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THE CZECH REPUBLIC FROM THE VIEWPOINT OF FINNISH COMPANIES, EXPATRIATES AND STUDENTS

REPORT OF THE SPECIAL PROGRAM STUDY
TRIP TO PRAGUE IN SPRING 2006

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Discipline of Organization and Management

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1. What is it all about

Minna Mäkeläinen

The Special program is an elective course of the discipline of Organization and Management in the Helsinki School of Economics (HSE). The object is to concentrate on chosen business areas and apply in practice methods learned at other courses. The course allows building international contacts with other high-level business universities in Europe. The program is started and fully organized by students and is each time separately agreed upon by the Department of Marketing and Management to which the discipline of Organization and Management belongs.

The idea of the Special program 2006 was to explore the Czech Republic through three points of view; Finnish companies, Finnish expatriates and Finnish students. An essential part was the visit the University of Economics in Prague, which, like HSE, is one of the CEMS universities (Community of European Management Schools). The aim was to benchmark the options for the Finnish CEMS students and familiarize ourselves with the Faculty of Business Administration that corresponds to the discipline of Organization and Management in HSE. The Special program 2006 was meant to be a pilot project: in the future students could follow the approved model of selecting a city with a CEMS university as the target destination and arrange similar kinds of projects to other CEMS universities in Europe, get to know the university, the faculty of business administration and other specified interest students would like to learn more about.

This report is part of the project and consists of essays written by the participants. The first essay called *The best course ever*, tells about the process of arranging the Special program course. It also allows us the opportunity to share some of our findings. The second essay, *The Czech Republic – key facts*, gives general information about the country. After that, *The Czech Republic as a transition economy* enlightens the changes the country has been going through during the past decade. As the fourth paper, *Visit to the University of Economics in Prague* elaborates our findings of the university, especially the Faculty of Business Administration. Following, *CEMS Program and the University of Economics in Prague* concentrates on the role of the CEMS program. *Finpro and the Finnish embassy* discusses the Czech Republic from the point of view of Finnish companies as well as of the role of Finpro and the embassy. Next, *Visit at TietoEnator* gives information about one Finnish company which has expanded to the Czech Republic. *How does working in the Czech Republic differ from working in Finland? – Interview of Vesa Vuohio from Nokia* represents the point of view of a Finnish expatriate. Then *Czech Republic from the perspective of Finnish companies* gathers few points of the business environment in the Czech Republic. The essay

Meeting with a Finnish journalist Kari Jyrkinen, for one, is based on discussions with a Finn who has lived in Czech Republic for over two decades. Finally, *Cultural differences between Finland and the Czech Republic* discusses the cultural differences based on the interviews of Finnish and Czech students.

On behalf of the whole project group, I would like to thank all those people who made it possible for us to carry out the Special program:

- TietoEnator in the Czech Republic: Mr Zbyněk Eishelt, Mr Petr Hojny and Mr Mikael Lanaeus
- The embassy of Finland in Prague: Mr Jorma Inki, the ambassador of Finland, and Mr Frank Hellsten
- Finpro in Prague: Ms Eva Kupsova and Mr Jari Makkonen
- Professor Martin Lukes, the University of Economics in Prague
- Ms Renata Subrtová, the CEMS coordinator of University of Economics in Prague
- Reporter Kari Jyrkinen
- Zuzana Mendlová, student of the University of Economics in Prague and the president of the buddy system
- Vojtech Oplestil, student of the University of Economics in Prague
- Otto Väänänen, student of the Helsinki School of Economics
- Vesa Vuohio from Nokia
- Professor Raimo Lovio, HSE
- Ms Minna-Mari Moisio, Administrative officer, HSE
- OIK (Center for Innovative Education), HSE
- KY (Student Union of HSE)
- Ms Tiina Airila, CEMS coordinator, HSE
- Jopo 2005 (Student club of Organization and Management), which started the whole thing

...and all the others who contributed to the realization of the project.

2. The best course ever

Minna Mäkeläinen

This essay is about the project itself and how it proceeded. In addition, it will share some of our thoughts about what should be taken into account when arranging similar projects in the future. Hopefully this essay helps the organizers of the following Special programs and encourages them to contribute to it as much as needed. Considering all the invested time and effort, it was definitely worth it.

2.1. How did it all begin

The idea of arranging a Special program to Prague in spring 2006 was first said out loud already one year earlier. The board of the student club of Organization and Management and the personnel of the discipline had a meeting where future activities were discussed and planned. The possibility of arranging a Special program came up among other things. At that point, nobody really knew what should be done and how to begin the process, so the idea stayed in conversations but did not really move on.

By next fall, the tentative plan for implementing the project had been formed and it was time for a kick-off -meeting for the Special program in spring 2006 to Prague. During the fall, we had a few meetings with varying groups, where the ideas for the course were formulated more specifically and the different possibilities for the program in Prague were planned. However, in the end of the year the Special program was left beside because of the exams and the normal Christmas rush.

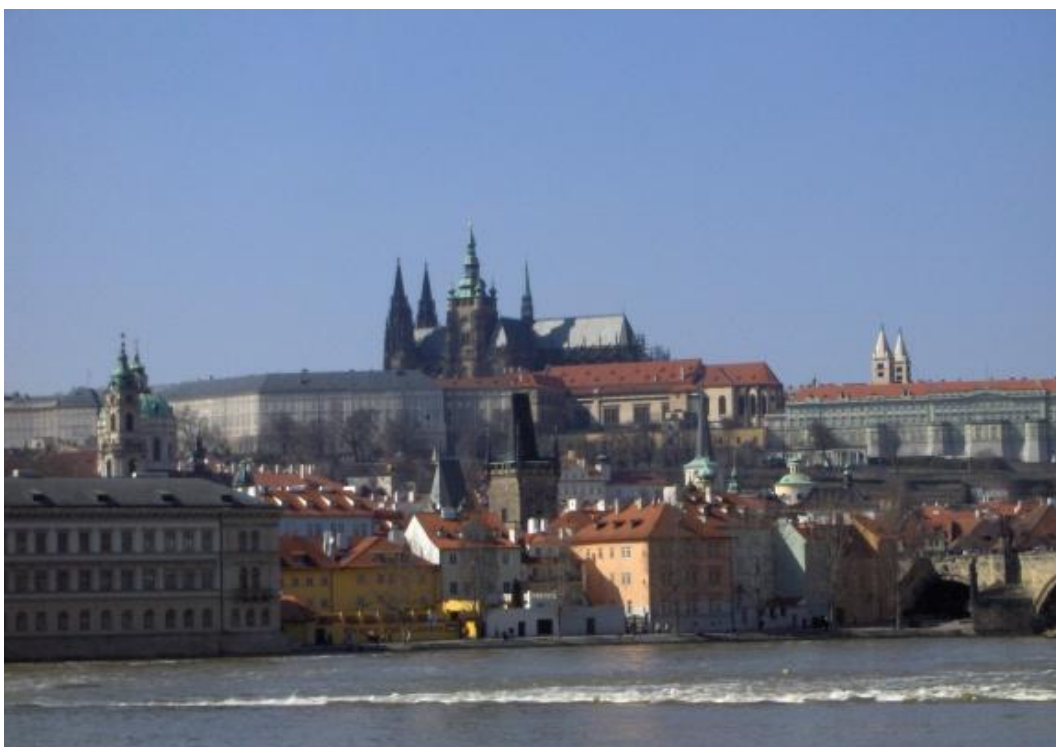
It was already February when we ‘really’ woke up and noticed that there was not even two months for the planned point of time of the journey. At that time, we had only a preliminary subject for the report and in order to organize the visits we had contacted only Finpro in Prague. We did not have financing and the project group was only a list of names of people who had shown some interest in the program at some point, and we did not know which companies and other institutions we could visit. We did not even have a project plan or a budget. Basically, we had nothing.

During the next weeks the project plan and budget were made. Also the participants were confirmed, even though the group became smaller as April approached. When we knew the composition of the group we were able to apply for financing for the travel fees. Fortunately, we got

help from the Department of Marketing and Management, as we were not familiar with writing applications for financial support. We applied for financing from the Center for Innovative Education and the Student Union of HSE but the strict timetable precluded other possibilities. At that time, the subject and the form of the report were finally decided upon.

When we really started to work for the project, we knew we were really late. At some point, we even considered putting off the project for the next fall, but it would have meant forming at least partly a new project group and starting almost from scratch. So we decided to contribute fully to carry out the project in spring 2006. We shared the responsibilities as far as that was not already done and contacted TietoEnator, SanomaWSOY, Finnish Embassy and the University of Prague in order to organize excursions. We also contacted Kari Jyrkinen, a Finnish reporter in Prague.

Two weeks before departure we were finally able to say that the week in Prague will really take place. We had received positive answers from the possible places for the excursion and enough financing for the journey to be realizable. After many e-mails, phone calls and few problems with credit cards we had also flights and accommodation reserved. Before the departure we still gathered to the Department of Marketing and Management to discuss with Raimo Lovio, the head of the discipline of Organization and Management and the professor responsible for the Special program. We talked mainly about our schedule in Prague and the content of our report, so that we were able to focus on the right issues during the visits. And then on Monday April 3rd we gathered at the airport ready for the long-expected part of the project.



2.2. Week in Prague

The journey to Prague took place from Monday 3rd April to Monday 10th April. We arrived on Monday evening and spent quite some time at the hostel reception dealing with the check-in. After that a dinner and few beers were definitely needed.

On Tuesday, we did not have arranged program before the evening, so some of us spent the day walking around the beautiful city, some of us sleeping, and some of us dealing with some problems that had appeared. By the evening the problems were solved and the group was ready for the student party of the local University of Economics. One of their students and the president of their buddy system, Zuzana Mendlová, had invited us to the party and we were, naturally, anxious to participate.

On Wednesday, we made an excursion to TietoEnator Telecom in Prague. The visit did not start very well for our part; we decided to get to know the whole neighbourhood before entering the company building. In other words, we got lost. At least I expected the same kind of visibility as in Finland, meaning big TietoEnator -signs on the top of the building. But as we noticed and later heard, in the Czech Republic TietoEnator is still quite small and unknown. After small difficulties we finally found our destination, where Mr Zbyněk Eiselt, the Managing Director and the Chairman of the Board of TietoEnator in the Czech Republic started a presentation with background information and introduction of TietoEnator in the Czech Republic. After that, Business Consultant Mr Petr Hojny talked about the cross-cultural management, concentrating especially on Czechs, Finns and Swedes. Finally, Mr Mikael Lanaeus, the Business Development Manager and Swedish expatriate, discussed cultural differences in practice and what it is like to be an expatriate in the Czech Republic.

Thursday was full of action: we spent the whole day in the University of Economics in Prague, Zuzana as our guide. We toured around the school and the library before lunch at school. After that, the CEMS Coordinator Mrs Renata Subrtova told us about the CEMS-program, for example what kind of courses they offer for the CEMS-students. Finally, Mr Martin Lukes, a professor in the Faculty of Business Administration, presented us their faculty and its departments. He also told us about the research they are doing, teaching methods etc.

In the evening, we met a Finnish reporter Kari Jyrkinen, who has lived in the Czech Republic for over 20 years. Before we sat down for a discussion, he gave us a small tour in the centre of Prague

telling interesting details about some buildings, statues and the history of the Czech Republic in general. Now we know, for example, what is the most guarded place in Prague, and that it is ok to take a nap in a bar.

On Friday we visited Finnish Embassy, where we heard a presentation by Eva Kupsova, Market Analyst of Finpro. She presented us Finpro and talked about the Czech Republic as a business environment. Jorma Inki, the ambassador of Finland, and Frank Hellsten continued the discussion of the Czech Republic from a Finnish point of view.



For Friday evening we had booked a little bit lighter program, we visited an old brewery in Prague called U Fleku. The rest of the weekend was free time and we had time to get to know the beautiful city better. The Old City, Prague Castle and of course the Charles Bridge were in everyone's program. After sunny and fun weekend, on Monday morning, our tired but happy project group headed back home.

2.3. Back in Finland

After the journey we still had part of the work left to do and we gathered again at the discipline premises to discuss the contents of the report and to specify the ideas discussed already before the journey. The report was designed to consist of separate essays and was supposed to be completed by the end of May. The timetable turned out to be too tight and the approaching summer did not help, so we decided to complete the report before the beginning of the fall term. The report will be sent to all the companies and other institutions we visited during the journey, as well as to the financiers. Of course, also the Department of Marketing and Management and all the participants will get their own copy.

The report will also be published in the website of the discipline of Organization and Management so that everyone interested in the special program has an access to the report. Hopefully, it will be an inspiration for a new Special program in the future.

2.4. How did we do

Several years had passed since a Special program had been organized. It has also always been different, so there was no kind of pattern to follow, which made it challenging to arrange. The task was especially demanding this time because this special program to Prague was meant to be a pilot program for future projects.

Also as a course the Special program is unusual; it is initiated and organized by students. The possibility to include this kind of project into one's studies gives students the opportunity to independently put in action certain issues they have learned in the courses. At least in Organization and Management, group works are often a big part of the evaluation, and team work issues are often discussed. In this project, there were 10 participants (plus one who could not participate in the journey), all different and all with their own wishes and expectations. The fact that we organized a program that pleased everyone and spent one week close together taught more about working in groups and acting with other people than all the other courses together. At least it did to me.

Arranging a project and a journey with a group of 10 students is not easy. Even getting all together at the same time in one place is a challenge. The project is also a course and the students get credits for it, so everyone should be involved in the arrangements. It has to be clear, who is responsible for what and who contacts who has to be clear, or otherwise no one really knows what should be done. Clear spheres of responsibilities also diminish the unnecessary overlap of the work done.

As common and obvious as it seems, the most challenging and problematic part of the whole project was the timetable. What we should have done first was to plan the timetable for the arrangements and the journey itself and stick to it. Applying for the financing should have been started much earlier, as well as contacting the companies and other institutions where we were trying to organize visits. We were lucky and everything turned out well; we got the financing we applied for, and TietoEnator Telecom, Finpro, the Finnish Embassy and the University of Economics in Prague were all kind enough to present us their activities. In addition, Mr Kari Jyrkinen agreed to meet us. The only misfortunate was that we were not able to arrange our schedule in Prague so that we could have visited also SanomaWSOY when it was suitable for them. So we were lucky, but basically the whole project could have fallen down with one refusal.

One lesson we learned by experience was that confirming the participants of the project needs to be done in the early stage. We did not do that, and it made everything else more difficult. Sharing responsibilities, drafting the budget and applying for financing is not possible if the participants are not confirmed. When it comes to the number of participants, I think our group of 10 plus one who could not take part in the journey itself, was quite good. On one hand, it was enough so that all the arrangements could be done without burdening any one person too much. On the other hand, it was still compact enough so that it could be easily kept together.

Despite the fact that we did not do everything perfectly, the Special program exceeded all my expectations. The week we spend in Prague was absolutely great, the visits and presentations were interesting and supported well the subject of our program. As a project group we got along well and had lots of fun. Without a doubt, in my ranking list, it is the best course ever.

2.5. Tips for the next ones

Below I will list some important things to pay attention to when arranging the next Special program. We did not follow most of these “rules”. I hope the next ones can use our experiences for avoiding the same mistakes and last minute panic.

- Start early. Ex-tempore is not possible.
- Make the timetable for the whole project in the beginning. Set dates when participation has to be confirmed, when the journey will take place and when the deadline of the report is.
- Make a project plan as soon as possible; you can update it when the project proceeds and the idea become more specified. You will need it for example when applying for financing.
- Find out the possible financers in the very beginning. E.g. foundations have usually a certain period of time when financing should be applied for. Pay attention to the deadlines when doing the timetable.
- Discuss with the responsible professor; you can get help and ideas from him/her. Make sure that you have a common understanding what the requirements for passing the course are.
- Find out what companies and other institutions located in your destination could be interesting from the point of view of your subject and contact them early.
- Share responsibilities and hold on to them.
- Contact all quarters early. Getting answers and finding the right person can take some time.

- Make a schedule for the time spent in the destination. Leave enough free time, so that participants can get to know the city by themselves. Do not expect that everyone wants to see the same things you do.
- And last but not least, have fun and enjoy!



3. The Czech Republic – key fact

Laura Jokinen



Presented below, there are some key facts of the Czech Republic and its economic situation (year 2005).

Population: 10.23 million

Area: 78 864 km²

Labour force (2004): 5.3 million

ILO general unemployment rate: 7.9 %

GDP (%) in real terms: 6.1 %

Trade balance: -22 940 CZK

Inflation rate: 1.9 %

Investments Risk Ratings (according to Czech National Bank, December 2005): A- (Standard and Poor's), A1 (Moody's)

Taxation:

- corporate income tax: 24%
- personal income tax: progressive (12% - 32%)
- VAT: 5% (food, healthcare services) or 19% (most goods and services)
- inheritance and tax gift tax: from 1% (0.5% for inheritance tax) to 40% (20% for inheritance tax)

The Czech Republic is a member of many international organizations as OECD, NATO, WTO, IMF and EBRD. The Czech Republic is also a member of the EU since May 1, 2004. It has signed many bilateral treaties which support and protect foreign direct investments (e.g. with the United States, UK, France, China and Finland). Also double taxation is avoided with international agreements.

References:

Czech Invest – www.czechinvest.org.

4. The Czech Republic as a transition economy

Pia Ikonen

4.1. Introduction

Huge changes continue to occur in Central and Eastern European Countries (CEECs) which certainly has its impact on European businesses. These changes are now over a decade old; almost 17 years have passed after the fall of the Berlin Wall on November 9, 1989, and the region's transition¹ to market mechanism has opened up a vast economic region with rapid enterprise creation and fledgling free markets. The purpose of this essay is to describe how the Czech Republic has developed into a transition economy.

This essay is based on our experiences in Prague with the numerous visits there, and on the presentation given by Piia Helistö, Project Manager in the Center for Markets in Transition, CEMAT, June 8, 2006 in Helsinki. At first, a geographical approach to the countries involved in the economical market dynamics in the region in question is presented. Then, the focus will be placed upon the market mechanisms available for the Czech Republic after the political changes in the 1990's. Especially the role of privatization will be discussed, as well as the new situation of the Czech Republic being in contact with other countries and the EU. Attention is also paid to other things such as the situation concerning foreign direct investments (FDIs) in the Czech Republic in recent years.

4.2. Geographical approach and three main groups of countries

Despite the historical reference to the "Eastern bloc", Central and Eastern Europe is not a homogenous area. The countries of the region differ widely with regard to ethnic composition, language, historical identity, industrial structure and the economy. Those issues became also quite obvious to us at our visit to the Finnish Embassy in Prague during the discussions with ambassador Inki. He underlined the fact that the Czech Republic is part of Central Europe. That is why the approach taken in this essay distinguishes between three main regions or groups of countries and introduces the Czech Republic as an example of a transition economy.

¹ The concept of *transition* refers to movement away from command to market economy and to the creation of a new system for generation and allocation of resources. This transition process involves a range of policy reforms and institutional actions like market deregulation, price liberalization, privatization, enterprise restructuring, and also banking and financial sector reforms.

First, there is the group of Central European countries consisting of Poland, Hungary, the Czech Republic, Slovakia and the former Yugoslav republics of Slovenia and Croatia. The Baltic States (Lithuania, Estonia and Latvia) are also included in this group of countries, which reflects their strong orientation towards economic integration with the West. Some reports and statistics subsume also Romania and Bulgaria into this group. Others, however, conceive of them as part of the second group, i.e. South-Eastern Europe, which is typified by lower income levels and delayed structural reforms. This group of countries also includes Albania, Macedonia, and the remaining Yugoslav republics, and is frequently referred to as “the Balkans”. And finally, the third group consisting of Russia, the Ukraine, Belarus and Moldova is referred in this text to as the European NIS (newly independent states). Some of these countries are also prospective EU members, Bulgaria being the candidate closest to joining.

A number of the Central European countries are now experiencing sustained economic growth. Nevertheless, their purchasing power continues to be low and their living standards remain poor when compared with Western levels. As these countries continuously attract resource-seeking businesses, few international businesses in Europe or even worldwide, will disregard these countries particularly in the near future. TietoEnator group provides an example of a Finnish company which is already doing business in the Czech Republic.

Increased political stability and the prospect of EU accession add to the attractiveness of these countries for selling former state-owned businesses to private investors. The Czech Republic has already joined the EU in 2004. Some reasons for investing in the Central and Eastern European region are offered together with an assessment of the forms and consequences of inward foreign direct investment (FDI). Moreover, deregulation promotes greater competitiveness. Relations between the EU and Central and Eastern European Countries are improving all the time and the CEE countries are living under continuous changes.

4.3. The Czech Republic as an example

Different countries have had very different pathways to reform and to political freedom. Several factors have combined to preserve and to accentuate these differences. Variations in initial conditions include the length of period of central planning, country’s past experiences of market economy, the current level of economic reform and the number of private enterprises, the level of

debt, and also human and natural resources. Countries like the Czech Republic and Hungary with past experience of capitalism have generally had huge advantages over e.g. the Balkan countries.

When it comes to the Czech Republic, the progress of the reform both in trade and in investment flows has been influenced by its geographic proximity to Western markets. Especially, the Czech Republic with its geographic proximity to German and the core EU markets is privileged in this respect. What is more, also the political conditions have allowed full implementation of the reform in the Czech Republic. Thus, economic recovery after the collapse of the communist model has been possible.

4.4. A historical perspective

The communist model played a remarkable role in many CEE countries until the 1990's. In these countries, the communist party had infiltrated into all governmental institutions and dominated them in such a way that there was no effective separation between the communist party and the machinery of the state. All economic life was under the control of a single party. Moreover, the economic institutions in Czechoslovakia until the Velvet Revolution were based on collective or



state ownership, and the compulsory central planning was the main coordinating mechanism in the economy. After that era, the growth of private sector has been impressive. The introduction of new market-based system and several other actions led towards macroeconomic stabilization, which was one of the requirements to become a member of the EU.

In the early years of the economic reform in the Czech Republic, all efforts had to be directed at controlling the hyperinflation. This meant increases in taxes, reductions of subsidies and other cuts in government expenditure. In order to control the situation, most of the governments and central banks in Central Europe began implementing stabilization measures at the same time at the outset of the reform. In the Czech economy, a rapid “shock therapy” model for economical recovery was

used, but after all, good intents led to rising levels of inflation and to the deterioration of current accounts. New enterprise laws, subsidy cuts, currency conversions and price and trade liberalizations were introduced too fast. Although the crisis of the Czech Koruna in 1997 has slowed down the Czech economy, there have been short term difficulties resulting from poor bank management. In those more economically advanced countries of Central Europe, such as the Czech Republic, the government is still facing challenges concerning financial, legal and institutional reforms because of the socio-cultural and political tensions that arise from different ideological or ethnic divisions.

4.5. Privatization

Privatization has been seen to play an important role in improving state budgets in the Czech Republic and to bring in Western investment capital, expertise and technology as a source of financial gain and competitive efficiency. Privatization has also been viewed as a means of increasing well-being and supporting the affluent society. In countries where transition has taken place at a rapid pace, the growth of the private sector has been fuelled by the vast number of start-up companies and the economy now virtually relies on its small companies. Although the voucher system of privatization (meaning that adult citizens were able to become individual investors in single enterprises) has succeeded in the Czech Republic, more recently the Czech government has embarked on the direct sale of stakes in strategic companies in the telecommunications, banking and petrochemicals sector. It has also developed plans to accelerate industrial privatization further. Moreover, although there are plans to sell around a dozen large state companies from a variety of sectors, many more will stay in state hands including Budvar (beer) and CEZ, the country's big power producer, to name but a few. Nowadays, services as a sector account for the largest share, and for growing shares, of total employment.

4.6. Comparisons with other countries

The reforms e.g. in the Balkans have lacked continuity and output levels in these countries have declined dramatically to below 50 % from the levels of 1989. In the former Soviet Union most economies are still grappling with negative growth. According to statistics, Russia has lost half of its pre-reform output, or in other words Russia has experienced negative growth in all but two years in the last decade. Transition strategies have almost failed and they still have several links with the former Communist nomenclature. As in Bulgaria and also in Russia, failures in the implementation

of the reform have contributed and, along with other factors, led to ongoing economic and financial crises. In these societies crime, corruption and inequality have increased.

4.7. New member of the EU

The Czech Republic is integrating itself more fully with the global financial and commercial system. Alongside with the membership of the European Union, this integration has encompassed membership of the World Trade Organization and significant efforts to gain access to international capital from such organizations or institutions like the EBRD, the World Bank and the International Monetary Fund. Since 1993, the EBRD has established a reputation as emerging as an effective 'Pump Primer' for economic and enterprise development in Central and Eastern European countries. For example the EBRD's ECU102 million contribution to Volkswagen's ECU 3,490 million investment in a Czech car company, Skoda, was hardly risky (or innovative) and could have easily been served by a traditional commercial bank; this serves as an example of investments in automotive industry. One common feature of the Central and Eastern European governments is that they will establish new trading links with Western nations and re-orientate their foreign trade.

In 1996, the Czech Republic filed the application to join the EU, and in March 1998 the EU opened formal accession negotiations with some candidate countries including the Czech Republic. While the prospect of the future EU membership for Central and Eastern European countries was raised by the very fall of communism certain criteria had to be fulfilled. These included requirements of stable democracy and a fully functioning market economy. Members must also demonstrate a good record on human rights, and they must have the capacity to cope with competitive pressure and market forces within the EU and the ability to take on the obligations of the membership. The Czech Republic attained membership after long negotiations in 2004.

4.8. Investments

The big three as a significant destination for FDI into CEECs are Poland, Hungary and the Czech Republic. However, when compared with the rest of the world, these countries have performed only modestly in attracting international capital investment.² In the Czech Republic, important industries with high levels of foreign capital allocation include energy, construction and property development, chemicals, pharmaceuticals, metals, finance and management consulting. In finance Citibank Praha with American capital, Banka Hana with Belgian capital and Volksbank with

² Heliste, P.: CEE as a target area Presentation June 8, 2006

Austrian capital have all attracted FDI in equity. In the energy field well known energy companies from Germany, the Netherlands, France, (even) Sweden and Great Britain have all taken part in purchasing shares of Czech energy companies. This includes also the entry of one British company (National Power) into Elektrarny Opatovice. Consumer goods and food industries have also experienced marked foreign investor participation. The main reasons for attraction to these Czech industries could be comparatively lower labour costs, the possibility of increasing domestic sales and expanding capacity.

4.9. Conclusions

The Czech Republic has certain advantages that attract FDI: there is a low-cost but skilled labour pool and untapped markets close to Western Europe. The main reasons why investments have, anyhow, remained modest in recent years have mostly been economic uncertainty and even resistance to foreign ownership.

EU membership is seen as a force of change for the Czech Republic in the same way as WTO membership for Russia. The other dimensions of transition are institutional, but no matter how the legislation changes, there are always national and regional cultures behind. This change or transition concerns also the way of doing business which is moving from the previous relationship-based interaction towards more rule-based activities.

When taking a geographical approach to the region in question, it was stated that Central and Eastern Europe is not a homogenous area and that the countries of the region differ widely with regard to ethnic composition and language, as well as to industrial structure and economy.

As compared to Western levels, purchasing power continues to be low and the living standards low. Nevertheless, these countries attract resource-seeking businesses. One example of companies which are already doing business in the Czech Republic is TietoEnator Group. All this suggests a better future and good progress for the Czech Republic in developing its market economy system and attaining Western European standards.

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5. Visit to the University of Economics in Prague

Jaana Savolainen

In this chapter, we will shortly present few general facts about the University of Economics in Prague (UEP) and its history. The different faculties of the university will be introduced before we concentrate on the Faculty of Business Administration. This faculty is the one that corresponds the most to the Faculty of Marketing and Management in the Helsinki School of Economics, and was thus the most important from the perspective of our study trip. At the end of this chapter, we will introduce a researcher and lecturer from the UEP, Mr. Martin Lukes, who kindly had the time to meet our group and tell about teaching and research at the Faculty of Business Administration. Finally, we will sum up the main points we thought were the most instructive issues in our visit to the UEP.

5.1. The University of Economics in Prague

The University of Economics in Prague is a public, state funded university, which was founded in 1919. The university is a very prestigious educational institution in the Czech Republic and it is the most all-inclusive school in the country in the field of economics and business education. In this university, one can study economics and different areas of business at the bachelor's, masters and doctoral levels. There are six faculties at the UEP and the university employs a staff of about 650



academics and about 700 non academics. 60 per cent of the professors at the UEP have doctoral degrees in their field.

When the University of Economics in Prague was established in 1919, it operated as a commercial college, and it was an independent part of the Czech Technical University. In 1934, the school gained the right to award the degree of Doctor of Commercial Sciences. Between 1939 and 1945, during the Second World War, the university was closed down by the Nazis. In 1949, the university was running again by the name of University of Political and Economic Sciences and it had three different faculties. Since September 1, 1953, the

university has been operating with its current name. In 1953, the university had five faculties, but the whole organization changed again after the Velvet Revolution in 1990-91. As said before, nowadays UEP has six faculties which will be presented in the next section. There are two more important dates for UEP that should be mentioned here. In 1998 UEP became a full member of CEMS and in 1999 a member of PIM.

The study programs in UEP's different faculties are commonly taught in Czech, but there are two study programs taught in English. The first program is CEMS, which is introduced more precisely in chapter 5 of this report. The other program is the bachelor's degree one can study within the Central and European Study Program (CESP). CESP is a one-semester program the courses of which focus on Central and East European economies of the past, present and future as well as the social, political and cultural aspects and different languages of the countries in his region.

5.2. The Faculties of UEP

The six different faculties of the University of Economics in Prague are the Faculty of Finance and Accounting, the Faculty of International Relations, the Faculty of Informatics and Statistics, the Faculty of Economics and Public Administration, the Faculty of Management and the Faculty of Business Administration. The Faculty of Business administration will be introduced in its own subchapter below and the other faculties will be shortly presented here.

The Faculty of Finance and Accounting has an integrated approach to the fields of finance and accounting and an emphasis on their utilization in financial management and in all levels of decision making in organizations. There are over 2, 800 students studying at the faculty and the academic staff of the faculty consists of about 80 members. As said before, the programs of all faculties at the UEP are taught in Czech, but there has been a recent development in the Faculty of Finance and Accounting and there is a new study program which is taught in English. The new master's program in English is a reaction on the globalization and internationalization trends and it should provide a state-of-the art degree in business education. The faculty includes seven different departments that concentrate on special areas of finance and accounting.

The Faculty of International Relations is basically divided into two sections. The first section of the faculty consists of seven science-based departments. There are for example the Department of Political Sciences and the Department of World Economy. The other section of the faculty consists

of four language departments. The language departments are the Department of English, German, Romanic Languages and Russian. This faculty was established in 1991 when the whole organization of the UEP was renewed. The faculty is a successor of the original Faculty of Commerce. There are basically two branches of study in the faculty nowadays: international trade and tourism. All in all about 3, 500 students are doing their bachelor's and master's programs in this faculty, and about 170 pedagogues work there.

The Faculty of Informatics and Statistics consists of nine different departments. In addition to the normal departments, a scientific research department called the Laboratory for Intelligent System (LIS) has been established within the faculty. Subjects taught in this faculty include information technologies, information management, knowledge systems and quantitative methods like statistics, econometrics, operational research and demography. The main theoretical elements of the study program come from the Departments of Mathematics and Philosophy. There are over 100 professors working and nearly 1, 800 students are enrolled.



The Faculty of Economics and Public Administration has at present about 2, 300 students who are studying with the guidance of 96 professors. The faculty has six different departments, which are the Department of Economics, Economic History, Economic Policy, Public Administration and Regional Development, Social Policy and the Department of Environmental Economics. Within this faculty there are two major study programs and a large number of minor specializations. Special about this faculty is that in addition to teaching and doing research this faculty also plays an important role as an advisory body for the government authorities and state administration. The faculty has an important position in the whole Czech economic system and the national economic research. At the moment, the faculty is also doing a project in the sphere of structural funds and regional policy of the European Union.

The Faculty of Management is located in Jindřichův Hradec, about two hundred kilometres north from Prague. The faculty educates students in the specialization of management of business affairs

and public services. According to the researcher and teacher Martin Lukes, this faculty is very similar to the Faculty of Business Administration located in Prague. As we will introduce this particular faculty next, we did not feel the need to introduce the Faculty of Management in detail.

5.3. Faculty of Business Administration

Before our group's study trip to Prague our mission was to find out which faculty and department in the University of Economics in Prague corresponds the most to the faculty of Marketing and Management in the Helsinki School of Economics. As our trip was a special course part of the discipline of Organization and Management's study program, we had to be even more precise and try to find the part of the UEP that best corresponds to this exact discipline. By doing this, we would help the teachers and researchers in our discipline of Organization and Management to develop some contacts to the corresponding department in Prague. After a lot of web searching and many e-mails we were sure that the Faculty of Business Administration was the right place for our visit and our main interest when we would visit the school.



During our trip to Prague, we had the chance to meet people both teaching and studying in the Faculty of Business administration. A local student of the Faculty of Business Administration, Zuzana Mendlova, organized for us a tour in the University of Economics in Prague. We had the chance to visit the university library, and the staff told us about their practices. We also visited the reading rooms and computer rooms, where

the local students spend their time studying and doing group assignments. We had a nice lunch at the top floor of the university in the really beautiful university restaurant. Everyone could order their lunches freely and the view over the city was really beautiful. After the lunch we headed to the Faculty of Business Administration, where we met the CEMS coordinator of the school as well as teacher and researcher Mr. Lukes.

The Faculty of Business Administration is located in the new part of the university called "The Paradise Building". The building really was a bit like a paradise; there was a lot of open space,

beautiful glass walls and windows through which the natural light could shed in. The building was large, which is very understandable as the Faculty of Business Administration is the biggest faculty of the university. There are over 3, 100 students enrolled and nearly 100 professors employed in there.

The main goal of the Faculty of Business administration is to educate qualified professionals competent to carry out various economic and managerial professional activities in the business field. The faculty focuses on knowledge of the wide field of business administration requiring a single main subject, which then can be supplemented by some of the many optional subjects according to ones individual interest. This is very easy, when there are so many departments and subjects within the faculty.

It is worth pointing out that students do not select a certain department of the faculty when they apply to the university; they just select the study program. The Faculty of Business Administration offers a study program called Business Administration and Management at bachelor's, master's and doctoral levels. Students who are pursuing their master's degree are trained to solve common problems that middle management in different enterprises face. Students are also exposed to more complex business issues that are important at the top-management level. After graduation students can find employment in operational, commercial, personnel, organizational, financial and other spheres of private, cooperate or public enterprises.

The optional studies of the program allow students to develop their skills in law, accounting, logistics and other areas of commercial and managerial activities of the enterprise. The main goal is to prepare the students so, that they can easily work at different levels of an enterprise and also in different kinds of enterprises. Compulsory and elective parts of the study program include courses of management and marketing as well as broader socio-economic topics. There are six minor specializations in the study program: economics of the industrial firm, logistics – international transporting and forwarding, marketing, quality management, enterprise personnel management and psychology and sociology in business management.

Altogether, there are eight different departments in the Faculty of Business Administration. They are the Departments of Logistics, Marketing, Microeconomics, Personnel Management, Business Economics, Business Management, Managerial Psychology and Sociology and the Department of Operation Management. It was clear to us from the beginning that as interesting as all these

departments were, we could not take them all into consideration when visiting the school and writing this report. So we chose three departments we thought were the most important from our course's perspective. In our opinion, the Departments of Personnel Management, Business Management and the Department of Managerial Psychology and Sociology were the ones that are all sort of included in the discipline of Organization and Management at HSE. All these three subjects are under the one and same discipline in our school. We were then lucky to have a teacher from one of these three departments to meet us.

According to its name, the Department of Personnel Management concentrates on educating students in the areas of human resource management and personnel management. The Department includes courses that handle personnel planning, job analysis, recruitment, selection, employee orientation, compensation and personnel information systems, to name a few. The Department of Business Management includes courses that handle, among other things, strategy processes of a company, development and evaluation of business projects, changes and the future of management, management of change in organizations and organizational architecture.

The Department of Managerial Sociology and Psychology is focused on the area of organizational and work sociology, its subject, development and importance as well as on social-psychological methods of management and management research. This subject builds up theoretical, methodological, and practical knowledge in the field of Managerial Psychology and Sociology. The department concentrates mainly on the social-psychological context of management that is understood as leadership, which is a part of every manager's everyday job. The courses of this department provide information also about cross-cultural issues of management, corporate culture, ethics and identity and as well as social communication and interaction.

After this short presentation of these three departments it is even easier for a student of Organization and Management at HSE to see how all the issues within these three departments are included under the same roof in our school in HSE. So basically all the same issues are included in the study programs of both universities (UEP and HSE), only the organizing of the departments is slightly different.

5.4. Mr. Martin Lukes

Now, after presenting the Faculty of Business Administration and few of its departments, we will introduce the teacher and researcher of the faculty we had the pleasure to meet. Mr. Martin Lukes is a young researcher and lecturer of the Department of Managerial Sociology and Psychology. Since 2001, he has been studying for doctor's degree in management. In 2001, he got his master's degree in business administration and management from the University of Economics in Prague and he graduated with honours. Mr. Lukes has also graduated from the Faculty of Philosophy of Charles University in Prague, and he has master's degree in psychology. Mr. Lukes has been working at the UEP for five years now, and he teaches also elsewhere when needed and possible.

Martin Lukes gave us a very informative presentation about the Faculty of Business Administration in one of the faculty's classrooms, and we also had the chance to ask him questions. The presentation was really well focused, because we had sent beforehand to Mr. Lukes all the questions we wanted to ask. We also made him a little brochure about the discipline of Organization and Management in HSE and also about our trip. In this way, Mr. Lukes already knew who we were and what our course was about. This made our meeting really smooth and easy. Before our trip to Prague we had planned with our head professor Mr. Raimo Lovio which contact persons from the discipline of Organization and Management we would name to Mr. Lukes, and then we included this contact information to the brochure we made for Mr. Lukes. The brochure we made included also information about the research projects are going on in the discipline of Organization and Management at HSE. By this we hopefully informed the researchers at the UEP about our schools research interests. Maybe researchers in the Faculty of Business Administration can now see some links between their research and the research made in our school.

Mr. Lukes told us about the diverse teaching methods within the Faculty of Business Administration of UEP. On one hand, there are very interactive courses, where there are a lot of group assignments and general discussion. On the other hand, there are still many courses where teaching methods are very traditional and students have to cram information from the books and take exams at the end of the course. According to Mr. Lukes there are as many teaching methods as there are teachers, but the younger teachers usually have more interactive teaching methods than the older teachers do. The assistants of the faculty spend twelve hours per week teaching classes but the lecture time lessens when the academic appreciation of the lecturer increases. This way the lecturer can spend more time doing research projects and other professional projects.

Martin Lukes named us two persons in addition to himself who could act as contact persons to our teachers in the Helsinki School of economics. Professor Ivan Nový (novy@vse.cz) is the official of the Department of Managerial Sociology and Psychology. He concentrates in his work on sociological research, human resource management, organizational behaviour, corporate culture and intercultural management. The other contact person is Milan Malý (maly@vse.cz), who works as a professor at the Department of Management in the Faculty of Business Administration. The main concentration areas of Mr. Malý are management and organizations, organizational structures and design, organizational architecture, strategy of organizational development and computer integrated manufacturing systems.

Mr. Lukes himself has concentrated his research work on different projects handling entrepreneurship. He has acted as a project leader in projects like “New forms of education and training in entrepreneurship”, “Development of students' entrepreneurial potential” and “Involving students in research of small and medium-sized enterprises and non-profit organizations”. He is also one of the founders of INPERE, International Network for Psychology of Entrepreneurship Research and Education, founded in 2005.

Mr. Lukes told us also about the different research projects in progress within the Faculty of Business Administration. Entrepreneurship seemed to be an important field of research field. Especially the global aspects of entrepreneurship draw a lot of attention. Other important fields of research are the non-profit organizations and their success factors. All in all, one can easily see how the interests of the faculty and the earlier mentioned departments are quite internationally oriented. There are projects about immigration of highly-skilled Czech people to other countries, intercultural innovations and intercultural management. Of course, there also are other kinds of projects like knowledge (especially hard knowledge) of Czech management and innovation activities of certain industries.

To sum up the research projects of the whole Faculty of Business Administration, one can say that, thematically speaking, the faculty research focuses on the economic, administrative and socio-psychological elements of business administration and management. Empirical studies and international comparative analyses form an important element of the faculty's research agenda. The results of such research are often published abroad and serve as the bases of practical case-studies. This seems to be the same kind of practice as in HSE too.

5.5. Lessons Learned

Firstly, organizing the visit to the UEP was a really informative phase of our trip. We learned how hard it is to arrange these kinds of visits when you don't know anyone from the organization you want to visit and you don't know who you should contact. It took a lot of time and effort to find the right people who were willing to help us arrange the visit to the university. Luckily, we found the local student from the Buddy System of UEP who kindly had the time to help us. This student, Zuzana, arranged us the meeting with Mr. Martin Lukes and also took us around the school. Then, with the help of the CEMS coordinator of HSE, we managed to arrange also a meeting with the CEMS coordinator in Prague during our visit to the university.

Most of us who attended this study trip had never visited a university abroad, only a couple of us have studied abroad. It was really instructive to see how different the university in Prague was compared to the Helsinki School of Economics. It was nice to see how things work there in Prague and how the university and especially the Faculty of Business Administration were organized. We could notice many differences but also many similarities between the two universities. The UEP is a lot bigger university than HSE so the visit there really was an experience.

6. CEMS Program and the University of Economics in Prague

Outi Dorsén

6.1. CEMS MIM

Founded in 1988 by four European universities, the Community of European Management Schools (CEMS) now consists of the best management schools of 17 European countries as well as over 50 of the world's leading multinational companies. Lately, this strategic alliance has been spiced by co-operation with four non-European academic institutions. As stated in the guidelines of the community, each country can be represented only by one university or business school. In Finland, this university is Helsinki School of Economics. Our university has been a full member since 1998. The main source for this data is the community itself (www.cems.org). Also one member of our team is a CEMS student.

The aim of the community is to set a pan-European standard of excellence in management education, through its unique Master in International Management (CEMS MIM) degree program, taught at each of its member universities. The Alumni network of CEMS graduates is highly active – it consists of over 3,400 graduates of some 35 different nationalities currently working around the world.

The degree program consists of several parts: specific CEMS courses at home university as well as during the exchange semester at another CEMS university, Business Project, Internship abroad, fluency in at least two foreign languages tested by special language assessment exams, to name a few. The program is conducted in close co-operation between the universities and corporate partners allowing the students to learn from both academic and business worlds. The courses are designed to be taken within one academic year and a student can only graduate from CEMS after graduating from his/her own business university.

6.2. CEMS at University of Economics in Prague

During our visit to the University of Economics in Prague we had a chance to meet the CEMS coordinator Ms. Renata Subrtová and interview her about the role of CEMS program at their management school.

Overall findings

The University of Economics in Prague became a CEMS candidate in 1995 and a full member three years later. Since then, some 120 students have started the program, the annual intake being currently around 40. The total number of graduated students since the beginning is almost 100. Although the statistics show that half of the CEMS students are female, the first group to graduate consisted only of male students. The majority of the Czech 'CEMSers' originate from the faculty of international relations, mainly due to the strict language requirements. All in all, CEMS program is well-known among the students and is widely regarded as an important experience when moving on in the career path.

According to Ms. Subrtová, CEMS is an important part of the university's international programs. Its co-operation with other internationally oriented programs is very good and tight, especially with the Master's level's international business program. Students understand the value of the degree and the extremely close co-operation with local and foreign corporate partners increases its appreciation. Overall, the role of CEMS program is strong within the University of Economics in Prague.

Exchange semester

An exchange semester at another CEMS university is part of the CEMS MIM curriculum. The most popular exchange location for Czech students seems to be London School of Economics – it receives more applications than any of the other academic partners. Helsinki School of Economics has hosted several Czech exchange students over the years. The number of foreign students coming to Prague for their exchange semester fluctuates from one semester to another – during fall 2005 the number of CEMS exchange students was 15, whereas for spring 2006 the number was only 3. Most years the HSE sends at least one CEMS student to Prague.

Courses

According to the CEMS MIM curriculum, students should take at least four CEMS courses during the fall and two during the spring semesters. The Business Project takes place over the spring semester. At the University of Economics in Prague the selection of CEMS courses is slightly larger than the minimum number of courses allowing the students the freedom to choose the concentration areas they are most interested in. On the whole the community, the teachers and professors are

highly experienced in both academic and business environments, having strong background of international experience.

Corporate Partners and co-operation

Skoda is currently the only Czech corporate partner, but the University of Economics in Prague has been able to create extremely versatile co-operation with several subsidiaries of foreign CEMS corporate partners, currently located in the Czech Republic. The co-operation includes several different Business Projects each year, rotation dinners, skills seminars, etc. This kind of multi-level co-operation stands as a great example for many of the other CEMS universities.

Internship

As part of the CEMS MIM curriculum, students work an internship in a foreign country. Finding a challenging, higher-level internship is not always the easiest task for a student, but according to Ms. Subrtová the recruiting process has become easier since Czech Republic joined EU in 2004. Many CEMS corporate partners are active in offering internships to CEMS students. It is no surprise that many of the CEMS students start an international career after graduation.

6.3. Developing CEMS program at HSE and internationally

After meeting with several CEMS students at both universities, we have found some topics for further discussions concerning both the future development of CEMS program itself at HSE as well as the possibilities of co-operation between the two universities. These following ideas have been gathered from the comments made by several CEMS students who have studied at both universities.

It has been mentioned that although the CEMS courses are, as they should be, academically demanding courses at both universities, at HSE the level seems to be somewhat more challenging. Our professors receive highly positive feedback regarding both their academic knowledge as well as the teaching style often used at HSE's CEMS courses. We would like to point out that most of the CEMS courses are taught for rather small classes – allowing more reactive, less formal communication between the professor and the students. It also seems that the tendency to use academic articles at HSE courses is not shared in Prague.

According to the Czech students, apart from the question of the class sizes, the cultural factors also explain the differences noticed. It seems clear that in Finland the atmosphere is more inviting for the students to state questions to the professors, sometimes even challenging the teachings. As one Czech student explained the difference:

“...in Prague the text book is the "king" - so what is written in the book is the most important thing in the world. Whereas in Helsinki I found the subjects (and especially the exams) more related to practical reasoning. [...] it really made me think about the questions and what was behind [them].”

The same student also found more differences in the teaching methods when comparing the two universities:

“...[I call it] multidisciplinary. [The three Finnish CEMS courses] Mergers and Acquisitions, Marketing Financial Services and International Design Business Management were all combination of many approaches, not just "pure" subjects.”



As positive feedback as HSE received, there is always room for improvement. HSE would gain a lot by implementing similar levels of co-operation between the university and the corporate partners as UEP has been able to do in Prague. Not only does the co-operation consist of business projects (which UEP has several simultaneously) but also continues on many other levels – guest lecturers,

excursions, active co-operation in recruiting processes, etc. This is definitely a forum on which HSE should become more active. Granted, the role of CEMS Club in Helsinki also differs a lot from the one in Prague as in Finland the students are more active in building and strengthening contacts. But nevertheless it is our suggestion that HSE should take more active role towards the CEMS corporate partners – in co-operation with CEMS Club of course.

There still seems to be a lot of red tape wrapped around the exchange semester. In both countries the local (CEMS) students arrange either tutoring or ‘buddies’ for the incoming students, but more active role has been expected from the universities – and thus most of the students have at one time

or another been disappointed with the international office: usually due to delays and changes in programs and lack of communication following such situations.

Overall the students have been highly pleased with their CEMS exchange experiences both at HSE and UEP. It is definitely worth benchmarking the way our university runs the CEMS program. As CEMS accreditation is one of the most internationally acknowledged accreditations HSE has, insuring that the level and reputation of the program remains high at HSE helps our university build its strong international brand.

7. Finpro and the Finnish embassy

Jukka Kainulainen, Klaus Kangaspunta, Heikki Rajala

7.1. Introduction

The purpose of this study is to assess the ways and possibilities for Finnish companies to do business in the Czech Republic. The emphasis of this study is on the market entrance process, potential industries in the Czech Republic and the way Finnish companies find Czech business partners. Our study is based on the presentation given by market analyst Eva Kupsova from Finpro's Czech branch and on the discussions we had with the people in the Finnish embassy in the Czech Republic.

We start off by presenting how Finpro, a Finnish consulting organization, operates and helps Finnish companies in internationalizing. The emphasis is on the way Finpro helps Finnish companies and entrepreneurs connect with local operators in the Czech Republic. In the latter part of the study, we try to assess the Czech business environment, culture as well as the top industries at the moment and business possibilities in the future. And last, we'll try to give a brief overview of the embassy and the way it operates in the Czech Republic.

7.2. Finpro as an organization

Finpro is a government subsidized consulting organization that focuses on accelerating the internationalization of Finnish companies. Their mission is to improve the chances of Finnish companies to internationalize. Finpro's main services are consulting services, market information services, export partner groups and international marketing services. Finpro operates closely with other organizations working for internationalization and it tries to find client-oriented solutions for Finnish companies and entrepreneurs.

7.3. Finpro in the Czech Republic

Finpro has a total of five employees in the Czech Republic, two market analysts, two consultants and a country manager. All the employees are local and they are located in different parts of the Czech Republic. At the moment, there are about 70 Finnish companies operating in the Czech

Republic. Kone is the biggest Finnish operator and also Finpro's biggest client in the Czech Republic.

7.4. Finpro's operating model

According to the presenter, client-oriented approach is the cornerstone of Finpro's way of working. They familiarize themselves with the client and its business and try to form close and continuous partnerships with them. They rather see themselves as members of the client's team than just outside consultants. The presenter highlighted the fact that Finpro does not just give recommendations but they are involved during the whole internationalization process, from finding a partner to starting the operation. Finpro helps Finnish companies, for example, in choosing the best form of operation, building market position and expanding in current or new markets.

7.5. Finpro's way

In practice, if a Finnish company is seeking business opportunities in the Czech Republic, they contact Finpro. After this, the personnel of Finpro assesses the needs of the company, e.g. is the company looking for a local distributor or is the client thinking of founding an own subsidiary in the Czech Republic. Depending on the needs and wishes of the company/ entrepreneur, Finpro tries to find the right way to proceed. An essential part of Finpro's operations is to be on the constant lookout for potential business partners and to form networks with local operators. So, when a Finnish company contacts Finpro, they might already have some potential partners for the company.



Finpro also offers detailed market information and analysis about the environment in the country in question. But more interestingly, the most basic, and a very common, form of help for Finnish operator's is interpretation help. This is quite surprising, since the Czech Republic is a member of the European Union and one might think that English would be well understood and spoken.

Related to this, the Finnish ambassador expressed his concern about the Czech youth that are not even nearly as fluent in English as the Finns are, and furthermore about the poor teaching standards of English in schools.

Over 50% of the client companies have found Finpro's services very useful and think that they have improved their success in internationalization. The majority of the clients saw Finpro's involvement very useful both in practical and in strategic issues.

7.6. Industries and potential for Finnish companies

The Czech economy is growing rapidly and it is estimated that it will reach the average EU level by the year 2012. There are certain industries that are already peaking. For example, the car industry is represented very strongly as they already have Skoda and after the new KIA factory is completed, the car industry is said to be fully utilized.

For Finnish companies there are many attractive industries and also the Czech companies have shown interest in many Finnish companies and their products. Production costs in the Czech Republic are lower than in Finland, but they are rising steadily. Thus, manufacturing industries are not as attractive anymore. The Czechs are now interested in Finnish know-how, especially in the fields of environmental education and in the usage of natural resources.

Also, another way of entering the market could be exporting concepts used in Finnish companies. For example, Tietoenator used an IT-solution originally created for Finnish telephone companies for Czech telephone and it proved to be a success. These sorts of opportunities have been on the rise and will continue to increase as long as the economy grows.

7.7. Cultural differences between Finns and Czechs

The overall opinion was that there are no major differences between the Finnish and the Czech cultures and that it is difficult to point out any specific Czech characteristics. Naturally, there are differences but not so many that have much of significance in the business environment.

One thing that came up was that Czechs want to get to know their business partners better than it is maybe accustomed in Finland; building a business partnership takes more time. Another thing was

that there is more hierarchy in the Czech business environment; titles and status were considered very important.

Perhaps not directly related to culture, but we were told that the Czech language is very difficult to learn. This combined to the lack of English fluency can lead to problems and it certainly is something to think about when considering the Czech Republic as a potential business environment.

7.8. The Embassy of Finland in Prague

Embassy is a group of people from one state present in another state to represent the sending state in the receiving state. In practice, a diplomatic mission usually denotes the permanent mission, namely the office of a country's diplomatic representatives in the capital city of another country.

Finland has committed diplomatic relationship with the Czech Republic in 1993 and since then Finland has had the embassy in Prague. The Embassy of Finland is located just in the centre of the city. Ambassador of Finland is Jorma Inki.

The tasks of the Embassy of Finland are to foster friendly political, economic and cultural relations between the governments of Finland and the Czech Republic. It is also important to further Finland's national interests and to attend to the interests and rights of Finnish citizens in the area. Providing consular services is also an important task.

The Embassy looks after the interests of Finnish citizens and Finnish companies and promotes bilateral political, commercial and cultural relations as well as develops cooperation between Finland and the Czech Republic. The Embassy's task is to provide a correct and up-to-date picture of Finland in the Czech Republic. The Embassy is concentrating more and more on the promotion of economic and commercial relations between Finland and the Czech Republic.

7.9. Conclusions

Finpro is a Finnish consulting organization that helps Finnish companies in internationalization. They see themselves as highly client-oriented as they try to meet the different needs of different kind of Finnish organizations and they try to adjust their help accordingly. The most important tasks

are forming networks with the locals and being up to date with the current market conditions in the country in question.

Finpro helps Finnish companies and Czech operators to find each other. Finpro also helps the Finns in choosing the best way to enter the market and in selecting the best form of operation. They offer help for every step of the internationalization process and the majority of Finnish companies have found their help useful.

According to the presentation and the discussions we had, there is potential for Finnish companies in the Czech Republic, and this was supported by the fact that the two countries have highly similar cultures and common ground can be easily found. The most attractive business opportunities were related to Finnish know-how, for example in the areas of environmental education and in the use of natural resources.

Unfortunately, all the amusing anecdotes from the trip do not translate so well in English, so we were forced to leave them out. However, suffice it to say that although the schedule was tight, we also had time to experience the fine sides of the Czech culture.

8. Visit at TietoEnator

Visa Koskinen

Our first official place to visit in Prague was TietoEnator who has been present in the Czech Republic for some years. We wanted to learn more about the establishment of the subsidiary, and also about the general business environment in the Czech Republic and what kind of opportunities it might offer for the Finnish companies. We were especially interested in learning about the differences between organizational cultures of the same company in Czech and in Finland.

TietoEnator had kindly prepared for us a presentation consisting of three parts. First, Zbyněk Eiselt, managing director and the chairman of board of TietoEnator Czech Republic told us about TietoEnator in the Czech Republic. Secondly, business consultant Petr Hojny talked about cross-cultural management and cultural differences between Finnish and Czech organizations. Thirdly, originally Swedish business development manager Mikael Lanaeus discussed his experiences about cultural differences and expatriate issues. All of these three persons had some experiences in working or living with Finns. Mr. Hojny even has a Finnish wife. At the end of our visit we had some time for questions and discussion.

Here we will sum up the key points of our visit. First, however, we will provide some basic information about TietoEnator.

8.1. TietoEnator in general

TietoEnator was formed in 1999 in a merger of Finnish Tieto Corporation and Swedish Enator AB. Nowadays it employs over 15, 000 persons in more than 25 countries, so it is truly a multinational company. In 2005, its net sales were 1,7 billion Euro and the operating profit 183,3 million Euro. This meant an operating margin of 10.9%. TietoEnator's shares are listed in Helsinki and Stockholm stock exchanges.

TietoEnator is consulting, developing and hosting its customers' digital businesses. Its mission is to build information society (see Figure 1). At first, these seem to be some distant words without meaning, but now while writing this report and thinking them in more depth they start to live and form a new meaning. Information society does not just come from somewhere behind the corner,

nor is it created by only updating software. New solutions and new ways of working have to be created somewhere, and TietoEnator has a role in this huge change of transforming the whole society.



Figure 1. TietoEnator's guiding principles - the strategic framework of the company (www.tietoenator.com)

In practice, TietoEnator says that it develops IT solutions that realize and digitalize the visions of its customers. So this is what the building of information society actually means. Mentioning the customers is quite logical since there is no one to tell the absolutely right answers so they have to be developed together with the customer.

To discuss with the customer, one has to understand the language he or she uses and what he or she means. This is the probable reason why TietoEnator has been divided into different sectors according to the industries it serves (see Figure 2).

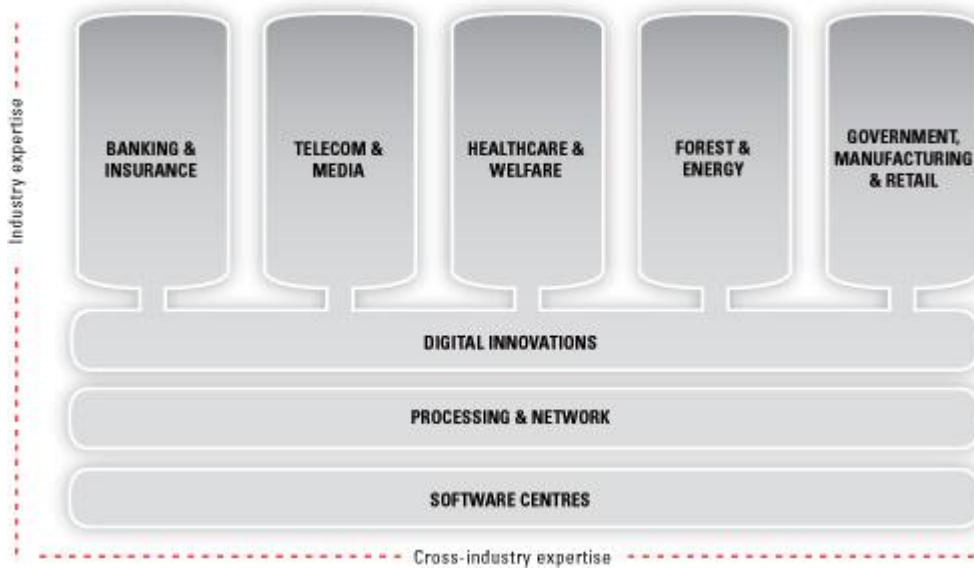


Figure 2. TietoEnator's business structure (www.tietoerator.com)

According to Michael Porter, there are three generic competitive strategies for the firm to choose from. They are cost leadership, differentiation, and market segmentation/ focus. It seems that TietoEnator's strategy includes elements of all these generic strategies. TietoEnator focuses on certain market segments, tries to differentiate itself from its competitors and also be cost-efficient. According to Porter combining different generic strategies is difficult and likely not the best solution.

Michael Treacy and Fred Wiersema have modified Porters three strategies to describe three basic "value disciplines" that can create customer value and provide competitive advantage. They are operational excellence, product innovation, and customer intimacy. According to TietoEnator's annual report 2005, the company wants to be a market leader in customer intimacy and above industry average in solutions and operational excellence (see Figure 3). So the strategy is not only a matter of choice, but also a matter of weighing different dimensions so that they serve the company well in the markets.

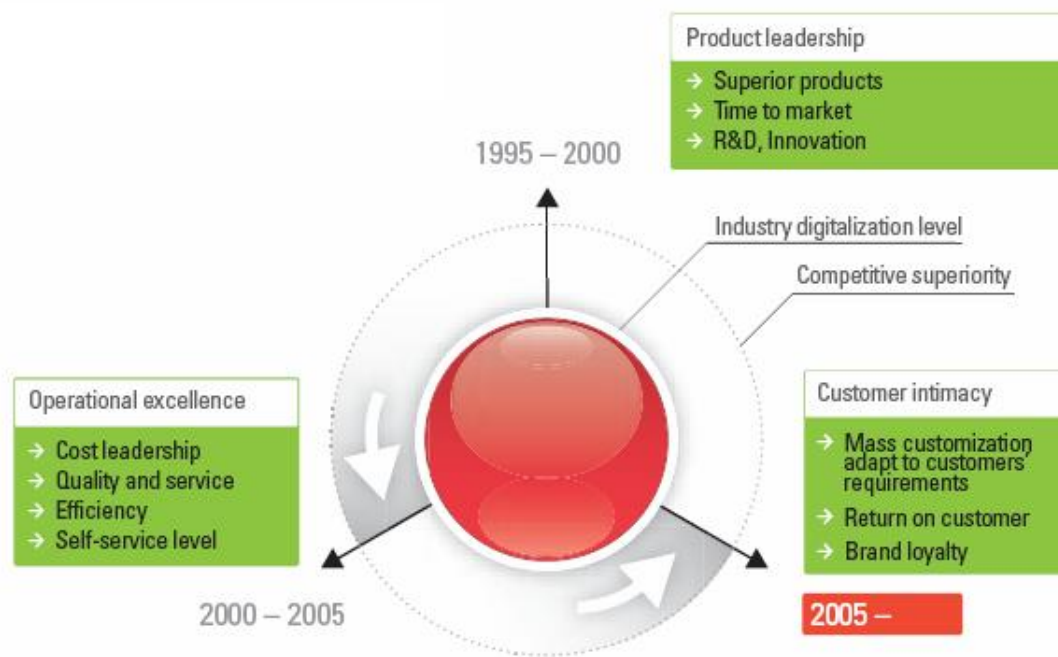


Figure 3. TietoEnator's competitive strategy with digital development focus (www.tietoenator.com)

TietoEnator's markets have two trends. On one hand, some immature services like consulting are growing fast and requiring new services and close customer contacts. On the other hand, some services are commoditizing and require effective operations. From this perspective, it can be assumed that maybe different business units or service types have a bit different strategies inside TietoEnator. So the overall presented strategy would be just an overall or average picture of where the company is going or what it is emphasizing, not an exact answer.

8.2. TietoEnator in the Czech Republic

TietoEnator entered the Czech market by two company acquisitions. In the first one in 2001 ISS Czech Ltd and in the second in 2002 Sykora Ltd were affiliated into TietoEnator's Telecom and media business unit. At that time, these two companies had a total of 180 employees.

Nowadays, TietoEnator employs 370 persons in the Czech Republic. The biggest unit is internal support unit (CSC) with 250 employees. Czech and Slovak Operations (CSO) employs 100 persons and business support unit (BSU) additional 20 persons. Business areas include Telecommunications, Banking and Insurance, and Utilities. Estimated revenue in this year will be around 9 million Euro.

Compared to Finland, TietoEnator's market position is very different in the Czech Republic. In Finland, TietoEnator's market share is about 40 per cent in IT-services, while in the Czech Republic it is just one per cent. Even an objective to double the market share this year does not still do much difference. In the Czech Republic TietoEnator is not as well known company as in Finland, and therefore in the Czech Republic it really has to work hard to get known and present itself as a serious player. However, in the Czech Republic IT service markets are quite fragmented, and no one player has a market share of over 10 per cent. So customers are probably used to deal also with smaller suppliers. Market leaders in the Czech Republic are IBM, LogicaCMG, HP and Accenture.

As just said, TietoEnator's market share is quite high in Finland. The same applies to Sweden, where its market share is about 30 per cent. Thus, in order to grow, TietoEnator had to look for markets abroad. This was one reason to internationalize and extend operations into the Czech Republic. Penetrating into this market without local presence would have been hard, since the business requires close ties with customers. The other reason to have activities in the Czech Republic was the country's lower cost level, especially in wages. This is an important factor why one of TietoEnator's internal support units is located there. It serves TietoEnator's other units in different countries, so there is no such special reason to be located there as there is for the CSO unit.

We were told that TietoEnator came into the Czech Republic too late, since markets were already at that time quite developed. However, it can be argued, that maybe the fusion of Tieto and Enator in 1999 had to take place before there were enough reasons and resources for further internationalization.

8.3. Cross-cultural issues

Since TietoEnator is a multinational company, they have had to pay attention to the cross-cultural issues. Therefore, it was interesting from our point of view to hear how they see these things in their company.

8.3.1. Defining cultural differences

Different cultures have their own beliefs, values and communication styles. Intercultural conflicts exist within and between cultures often due to interpersonal communication misunderstanding or

unintentional meanings of a message. Since cultural differences are here to stay, and we can't avoid them by avoiding communication, we have to learn to manage our differences in order to achieve effective intercultural communication.

We all have our own standards regarding what is right and wrong, appropriate or inappropriate and we tend to judge others and other cultures by our own standards. When being negative, this way of thinking toward others is called prejudice. To succeed in intercultural environment we should try to get rid off our prejudices.

To understand differences between different people it is good to know that all differences are not necessarily cultural but human differences. Differences may stem out of personality, routines, group norms, group development, leadership, cooperation on personal level or language. Like cultural differences, we should not consider these different ways of acting as right or wrong ones.

8.3.2. *Macro-environment in the Czech Republic*

In order to understand a specific culture better, one should know some basic things about country's history, present situation and future plans. Here are some facts about the Czech Republic.

Political factors

- 1989: The demise of communism and movement towards democracy
- 2004: Accession to the European Union on May 1, 2004
- 2006: Elections and expected changes
- Member of NATO and WTO

Economical factors

- Adoption of free-market economy system and economic liberalization
- Inflation under 2%
- 2005: GDP growth 6% (EU-15 1.4%, Central Europe 4.2 %)
- 2005, April: Graduation of the CR – no more loans from World Bank = Developed Economy
- 2010?: joining the Euro zone

Socio-cultural factors

- Majority of the population atheist
- Price still the most important factor
- Prague (129% of EU living standard!) versus countryside
- Traditional country

Technological factors

- Information and communications technology: Internet access (52%; 34% at home), mobile phones (close to 100%).

8.3.3. Comparison of Czech, Finnish and Swedish cultures

The three biggest areas of differences between Czech and Finnish cultures are universalism versus particularism, power distance and masculinity versus femininity.

Universalistic culture prefers rules, while in particularism relationships are more important. This means that in particularistic cultures obligations to selected individuals (family and friends) are often more important than obligations toward rules and regulations established by systems. In particularism there is a strong sense of duty connected with the relationship, which allows the rules and regulations to be modified in order to preserve “face” or to maintain the relationship. This is the reason for universalistic people to view particularistic cultures as corrupt or untrustworthy.

Scandinavia and Northern Europe are good examples of a very low power distance cultures, as in these cultures power is shared and distributed fairly democratically, and the superiors and subordinates participate together in the decision making process. Personal ties between superiors and subordinates are loose and non-emotional. In a high power distance cultures like the Czech one, subordinates’ level of control and authority is often more tied to the position the individual holds in the hierarchy.

Czech culture is masculine compared to the Finnish femininity. This means, that the Czech culture is more traditional, and there is a large gap between men and women. In the Czech Republic women usually tend to have traditional, feminine type of occupations.

When comparing Swedish, Finnish and Czech cultures, in the Swedish one organizations are very flat. Swedes prefer to seek and find consensus through discussions, and values like justice, fairness and equality are important to them.

There is a bit more hierarchy in Finnish organizations than there is in the Swedish ones. Finns do not talk so much, and they reach decisions faster than Swedes. This means that things are done more in an informing and order giving way.

Of these three cultures, Czechs have the most hierarchy, and the title/ role of the person is important to them. Czechs have a formal and structured way of working but, in a kind of contrast to this, personal contacts and networks are important in order to get things done. So both the role and connections are important factors in order to gain power in the organization. The importance of personal contacts may be the reason why things may seem to happen somewhere in the background.

There is hierarchy in the Czech organizations both internally and in the customer dialogue. Czechs respect the customer, and they tend to wait for the customer's move. The formality in the organizations means that there is not much open criticism, and one has to ask for feedback to receive it.

Despite the cultural differences presented, there are no major differences between the onsite and the offsite colleagues inside TietoEnator in Europe. This could be partly explained by the similar way of thinking IT-professionals in general share. In addition to this, both Czechs and Finns have similar interests such as sports and beer drinking, which means a good prerequisite to get along. And living in the culture is the best way to learn more about it.

We want to thank Mr. Eiselt, Mr. Hojny and Mr. Lanaeus for the well-prepared presentations and all the other efforts made for our visit at TietoEnator.

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9. How does working in the Czech Republic differ from working in Finland? – Interview with Vesa Vuohio from Nokia

Janne Leinonen

The interviewee, Vesa Vuohio, has graduated from the Helsinki School of Economics about ten years ago. He majored in logistics. He has since then worked for Nokia in the Guarantees and Maintenance department. He has also worked closely with Czech companies and learned about Czech working culture.

1. What is the name of the Czech company you have had contact with? In what industry is the company active in? For how long you have had contact with the company?

Accenture Services s.r.o.– Business Process Outsourcing. 2,5 years and continues. It is a subsidiary of a US based company, but fully managed from the Czech Republic.

2. What languages does one need to know in order to do business in the Czech Republic? What languages does one need to know when not working?

All Nokia business correspondence is in English. Generally, Czechs speak quite good English especially in Prague area. German is also widely spoken, especially closer to German and Austrian border areas. However, knowledge of the local language is always a bonus when doing business abroad.

Outside Prague or other major cities, people seldom speak any other language than Czech or Slovak. Hungarian is also spoken near the Hungarian border.

3. How is the wage level compared to the Finnish wage level? Is it enough to get by?

Normally a fresh university graduate earn slightly below 1000€ (gross) per month in Prague area. In other parts of Czech it is only half of that. Therefore many young professionals tend to move to Prague when seeking for a job. However, the cost of living, especially housing, is also much higher in Prague in comparison to other parts of Czech Republic. Gaps between social classes are widening fast also in the Czech Republic like in many other EU-countries (rich are getting richer, poor are getting poorer).

4. How does supervising in the Czech Republic differ from supervising in Finland? Which

supervisors are more demanding, Finnish or Czech ones? Are the employees treated equally in the Czech Republic?

Czechs are used to and tend to have very hierarchical organizations with multiple layers of managers. Management styles between Finland and Czech seem to be quite similar in terms of empowerment and equality.

5. *How do the normal Czech employees differ from Finnish ones? Which nationality has higher work ethics?*

Czech employees tend to require more control in order to deliver the expected output, but on the other hand, they have high quality standards and pride in their work..

6. *Are women and men treated equally? Are there more or less women in leading positions in the Czech Republic than in Finland?*

Men and women seem equally positioned in management positions. From salary point of view I can not comment.

7. *Are there any signs of the communistic past in the Czech culture? If so, how do they appear?*

Czechs are used to and tend to have very hierarchical organizations with multiple layers of managers, especially in the state owned companies and offices, which leads to massive administrative burden for anybody dealing with state offices. This is a reflection from the communistic era. In general, Czechs try very hard to get rid of any signs of communism.

8. *Do you think there are any problems with the Czech corporate culture such as corruption or bribing?*

Corruption is unfortunately one of the worst plagues in the Czech business environment. The corruption rate is almost highest within the EU.

9. *How does the Czech culture differ from the Finnish culture? Is it easy for Finnish people to work in the Czech Republic/ with the Czech people?*

I found it very easy and pleasant to work with Czech people. Czechs are close to Finns in terms of respect for individual space, i.e. they leave you alone as long as you mind your own things.

Cheating of tourists in shops and restaurants is, however, very common in Prague if you don't speak local language.

10. What do you think are the best sides and worst sides of working in the Czech Republic compared to working in Finland?

I have only good experiences.

11. Why does your employer/ your company (Nokia) have contact or cooperation with Czech companies? What do you gain from it?

Pretty simple: highly educated and skilled labor available in the heart of Europe, but only for one third of the cost level of e.g. Finland, Germany or United Kingdom. Unfortunately, this benefit is disappearing rapidly as the prices and wages in the Czech Republic and especially Prague area are increasing at a very fast pace.

10. Czech Republic from the perspective of Finnish companies

Visa Koskinen

The Czech Republic is the most developed former communist country in Central and Eastern Europe. This can at least partly be explained by its past experience of capitalism before the Second World War and its very central location in Europe next to Germany and Austria. Also political conditions have supported the full implementation of reforms in the Czech Republic. During the past 16 years it has experienced a very rapid development including becoming a member of the European Union in 2004. However, the government is still facing some challenges concerning financial, legal and institutional reforms.

At the moment, the standard of living in Prague is considerably higher than on average in the EU. However, there is a big gap between Prague and the far less developed countryside. In general, the Czech economy is estimated to reach the average EU level by the year 2012.

The Czech Republic has been and still is a country with skilled low-cost labour close to the Western European markets. Although the manufacturing costs are rising steadily, the country is still somewhat attractive to resource-seeking businesses. However, instead of resource-seeking businesses, the Czechs are becoming more interested in Finnish know-how, especially in the fields of environmental education and in the usage of natural resources.

The adoption of new technology has been fast in the Czech Republic. Almost everybody has a mobile phone and half of the population has an Internet access. Despite of this, culturally the country is still traditional. Compared to Finnish culture, Czechs are more loyal to people than to rules. Hierarchy in organizations is important and there are bigger differences between men and women.

When it comes to establishing new business in the Czech Republic, Finpro is there to help Finnish companies in succeeding. In practice, Finpro may help to find a Czech partner, to choose the best way to enter the market, to select the best form of operation, to build market position and to expand it in current or new markets. In general, they offer help for every step in the internationalization process.

11. Meeting with a Finnish journalist Kari Jyrkinen

Laura Jakobsson

During our trip in Prague, we were happy to meet freelancer journalist Kari Jyrkinen who has lived and worked in Prague since 1981. We arranged the meeting before our trip by e-mail and made an appointment in front of the National Museum. During our meeting, Mr. Jyrkinen showed us places in the old town and told us historical stories and talked about his own experiences in Prague.

Mr. Jyrkinen hails from Tampere and has studied political science among other things. Jyrkinen came to Prague in 1979 but has lived there permanently since 1981. He writes to Finnish newspapers like *Keskisuomalainen*, *Kaleva* and *Aamulehti*. According to Mr. Jyrkinen, there are about 200 Finns living in Prague at the moment.

When we asked how a Finn from Tampere has integrated himself into the Czech way of life, he noted that “tamperelainen on kotonaan kaikkialla”, in other words; a person from Tampere makes oneself at home anywhere. Mr. Jyrkinen is married to a Slovakian and he has a son living in Finland.

Kari Jyrkinen, like the majority of people in Prague, avoids being, walking or shopping in the central area of Prague. The number of foreign tourists has increased substantially especially during the past ten years. In fact, tourism is nowadays a major factor in the GDP. Among other things, the increased tourism has undoubtedly changed the exterior and atmosphere of Prague. For example, the local grocery stores and fashion shops have disappeared and global and western chain stores have come up into the street scene. Membership in the EU, the free movement of goods, the westernization and the privatization have increased and released competition.



Mr. Jyrkinen talked a lot about the downfall of socialism. He pointed out that, all in all, the Czech Republic’s membership in the EU and the change from socialism to democracy has not been that

bright or positive. According to Mr. Jyrkinen everything is not just what it looks like. The privatization has led to high unemployment figures. Mr. Jyrkinen said that people are now starting to wonder why in the old days there were work for everyone and now the situation is totally different. At the moment, unemployment in Prague is approximately 8-10 %.

Mr. Jyrkinen brought with him a paper that was published in the local newspaper. The paper referred to a survey which stated that about 20 % of Czechs still think that during the socialism things were better than now. Although a notable number of Czechs has no opinion about this especially when it comes to survey question, it is a very clear conclusion that the majority favors the Communist Party. We also talked about the China Syndrome which has also reached the Czech Republic and moved production and workplaces to China. These days, the China Syndrome is a hot topic in the Czech Republic.

According to Mr. Jyrkinen, the cultural differences between Finns and Czech people are not very notable. It is as difficult to describe a typical Czech as it is to depict a typical Finn. Mr. Jyrkinen highlighted that it is always hard to distinguish what characteristics of behavior occur from person's own personality or nature and what from the cultural background. However, Mr. Jyrkinen mentioned the Finnish straightforwardness especially in the way of talking, announcing or expressing things and oneself.

At one point, our conversation touched the question of bureaucracy and the Czech way of doing things officially. Mr. Jyrkinen commented this by telling that according to his experience the best way to get things and work done and solved is to go on the spot and handle things face-to-face with people.

As a consequence of the major changes during the last ten years, knowledge of languages varies a lot among Czech people. Before the downfall of socialism, people studied Russian and German. Nowadays, the majority of young people studies English. As Mr. Jyrkinen said, the outcome of this is that nobody really knows any language properly.

It was very interesting for us to meet Kari Jyrkinen and listen to his experiences in working and living in Prague during the past 25 years. In addition, we were pleased to see the city from his point of view and life experience.

12. Cultural differences between Finland and the Czech Republic

Laura Jokinen

The essay about TietoEnator handles cultural matters in business life. This essay is about cultural differences in the eyes of students. For this essay, I got opinions from Finnish and Czech student. Vojtech Oplestil has studied one semester in Finland and Otto Väänänen in the Czech Republic. The tone of this writing is not that formal so that is why also lighter issues are brought up.

It seems that cultural differences between these two countries are not that big. When a Finn goes to the Czech Republic, or vice versa, the cultural shock is not probably huge. Generally, Czech people consider Finnish people not so talkative. Vojtech thinks that it is not the truth. In his opinion, Finns are a bit more silent but in same time they are less formal. Otto points out that it is much more common in the Czech Republic that an unknown person starts to talk to you for example in a tram.

Finding a language to communicate with a Czech might not be that easy. People in their 70's and 80's speak German, people in their 50's speak Russian and young and/or educated people know English. There are not so many problems related to racial issues in the Czech Republic. Some racial prejudice may be pointed towards gypsies or people with African roots. Communism is an issue that should be brought up carefully. Football and ice hockey are favourite sports for Finnish and Czech people, so maybe they could be a convenient issue to start a conversation with.

When it comes to religion and politics, it is said that the Czech Republic is one of the least religious countries in the World. Vojtech thinks that religion influences private, not public, life. Some parts of the country (Moravia) are more religious than other parts (Bohemia). Lately, politics have been a hot issue in the Czech Republic and scandals have not been avoided because of the recent election campaign.

One thing of which Finnish are famous for is their way of using alcohol – not so flattering for us Finns. Vojtech, surely not being the only foreigner with this opinion, is surprised by the way Finnish people get drunk. On the other hand Otto was very amazed when he found out that alcohol is sold in the university restaurant in Prague.