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the
innovative workforce



digitizing czechia



Key factors that will
shape the recovery



PM Andrej Babiš on
the innovative
economy



Michal Chour
Alcron Hotel Prague
President

key words
Tourism.
Prague Recovery.

Michal Nebeský
Citibank
Vice-President

key words
Investment.
Macroeconomics.

the amcham board:
connecting the community



Milan Šlapák
GE Aviation
Vice-President

key words
R&D Investment.
High-Tech Economy.

Václav Novotný
Biogen
Vice-President

key words
Health Care.
Investment.



Sanjiv Suri
Zátiší Group
Vice-President

key words
Hospitality.
Prague Recovery.



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Erik Best
Board Member

key words
Czech-US Relations.
Media.



Rainer Bogner
ExxonMobil
Board Member

key words
Business Service Centers.
Energy.



Radek Halíček
KPMG
Board Member

key words
Government.
Transparency.



Rebecca Grattan
Avast
Board Member

key words
Work-from-anywhere.
Educated-to-innovate.



Michal Klimeš
Hewlett Packard Enterprise
Board Member

key words
Brno.
High Tech Investment.

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connecting the community





Josef Kotrba
Deloitte
Board Member

key words
Economy.
Macroeconomics.



Ondřej Krajiček
Y Soft
Board Member

key words
Smart Technology.
Education.

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connecting the community



Violeta Luca
Microsoft
Board Member

key words
Digital Skills.
Digital Economy.



Michel Perret
Carrier Refrigeration
Board Member

key words
Manufacturing.
Workforce.





Jaroslava Rezlerová
ManpowerGroup
Board Member

key words
Workforce.
Immigration.



Magdalena Soucek
EY
Board Member

key words
Economy.
Good Governance.

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connecting the community



Michal Stachník
Cisco
Board Member

key words
Digitization/Security.
Education.



Oliver Stucky
Honeywell
Board Member

key words
Tech Development.
Aerospace, Logistics, Health.



Rebecca Grattan
Avast
AmCham Human
Resources Com-
mittee Lead



If you work for an organization where innovation, research and development is fundamental to success and part of the business DNA, you have to build that into everything you do. It has to be explicit in your purpose and your goals. Avast applies “growth mindset recruitment”. We want people to have a desire for tomorrow to be more interesting and better than today, and we have a series of tests and devices we use to assess that in a candidate. In essence we want to instill “(a) founder’s mentality in a mature company.” We know we may not be able to get that in every person in every position of the company, but we try, and we really emphasize this sort of mentality in the growth areas of the business.”

Sanjiv Suri
Zátiší Group



„Growth mindset, having clear goals, transparency and psychological safety. They are fundamental to creating the environment for innovation for the future.“ Still, 90% of success in the hospitality industry is the execution, because you can have an idea but if you are not executing it, innovation will not happen. “The idea is to put together teams that are able to create, innovate, and at the same time you need the execution, to have the balance.”

What is the
difference between
an improving and
innovative
workforce?

The goal is not to have one moment of inspiration. It is to have many, regularly, and related to each other. Each of your everyday processes has to be aligned with the growth mindset. Recruit for it, develop it, reward it, celebrate it. Your leaders may not be all be innovative themselves, as it does not come naturally to everybody, but, as a minimum, they need to be able to allow innovative people to flourish within the organization. And you need to be able to reward failure as a way to progress.”

the innovative workforce:
who creates what is new

“We were improving the user experience all the time and we thought we were innovating. The pandemic taught us the lesson of disruption, and now we see that we were not really following the definition of disruption, which is a willingness to disrupt yourself. Now we do more of a cooperative business, finding and combining together our strengths and strengths of our partners.“
„We used to hire personality. Now we need to change that.“

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Kryštof Radek
Johnson & Johnson



the innovative workforce:

Reward the behavior. Focus on change. Accept failure.

Leadership that is true to their word is critical. C-suite can talk about supporting innovation, but then torpedoes it when it comes to ideas proposed by teams from lower structures of the company. Johnson & Johnson is committed to design thinking. We train not only staff at the lower levels of the organization, but also leaders to look for the positives, encourage people, allow people to experiment within a defined time period. "I like I like I wonder" principle of feedback is applied (when a superior will endorse several ideas presented and then provide constructive questions to develop them further). By learning a few key sentences, leaders can enable innovation.

Ondřej Krajiček
Y Soft Corporation



Most people are capable of innovating. It is the fear or uncertainty threshold they need to leap over to deliver innovation. If we remove this fear barrier, we can create a situation in which almost anyone will try to innovate. And that willingness to try, and adjust, and try again is what produces real innovation. It is about how safe, stable, transparent is the environment we live and work in. " This includes legislation, cost of living, basic risks, and this is where the government plays a role, including the area of corruption.

How do you know whether you are improving more than you are innovating? It does not matter as much as whether you are getting moving faster than your market, and getting better than your competition. Someone's innovation might be another's incremental step forward. Disruption is a risk that should not be prevented, but it should be managed. Leave it to the individual teams to define the pace they are comfortable with and show them what is the ultimate result you need. And reward the behavior as much as the result.

Innovation mostly should be introduced into the product development cycle. 80% of the quality of the product, the productivity in producing it, and its cost is embedded in the design. We include as many stakeholders into the design phase as possible (suppliers, operators, R&D, engineering), and try to capture all their ideas.

Michel Perret
Carrier
Refrigeration



"A company has to allocate enough resources, money to innovation with the understanding that 9 out of 10 innovation changes might fail."

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Does the education system shape an innovative mindset?



Ondřej Krajíček
Y Soft Corporation

“Learning facts was intended to teach people problem-solving and critical thinking. Latin used to be mandatory at secondary schools. The point was not to teach people Latin as much as to build the right thinking patterns, as it is a very structured language. This has been replaced by teaching mathematics. The recent debates in the Czech society questioning the importance of mathematics are scary.

the innovative workforce:

who creates what is new

Innovation grows out of people solving problems with a mindset that does not take the status quo as God’s given truth. Thinking like this needs to be nurtured at an early age. The government’s greatest contribution to innovation is creating an education system that produces this mindset.

Sanjiv Suri
Zátiší Group



“The educational system should teach how to “learn new things and how to very quickly unlearn what you learnt yesterday and learn something else. And how to have self-confidence to do that.”

“Most education systems work against innovation: teach facts that are true and do not ask to use these facts for problem-solving (focus on looking back instead of looking forward). Incentives are related to passing exams. Schools should give students the skills to naturally learn, to be self-starters with research interest.

Innovation mindset needs to be reinforced in young people newly entering workforce.”



Rebecca Grattan
Avast

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How the Czech Republic will recover from the pandemic depends on how many moving parts work together. During our General Assembly session, members of the AmCham Board presented major factors that will influence businesses and recovery of the economy.

key factors in the recovery:
The numbers we need to hit

Inflation

Michal
Nebeský
Citibank



Current: CPI 2.9% YOY (May 2021).
Best Case: Return to 2% target.
Worst Case: Rising prices create spiral.

"The Central Bank's interest rate is tightening."

„Inflation in the Czech Republic can be controlled and will be controlled and I believe it is transitory, but it is also massively influenced by the external world, EU or the global economy.“

Debt

Josef
Kotrba
Deloitte



Current: National debt 38.4% of GDP (3Q 2020).
Best Case: Return to reasonable band.
Worst Case: Diminished ability to finance public services.

"High level of debt is dangerous. I hope the next Government will look at Ireland as an example."

Housing

Blanka
Vačkova
JLL



Current: Prices (Jan 2021) 43% up on 2016.
Best Case: Stabilization at 40-45% of 2016 index. Increased construction, resi to rent.
Worst Case: Prices at 50%+ of 2016 index. Demand higher than supply driving people out of the city. Or oversupply.

"Prague's population is expected to increase by 9% by 2030."

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Workforce

Jaroslava
Rezlerová
ManpowerGroup

Current: 65 % of Czech companies have difficulties to fill vacancies due to talent shortage.

Best Case: Restructuring the economy. Digitization. Immigration. Lower payroll taxes.

Worst Case: Companies shift production to other parts of the region/world.

"The unavailability of workforce in the Czech Republic is increasing."

More than 20% of GDP is created in manufacturing, plus services adjacent to manufacturing activity (again a big portion of GDP). *"We need to re-attract immigrated workforce that has left the country."*



Immigration

Michel
Perret
Carrier Refrigeration

key factors in the recovery:

The numbers we need to hit

Digitization/ Workforce

Violeta
Luca
Microsoft



Current: ICT professionals in the Czech Republic make up 5.6% in the youngest age group, 3.5% in 30+ and 2.7% in 45+ age group.

Best Case: Investment into digital skills by Government and companies.

Worst Case: Diminished ability to digitize the economy (e-Government, limited investment, innovation).

"By 2030, up to 1.1 million jobs in the Czech Republic will be automated. The average "lifespan" of skills is less than five years."

Digital Warehouse

Oliver
Stucky
Honeywell



Current: Online sales of EU SMEs up by Euro 100 billion YOY.

Best Case: Faster growth, investment.

Worst Case: Slower growth due to supply chain disruptions, investment delayed.

"Czech Republic, especially Brno, can serve as major developer and exporter of digital warehouse technologies."



Tourism

Michal
Chour
Alcron Hotel Prague



Current: RevPAR: 250 (less than 10% of 2019). Occupancy 13-14%.

Best Case, June 2022: Occupancy 65-75%, 60-70% of 2019 rates, RevPAR at 60-70% of 2019.

Worst Case, June 2022: Occupancy 45-55%, 50-60% of 2019 rates, RevPAR at 40-50% of 2019.

"Prague could take the example of Budapest deploying professional big scale digital marketing campaign targeting the type of customers we would like to see in our capital city in the future."

„Increased room tax would allow to finance promotions and/or infrastructural projects which would increase visibility of the destination, expansion of congress centers etc.“

key factors in the recovery:

The numbers we need to hit

Current: People commuting to work at 40% of 2019 (IT companies at 10-30%).

Best Case: 70-75% of 2019. City events and festivals make working in city centers more attractive.

Worst Case: Remain at 40% of 2019.

"The hybrid model will continue, obviously more for the highly paid IT, management or finance employees, etc."

"Even a day/day-and-a-half at home means a 20-25% drop in the people who would be on average in the office every day compared to 2019."

Downtown retail/hospitality

Sanjiv
Suri
Zátiší Group



High Tech Economy/ Business R&D Investment

Milan
Šlapák
GE Aviation



Current: Czechia at 2% of EU's total expenditures on R&D (Belgium 4.2%). 1.61 ratio of business research spending to Government/university spending (EU average is 1.94).

Best Case: 2.2-2.5% of EU's total. 1.6-1.8 ratio. EU funds drive increase.

Worst Case: 2.0-2.2% of EU's total. 1.4-1.6 ratio. Private R&D and spending impacted by crisis.

"The Covid crisis highlighted that businesses with their own R&D, generating know-how, intellectual property are a relevant part of their supply chains and their business families."

Lessons from Covid

Covid was a stress test for the government, the political community, and business. What lessons did you learn about how government, politics and business function during the crisis?

Prime Minister Babiš: “We had to learn many things, and change many ways we operate, very quickly. Inside the government, there were tens of thousands of people who had some responsibility to respond to pandemic, either as a health official, or in other areas which had to modify how they operated because of the crisis. It was a challenge to communicate to everyone and convince everyone how much a threat the disease was. To get from where we started to where we are today was a real test of the system, and, although we made mistakes and are always looking for ways to balance the choice between public health and the economy and individual freedoms better, I think we can take many examples of how government can move quickly and effectively from how we have managed COVID19. We also hope that our experience over the last year and half will improve our actions over the next period. We have to continue to get better at tracking the virus, identifying mutations, targeting restrictions, and persuading the public that vaccinations, and possibly booster shots, are the best solution for both health and the economy.”



Members of AmCham Board of Directors asked Prime Minister Andrej Babiš and Vice-PM Minister of Industry and Trade, Minister of Transport Karel Havlíček questions related to key factors for recovery of the Czech economy, what is the government’s outlook and how the government can embrace the factors. Moderated by Michal Nebeský of Citi bank, AmCham Vice-President. Q&A session led by Michal Chour of Alcron Hotel Prague, AmCham President, and Weston Stacey, Executive Director.

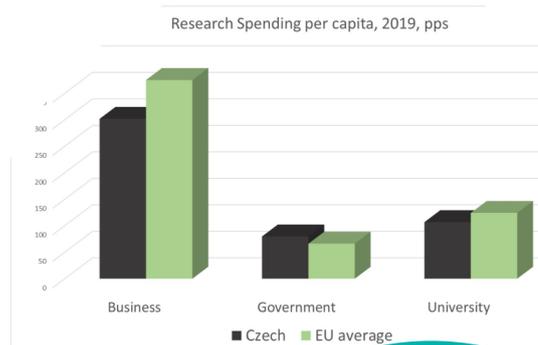
Building the technology base in the Czech Republic

Both the government and business are increasing investment in research & development in the Czech Republic. The country now accounts for 2% of the total EU spending. The country still depends to a greater extent on government spending than other EU countries. How can the government use the existing technology base in companies already researching and producing high tech products to increase the amount of private research investment? In which technology sectors would the government like to see more private investment into research?

Deputy PM Karel Havlíček: We still have a ways to go to get where we want to be. However, public investment in research and development is at the highest level in the past 20 years. We have added over CZK 13 billion to our public research funding. That public spending should generate more private spending in the future. We would like to see it reach 2.5% of GDP in 2025, and to have a bigger proportion of that investment come from private sources.

We want to see more tech-related start-ups. We want more technologically sophisticated investments from abroad. We are now conducting a survey of our current capacity and its potential so that our public investment is smarter and generates higher multiples of high tech exports and private research spending.

the innovative economy with Czech Prime Minister Andrej Babiš and Deputy Prime Minister Karel Havlíček



Cities in the Innovative Economy

Brno has built its success on a technology park that combines global players, start-ups, university faculties, and an incubator. Prague lacks this innovation tool. Would the government consider building such a technology park in Prague?

Housing prices in major cities- particularly Prague and Brno - is threatening economic development. Would the government consider helping the cities and surrounding regions develop a unified plan to address the shortage?

Prague has the potential to much more "import" revenue through international tourism. At the moment, it primarily markets itself as a discount destination (V Praze jako doma). Would the it government consider increasing the amount of room tax hotels pay in order to finance major international cultural events?

Deputy PM Havlíček: Brno is doing really well in building a globally competitive innovation infrastructure. The technology park is part of that, and is something we should look at replicating in Prague if the numbers warrant it. We have a great opportunity with the National Recovery Plan to make a big jump. CZK 7 billion in funds should be available. 40% will go for the green transition, and 22-23% for digitization. We should really strive for the best results out of that money.

PM Babiš: Housing is a big problem. It is even a problem to decide who is responsible for solving it, because each level of government plays a role. We need some co-ordination. We need a reform of the construction law (a reform passed in July).

PM Babiš: We made some changes to the tax structure that we thought would give the cities greater ability to raise their own revenues to promote tourism. We are willing to look at it again if that solution is not working. Whoever has a proposal, send it to us.

Building the innovative workforce

How is the government approaching the fact that new technology is changing what work will be available for people in the future?

Does the government people the current workforce has enough people with sufficient skills, or does the country need to attract more foreign technical students and skilled workforce?

Is the government satisfied with the current level of adult/ongoing education?

Deputy PM Karel Havlíček: How do we motivate young people to study technical fields? We know we need to do it. The Government has introduced the concepts of Industry 4.0 and Construction 4.0, including universities, companies, research organizations, and we believe that should provide some incentives. One of the surest ways is to have attractive career opportunities in STEM professions. There are hundreds of people in technical research positions in Brno companies such as Thermo Fisher Scientific or Honeywell. This is the right motivation.



Karel Havlíček

Health Care

The Czech Republic has relatively low levels of private spending in health care. Does the government view increasing the level of spending necessary or desirable?

Digital disease registries and national disease plans offer government's an effective tool to manage costs and increase innovation? You have promoted the idea of a National Cancer Plan. Are you satisfied with progress so far, and, if not, what more can be done?

PM Babiš: We need to look at how we are spending money. Digitizing the system can both improve care and make the system work more efficiently. We have prepared 14 digitization programs to be financed by EU funds. We also need to focus on prevention, because the goal is for people to be healthy, and not need to use the system so much. We just announced plans for improving prevention in cancer, including a prevention center in Brno and improved education of the population in habits that keep them healthy. We want that center and education to play a central role in the National Cancer Plan currently being planned.



Adam Vojtěch
Minister of Health



Digitizing Czechia

Government representatives and AmCham experts discussed how the pandemic served as the necessity that forced both government and companies to invent new and better ways to work - and how digitization was a primary tool in that reconstruction. In cooperation with the Institute for Politics and Society, we covered the waterfront on digitization: from healthcare to mobile office to 5G to cloud computing to manufacturing to education. Much has been done and much more needs to be done.

“The crisis forced a very atomized system to centralize, and centralization will need to continue if the providers are going to meet the objective of complete digitization. Telemedicine has proven to be an important complement to the provision of health services. There are 14 reform projects with 2.8 billion CZK allocated, incorporated into the Czech National Recovery Plan.”



Ondřej Kovařík
Member of
European
Parliament

“The EU recognizes the importance and need for greater cooperation on health.” The European Commission has recently presented a proposal for a legal framework in the area of electronic identity within the EU. “The pandemic has significantly accelerated digitization across sectors. Somewhere in the horizon of 3 to up to 7 years.”

“Hospitals struggle with the lack of people in IT. Among the priorities of the Ministry are development of standardization of e-health and interoperability, increased cybersecurity in the whole health care sector, central infrastructure for e-health, support of telemedicine and creation of the National center for e-health.”

Martin Zeman
Chief Digital
Officer
Ministry of Health



Tomáš Březina
Amgen



“There is a need to develop IT infrastructure to allow data sharing between health insurance companies and market authorization holders (producers) so that the novel innovative pricing and contracting schemes, e.g. outcome based contracts, could be implemented and regularly used.

“According to leading experts from the Czech Society of Cardiology and Internal Medicine, we know that many patients have postponed their scheduled preventive examinations due to concerns about Covid, and circulatory system diseases are the most common cause of death in the Czech Republic.”

Martin Koníř
KPMG



“IT is still not a priority in healthcare. Each hospital is different, but they do many things in the same way. Common, shared services based on contemporary technologies for hospitals can be built rather than separate IT infrastructure for each hospital. If hospitals stopped behaving like competitors, we could create better results for patients today, even with the low level of financial resources for IT that exists today.”



Lenka Axlerová
Microsoft

"The World Bank pointed out that countries with advanced infrastructure and high-quality digital services performed significantly better during the pandemic."

"And the path to the future? 1. Quality work with data, 2. Continuous improvement of workers' skills on the labor market, 3. Enabling a hybrid way of working, 4. Investing in cybersecurity, 5. Deepening cooperation between the private and public sectors, 6. Utilizing the potential of the cloud."

Digitizing Czechia

"The issue of digitization of the Czech economy has been addressed at the level of legislation, innovation, financial and non-financial support, digital transformation of companies, and via other activities. It's a mosaic and 5G is part of it. The Ministry of Industry and Trade supports a wide range of 5G-related activities, the whole ecosystem."

5g

"5G ecosystem means not only infrastructure, network building, but also increasing the level of awareness of the opportunities and use cases that 5G technology offers. Data flows can be up to 100 times faster with 5G compared to 4G. The technology allows connection of several million of devices per 100 km², including for example autonomous vehicles."

"Within the 5 Cities with 5G project launched by the Ministry of Industry and Trade, *Jeseník* was a good example where the Government with experts helped lead a discussion to reduce fake news about 5G."



Petr Dvořák
Vodafone

Vladimír Dzurilla
Government Chief
Digital Officer



"The idea with the use of commercial cloud services in the public sector is to make sure that both contracting authorities and suppliers do not suffer from bureaucracy, to take into account data sensitivity and security, as well as to adopt solutions that are as similar as possible to European solutions, so that the conditions in the Czech Republic do not differ from the rest of Europe."

"We monitor European trends and how they develop."

There is a shortage of cybersecurity experts. "This is something we should work on systematically."

Cloud

"During the pandemic, the Government understood that cloud is the path to digital transformation. Cloud is a service standardized across states, scalable, and certifications should be consistent across the EU, otherwise, the advantage of the cloud would disappear. The key thing we should not forget about is security. Security means trust of citizens. Health care is certainly an area where the state should invest in security."

Michal Stachník
Cisco



Petr Knap
EY



Industry

"The success of industrial companies is directly related to the level of digitization and automation." Companies are returning to a relatively busy mode, trying to find ways to increase capacity.

According to IDC, in 2021, VR/AR will grow the most (by 100% and more). Robotics and AI systems by 25%, cloud, IoT, 3D printing, collaboration and security tools - each of the listed areas by 10%.

47% of companies would invest more in innovation if they had more external capital. Subsidies are interesting for 42% of companies, but they often mention the related administrative complexity.

The call within the Digital Enterprise Program (*Digitální podnik*) will be announced at the end of 2021, initially the allocation will be CZK 300 million, and until 2029, allocation of CZK 8 billion will be available.

It is a program for digital transformation of production and non-production processes, in production and services. It also includes logistics processes, cybersecurity (initial audits and implementation of security in companies), in-house connectivity, etc.

Petr Filipi
Ministry of Industry and Trade



Education

Bohumil Kartous
Prague Innovation Institute



"As a result of the pandemic, there are asymmetries in how digital skills are spread, and in the ability to work with digital tools in schools in the Czech Republic."

"The Czech Republic was the first country to close the schools and the last one to open them. There have been efforts of some entrepreneurs to launch their own, private schools, create alternatives to the public school system, but this is not a solution, or a way to go, as it would erode social cohesion and undermine innovation in the long run."

Jana Břeská
Amazon Web Services



The pandemic highlighted the weaknesses of the Czech education system, including the fact that in terms of preparedness of students for work, supply does not meet demand. The solution is to work very closely with the private sector.

"AWS Academy offers ready-made modules for universities and colleges, created by AWS cloud experts. The module can be integrated into existing curriculum. AWS 12-week-long Restart program aims at enhancing cloud skills in broader population. We believe that this is something we can help with."