

World Eye Reports

# Czech Republic

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## A new leader of economic stability in the heart of Europe

In the first half of 2009, the Czech Republic assumed the rotating presidency of the European Union and highlighted the country's role in the development of the global and the regional economy.

"Presiding over the EU was an opportunity to promote the country's location and inform international businesses that this country has a reliable economic environment, good legislation and knowledge of European markets," says Czech Deputy Foreign Minister Helena Bambašová.



Czech Prime Minister Jan Fischer

According to Japanese Ambassador Chikahito Harada, the agenda laid down by Prague during its EU presidency complemented his country's long-term commitment to the Czech Republic and the rest of Central Europe, as affirmed during Prime Minister Taro Aso's visit in May of that year.

Having found an ideal location in the Czech Republic, Japanese companies have raised their investments in many of the country's main industries due to its developed infrastructure, accessible links to Western Europe and effective business environment.

"The workers are sophisticated and the business culture here is the same as the (rest of the) EU. There are no surprises here," says Japan External Trade Organization Prague head Hiroshi Sano.

With a decade of success in the Czech Republic, leading Japanese companies Daikin, Denso and T.RAD have outlined plans to expand operations in the country.

"Traditionally, the most dynam-

ic areas of industry are electronics, information technology and automobiles. I think that we (the Czech Republic and Japan) should definitely continue cooperating in these respective areas. The Czech Republic of course tries to progress and there's a keyword or a buzzword that has been used quite a lot recently by the Czech government and that word is 'competitiveness,' " says Czech Prime Minister Jan Fischer.

Aside from its stable currency, the Czech banking system also boasted a strength that protected domestic businesses from volatile swings, particularly during the tumultuous years of 2008 and 2009.

As the Prague Stock Exchange unifies its trading and clearing platforms with the Central European Stock Exchange, Japanese investors will have an increased incentive to add geographic diversity to their portfolios with emerging indexes that are not as linked to Asian markets.

Looking to the future, the Czech government has launched a new strategy to invite new high-technology investments while helping the current manufacturing plants expand their local operations.

Those new investment incentives are focused on the information and communication technology (ICT), biotech, environmental and pharmaceutical sectors.

"We want to show that we have the high-skilled laborers to participate in R&D projects, engineers with good language skills and innovative engineers capable of creating new solutions," says Alexandra Rudysarova, general director of CzechInvest, which helped 150 of the 237 Japanese companies in the country establish their local operations.

Those incentives will not only help new companies establish their headquarters in the Czech Republic but also reward existing investments if they increase the amount of high-skilled labor and value-added services in their local operations.

"During a recession, a company can relocate their R&D centers elsewhere. But if they already have an existing manufacturing center, the operation is complete and they will be more likely to keep invest-

ing in their Czech operation," says Seiji Nakagashi, executive director of the Japanese Chamber of Commerce and Industry.

Meanwhile, companies such as Panasonic have collaborated closely with local technical institutes and as a result benefited from homegrown technological innovations and an educated labor pool.

"We hope that more Japanese will follow the model of Panasonic, so that local production will have higher added value and companies will have a long-term future to stay in the region of the



Japanese Ambassador Chikahito Harada

Czech Republic," says Jan Prockš of the Czech and Moravian Electrical Electronic Association.

So, the full potential of Japanese-Czech collaboration has yet to be realized.

"We do not necessarily have to narrow down cooperation to 'the economy.' We have other areas for cooperation such as science, research and development, and education. There is also culture and music in particular. One should not only reduce the partnership and relationship to the economy," Fischer says.

"We are very pleased to have seen a very dynamic growth in our relations. There's a lot of Japanese investment. However, there is still a lot of untapped potential. Therefore, my appeal is that let's use this untapped potential. The government stands ready to provide whatever support is necessary to really use up all that potential we have in all of those areas, not only the economy but also culture and education. So let's do it!" he adds. ♦

## Daikin steps up production to keep Europe cool

As Daikin Industries expands to emerging markets around the world, its manufacturing plant in the Czech city of Plzen has played a vital role in the long-term growth plans of the Japanese air conditioning business in Europe.

Under Managing Director Takayuki Fujii, Daikin Industries Czech Republic responded to the recent global financial crisis by keeping production flexible and its inventory lean.

"Thanks to this adjustment in our production, we managed to reach an optimal level. From last December onward, we started to produce according to the demand of the market," explains Fujii.

Owned by Daikin Industries Ltd. of Japan and Daikin Europe NV of Belgium, the Czech facility now focuses on producing residential and smaller commercial air conditioning units.

"I would like to diversify and expand our current production and to transfer the units produced in Asia here. It will bring them closer to their European market," says Fujii.

Fujii knows that being closer to local affiliates would significantly reduce production lead time that is essential in a business dependent on the climate.

Daikin's production in Europe has also benefited from the highly skilled Czech labor force.

"We are able to achieve *kai-*



Managing Director Takayuki Fujii, Daikin Industries Czech Republic

*zen* (continuous improvement) in our production without necessarily making more investments because they (Czech workers) are skilled and are strong mechanics who constantly find cost-effective improvements in our current processes," says Fujii.

Upholding Daikin's current motto, "Achieve goals today and open a new avenue for the future," Fujii, a trained production engineer, ensures that the Czech factory maintains optimum production as he aims to make the facility No. 1 in terms of quality, delivery time and cost-effectiveness.

To meet European consumer de-

mands as it faces new environmental standards, Daikin also aims to produce energy-efficient products that integrate advanced technology and attractive design.

In December 2007, the Czech factory started manufacturing the energy-efficient and sleek-looking Altherma line, which features heat-pump technology.

The line was originally developed by Daikin Europe in Belgium and is also still being produced there.

Fujii expects heat-pump technology to be a standard feature in the short term as demand for energy-saving products rapidly grows in America, China and Japan.

"The development was carried out by our Japanese parent company but the design was made here in Europe. It has been well re-



Daikin's ultra-thin, energy-saving UX-2 air conditioner

ceived in the market and we have high expectations for our product," says Fujii, who is proud of the co-operation between Daikin Japan and Daikin Europe in Belgium. ♦

[www.daikinczech.cz](http://www.daikinczech.cz)

## Hella Autotechnik shines in Czech Republic

Hella Autotechnik was set up in 1992 to exclusively produce headlights for local Czech car manufacturer Skoda, a subsidiary of the German auto giant Volkswagen, which had a long-running partnership with the Hella Group in Germany.

Under the leadership of Managing Director Oldřich Svoboda, Hella Autotechnik opened a design and development department three years later and has since increased its production capacity and widened its clientele. And even throughout the 2008 economic crisis that hit the auto sector, the German-owned affiliate maintained its profitability and expanded its production facility.

"We have everything we need to be successful," says Svoboda, who attributes Hella Autotechnik's trend-defying performance to the professionalism of his 1,600 employees and their commitment to customer satisfaction and product quality.

Hella Autotechnik also gained its competitive edge by centralizing its business – from product development and design, finance and logistics to information technology (IT) solutions.

To date, the company has 200 engineers, most of whom were trained in the parent company in Germany. There are plans to increase this number in the near future.

"You can be sure that within our design and development team, we are able to develop and produce the highest technology currently available," boasts Svoboda.

The product development department also includes electronics, measuring and testing centers, which have allowed Hella to guarantee the quality of their products.

Those exacting standards earned Hella in 2004 the Silver Award for Ford Suppliers, a citation garnered so far by only 60 of the automak-

er's 10,000 suppliers.

Svoboda remains confident that Hella Autotechnik will remain the German group's No. 1 subsidiary while overtaking its rivals in the Czech Republic in terms of market share.

While Volkswagen and Ford vehicles are Hella's two main customers, Svoboda is seeking partnerships with Japanese auto companies.

"Japanese carmakers are known for their lean production and quality. It would be a very good opportunity for Hella to find Japanese partners because their processes improve the companies that they work with," he says. ♦

[www.hella.cz](http://www.hella.cz)



Hella Autotechnik's factory in the Czech Republic

## eBOX

Set up in 1992 by the Ministry of Industry and Trade, **CzechInvest** is the investment and business development agency of the government, whose aim is to attract foreign investment and help local companies become globally competitive. [www.czechinvest.org](http://www.czechinvest.org)

**The Automotive Industry Association (AIA)** is an industrial group made up of commercial and manufacturing companies active in the Czech automotive and allied industries. It represents the interests of member companies, acting as the voice at home and abroad of this important sector of the country's economy, as well as ensures high quality standards within the industry. [www.autosap.cz](http://www.autosap.cz)

**The Association of the Chemical Industry of the Czech Republic** brings together manufacturing, commercial, design, research and advisory organizations related to the country's chemical, pharmaceutical, petrochemical and rubber and plastics industries. It also supports increased involvement of the Czech chemical industry in Europe and the rest of the world. [www.schp.cz](http://www.schp.cz)

## DENSO's quality work environment generates world-class products

Like most successful Japanese businesses around the world, DENSO Manufacturing Czech has stayed ahead of the competition by adopting the spirit of *kaizen*, or constant improvement. Cost-effectiveness, customer satisfaction and up-to-date technology have also given DM CZ its competitive edge.

Since its establishment in the country in 2001, DM CZ has gained an impressive client portfolio and now generates an annual turnover of more than €250 million.

Its largest customers include TPCA, Suzuki, VW, Škoda, Audi, BMW, DAG, GM, Ned Car and Hyundai, all of which order their radiators, air conditioners and related products from the Japanese-owned subsidiary.

Aside from fostering strong ties with its clients, DM CZ has also invested heavily in cultivating relationships within the company and creating a healthy work environment.

"Employee satisfaction is most important to me. Employees are behind the growth and success of any company and we want to provide opportunities for personal development. We want each individual to have the feeling of achievement," says DM CZ President Toshifumi Murayama.

"Through *kaizen* we can achieve our goals. We keep clear and open lines of communication between department heads, section managers and employees so that each day we are better than we were the day before. This is our constant team effort," Murayama adds.

Situated in the industrial town of Liberec and employing around 1,700 people, DM CZ maximizes its manpower through a combination of Czech and Polish nationals. Further strengthening its workforce, the company has also employed graduates from the nearby Technical University of Liberec.

"That is part of our vision to increase manpower in 2011 and boost production volume," explains Eiji Kuroda, DM CZ's head of finance and business planning.

Having worked in several parts of the world, Murayama speaks highly of the Czech work ethic.

"Czech people have basic industrial knowledge and are sincerely hardworking. We have an excellent partnership and I positively believe in the future of DENSO in the Czech Republic," he says.

DM CZ has obtained ISO/TS 16949 and ISO 14001 certifications and is committed to reduce resource and power consumption, minimize waste, and lessen water and air pollution. ♦

[www.denso.cz](http://www.denso.cz)



DM CZ President Toshifumi Murayama (right) and Eiji Kuroda, DM CZ's head of finance and business planning

## Local manager integrates best of Czechs and Japanese

T.RAD, specialists in the production of heat exchangers for a wide range of applications, established a production base in the Czech Republic in October 2004 in response to the rapid growth of the automotive and air conditioning industries in Europe.

Barely six months after, the company moved out of a small flat in Prague to a fully equipped factory that produced its first heat exchanger for Daikin Industries Czech Republic in May 2005, according to Jan Lepeška, who worked closely with his Japanese colleagues to facilitate the local business and equip operations in the country.

In 2008, the company opened its second production line to support Toyota's engine production by delivering Exhaust Gas Recirculation (EGR) coolers for diesel engines for midsize vehicles, which lower the temperature of the exhaust returned to the engine in line with strict exhaust regulations in Europe.

"The competitive advantage of our company is our size. We can be flexible for our customer, operate efficiently and move people across production lines according to the demand," says Lepeška, the only non-Japanese to hold the position of president of any T.RAD subsidiary.

T.RAD Czech has become one of the most important operations in the T.RAD Group's European territory. In anticipation of increased business, T.RAD is considering expanding the Czech factory.

"We will diversify our industrial applications and be even more flexible to changes in demand," says Lepeška.



T.RAD Czech President Jan Lepeška (left) and Production and Engineering Manager Jun Yoshioka


To maximize the efficiency, quality and customer orientation of the processes, the company chief intends to further facilitate communication and collaboration among his Czech and Japanese managers and workers.

In 2005, he organized a management training initiative to build Czech-Japanese cultural understanding, localize company operations and improve relationships with Japanese clients in the country.


Lepeška is grateful for the confidence shown by the Tokyo headquarters in his management style and efforts to integrate the strengths of the parent company into the Czech operations.

"I appreciate the trust from Japan to make me the executive of this company. I believe that this is the first step for T.RAD to becoming a truly global company," he says. ♦


[www.trad.cz](http://www.trad.cz)



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