, Namibia and Slovakia ([www.transparency.cz/index.php?id=2793](http://www.transparency.cz/index.php?id=2793)). Within the European Union Czech Republic stands for the third worst country and this situation still does not improve. What are thus the most cited problems? The mistrust for Czech firms has been already mentioned. The area of getting orders, which are “*often reliant on bribery...*” is also very problematic. The same situation is experienced in the selection procedures, where “*what can happen here, really, abroad it would be beyond possibility.*” In one case, the same situation was mentioned related to support funds which “*act on the base of bribes, acquaintanceship etc....Why therefore support enterprising?? You should rather offer the equal conditions to all...funds only waste money...what is more, every request for subsidies consumes so much work, time and resources that it does not worth the effort...*”

Some respondents mentioned the weaknesses in the area of human resources as a problem of the Czech entrepreneurial environment. The skilled labour, which is considered to be one of the biggest advantages and one of the most important location factors of foreign investments, could soon become a relatively scarce commodity. The current trend of increasing the number of general secondary schools (gymnasia) and wider approach to higher education may have serious negative consequences. The closure or dissolving of some traditional secondary technical schools and the disability to restructure secondary schools in the direction to progressive industries (electronics, chemical production, technology etc.) is considered to be a big issue. Accordingly, the statistical analysis of location factors of foreign investors showed the attractiveness of the regions with sufficient number of qualified university educated professionals and qualified workers (vocationally trained with graduation exams) and also revealed the negative coefficient showing the negative effect caused by micro regions with higher number of general secondary schools graduates within the regional population (Spilková, 2007). These results of the pilot study suggest that it is still necessary to meet the needs for young, qualified people with secondary technical education. The quality of labour in the regions with longstanding tradition of industrial production may, in this case, overpass the advantage of its low costs.

The last one among problematic areas, often mentioned in the interviews about the entrepreneurial environment in the Czech Republic and in the final comments of respondents, is the Czech temperament in general, not

only the behaviour of Czech entrepreneurs or Czech officers and clerks. The most serious problem appears to be the above mentioned inclination to corruption and reliability in the business relations and also the problems with the temperament. These unfavourable assessments seem to be caused by surviving distorted patterns of “entrepreneurial” behaviour from the era of communism and its non-standard economic habits and, obviously, by the mentioned frequent corruption in the current business relations (Nielsen et al. 1995; Pavlínek and Smith, 1998). However, this does not seem to be the problem only in business or production relations, let us for example “*think about the style of driving a car in front of and behind the Czech-German border*”.

## Conclusion

The results of the empirical pilot study and the interviews with the foreign investors tend to show a low level of embeddedness of the interviewed firms and generally indicate little will to cooperate with Czech firms or even with other foreign firms. These findings are at the very least surprising, since they are generally in contrast to the outcomes of numerous recognized studies from the research area of knowledge transactions, innovation milieu or production systems. The low level of willingness to cooperate can be explained by a hostile competitive environment, mutual distrust between firms, a low level of work ethics etc. The majority of the interviewed foreign investors do not evaluate the local milieu and the Czech entrepreneurial environment in positive terms and the most cited problems appear to be bureaucratization, corruption, legislative barriers etc. These unfavourable assessments seem to be caused by surviving distorted patterns of “entrepreneurial” behaviour from the era of communism but obviously, they are also outcomes of later post-1990 governmental policies based upon the ideas of laissez-faire economy with nearly no rules and governmental regulation. In spite of the fact that the embeddedness and the willingness to cooperate seem to be at very low level, there are a few examples indicating some features typical for the more developed post-industrial economic systems also in the Czech Republic. The exchange of information and knowledge and the creation of untraded inter-dependencies, which are often as important as real business transactions, also take place in the Czech entrepreneurial environment. There is also a considerable potential for the sharing of tacit and codified knowledge and mutual learning in the meetings of chambers of commerce or professional associations. It is clear that local cooperation networks are of crucial importance in the economic and technological development of regions. This fact has to be reflected also in the regional policy. Different tools aimed at information sharing, knowledge or competences within the local network become a part of regional policies operating traditionally with material infrastructure only. The capabilities of such

policies are, however, rather limited. One of these limits is represented for example by a huge difference between spontaneously created local networks and local networks established by central institutions. The results of the pilot survey also assume that such policies should differ according to the fact as to whether the spontaneous network already exists or not yet. If not, or if it is weak, the regional policy has to foster its establishment, e.g. with the help of subsidies. If it already exists, it is necessary to support it and strengthen the ties with the partners from other areas. In both cases it is inevitable to join the spontaneously created network of economic actors and the institutional network of local offices and institutions. In the case of foreign investor involved, regional policy has to consider many other criteria and endeavour to combine effectively foreign investor's demands with the requests of local community. Thus, it should also support the dynamical development of cooperation networks between foreign and home companies in the regional production system.

The survey and the relevant literature are also concerned with the possibility of creation of temporal alliances. These short-time, one-purpose, and single project based alliances are usually dissolved after the termination of the order; they already exist in the Czech entrepreneurial environment and are often mentioned by the interviewed foreign investors. It appears that in this phase their main criteria are profit seeking and market advantage. Though, it is possible that these alliances may represent the "true chance" and beginning of future alliances and more intensive and stable cooperation networks among firms.

The subject of entrepreneurial environment in post-communist countries and foreign investors' perception of these economies represents a highly interesting current field of study. However, this research area is characteristic by its rapid dynamics and also by number of different factors influencing the final image of the host country. Thus, it is obvious that further research is needed in all the aspects of a favourable local milieu. Similar surveys on the perception of an entrepreneurial environment in a particular country should be repeated periodically and enhanced to a wider group of foreign investors coming to a host country. Implementation of the results may be used to formulate suitable policies on local, regional and state level which would be sensitive to particular needs of the investors.

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