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# BOOM OR BUST? AN ANALYSIS OF THE BRNO STARTUP ECOSYSTEM

*Logan Hodges*



Previously, when I thought about the Czech Republic, the focus was invariably on Prague: the capital of the country. Just under 1.5 million people live in Prague, making it the largest city in the Czech Republic. However, my focus for this article has shifted two hours to the southeast to the lesser known city of Brno in the South Moravia region. Historically, before World War II, Brno was a hub of innovation. During the rule of the Habsburgs, Brno was one of the industrial centers of the Austro-Hungarian empire, eventually leading to the nickname “the Austrian Manchester” (“Brno Business Facts”). Brno was poised to continue its prominence with the establishment of a well-utilized trade and exhibition center which brought talent and new technology to the region. That was, of course, until the Nazi occupation in World War II and the eventual communist rule that affected many Central and Eastern European (CEE) cities.

In the years since the Velvet Revolution (the end of communist rule in the Czech

Republic), Brno is still regarded locally as a center of industry. Despite the lost momentum, success stories from the region have kept the idea of innovation prominence alive. Many top tech firms operate research facilities and offices in the city of Brno. In an article in the *Financial Times*, a partner at KPMG stated: “Our clients, particularly in information technology and hi-tech industries, have often commented that even if their company is based in Prague, they simply must have a presence in locations such as Brno to have a competitive advantage in being able to attract the best quality university talent” (Eddy, p. 2). For example, Honeywell, IBM, AT&T, and Red Hat all can be found in Brno. Estimates suggest that more than 20 percent of residents in the city are students at the 13 local universities (Eddy).

The local government’s grand vision for the city, however, is one that is more entrepreneurial in nature. Notably, the multinational software company AVG was founded in 1991 in Brno, followed by YSoft in 2001.

Perhaps seeing flashes of the innovation of a bygone age, Brno's leadership decided to implement one of the first innovation strategies CEE had witnessed, the Regional Innovation Strategy (RIS). The Organisation for Economic Co-operation and Development lauded the program not only as one of the first to be established but also one of the best in the region (Csank et al., pp. 113–17), stating that the plan called for actions and would lead to direct consequences. The RIS's mission is "to ensure the long-term development and prosperity of the South Moravian region by increasing its international competitiveness (fulfilment indicators: employment rate, income levels)" ("Regional Innovation Strategy of South Moravia"). This is paired with the vision that by 2020 South Moravia will be considered one of the 50 most innovative European regions, with foreign companies in the Czech Republic having shifted much of their research capacity to South Moravia. The plan is balanced on five pillars, which include the following: pro-innovative administration and governance (removing barriers to entrepreneurs and streamlining the research funding process); attracting top-quality researchers and innovative businesses (popularizing the idea of entrepreneurship and fostering new businesses); top-class European education (through emphasis on science, technology, engineering, and math [STEM] fields from the primary level and attracting the best university talent, both foreign and domestic); and demonstrating the attractiveness of the region (through branding). Even though the plan remains in progress, it has already led to some concrete outcomes, such as the establishment of three innovation centers with the purpose of developing startups (thanks in part to €600 million in funds from the EU) ("Regional...").

One of the key points of this plan is innovation support, in other words the establishment of a strong startup ecosystem. A startup ecosystem is a collection of entities and factors that entrepreneurs from a region can leverage in order to start a business. In the great ecosystems, entrepreneurs have advantages over those in the merely adequate areas. Typically, an almost automatic association with startup ecosystems is the region in

California known as Silicon Valley. With its abundant funding, institutional support, and long track record of excellence, Silicon Valley is everything an entrepreneur wants to see in a home base. However, Silicon Valley is not the only place that is able to provide an excellent startup ecosystem for its entrepreneurs.

In this article, I utilize several different measures to gauge the health of the startup ecosystem in Brno, concluding with an assessment of how the region performs. First, I analyze the talent pool available to Brno (i.e., the region's ability to produce and/or attract the type of people who will start businesses). I then look at the ecosystem health through the lens of a business-friendly environment by assessing the ease of starting a business, the cost-effectiveness of the region, and the network of institutions available to help entrepreneurs implement their ideas. Finally, I examine the availability of funds as my third tool for diagnosing the region's startup health. Through these three measures, I am able to develop a snapshot of what is available to startups in the region.

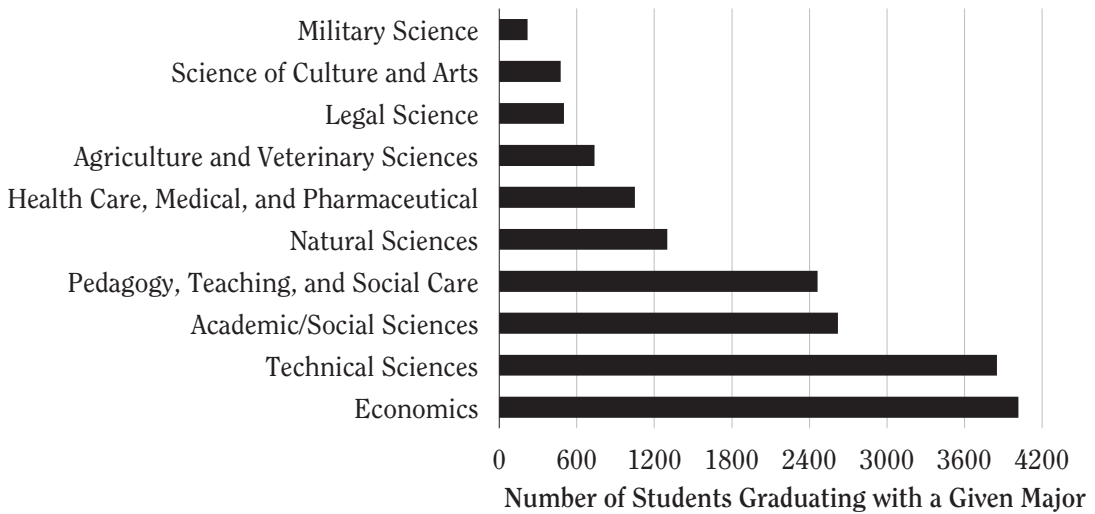
## Talent Pool

Startups across the world share a need for access to bright individuals who bring a wealth of knowledge and experience. For a location to have these individuals, one of two things can happen: they can be educated in the region and stay or they can be attracted to move to the area.

### Educating Future Entrepreneurs

Focusing on the idea of educating the eventual entrepreneurs, I look for the presence of strong, world-renowned institutions of higher learning. Examining the *US News & World Report* list of the top universities in the world, many of the most successful startup locations have world-class universities. Silicon Valley has Stanford (#4) and the University of California, Berkeley (#3); Boston has MIT (#2) and Harvard (#1); London has Imperial College London (#18) and University College London (#22); and Berlin has Humboldt Universität zu Berlin (#68) and Freie Universität Berlin (#80) ("Best Global Universities Rankings").

**Figure 1**  
**Academic Majors of Brno Graduates**



Source: “Brno Business Facts,” available data as of 2015.

The universities provide the region with fresh, young talent. The young talent can create a startup directly out of university, enter the workforce, or work in the startups of others. This action creates a virtual cycle of highly educated talent.

AnnaLee Saxenian contends that universities in Silicon Valley acted as conduits through which students made connections to industry. Therefore, key gauges of talent creation are the strength of universities and their links to industry. These links could include corporate-sponsored research, part-time advanced degree completion by company employees, or transfer of ideas developed in research laboratories (Saxenian).

In reference to Brno, the city offers five public, one state, and seven private universities. With 85,000 students in all the universities in a city of 400,000, Brno has the highest number of students per capita in the Czech Republic. The top-rated university in Brno is public: Masaryk University ranked 622nd in the world according to *US News & World Report's* rankings. Brno University of Technology is considered the second largest university in the city but is unranked in the top 750. Although

the universities are considered among the best in the region, they are a far cry from the top universities of the United States, England, or Germany. Masaryk held a rank similar to that of Drexel University (United States) and the University of Genoa (Italy). However, Brno is arguably a regional leader, having become well positioned relative to other cities in CEE. In another study of CEE and Central Asia, Masaryk is ninth whereas Brno University of Technology ranks 27th (“QS University Rankings: EECA 2015”).

In regard to ties to industry, much of the industrial interaction seems to happen at the incubators established across the city. Additionally, the European University Association reported that, thanks to outstanding medical researchers in Brno, the Mayo Clinic opened its European model in Brno (Reichert). Key partnerships such as this indicate that the region’s university faculty interact closely with top people outside of academia.

In addition, the structure of the area’s educational history is important. Brno offers a workforce in which one-third of the working population are high school-educated while more than one-fifth have a university degree.

Both of these marks are “well above the average in the Czech Republic” (“Brno Business Facts,” p. 6). The current graduation rates and fields of study add some insight into the region’s areas of expertise. The most popular choices in majors for the city of Brno are seen in Figure 1. The two top choices are economics (including business and finance) and technical sciences. Thus, Brno grads are concentrated in key disciplines for a thriving tech startup sector.

### **Attracting Top Talent**

Considering the importance of an educated work force in the health of a startup ecosystem, what options remain for regions that do not churn out large numbers of college graduates? Entrepreneurial researcher Richard Florida has spent much time following the movements of a group he refers to as the “Creative Class.” This class, Florida speculates, drives the economy and cities of the future. One of the key roles of this Creative Class is job creation through avenues such as entrepreneurship (Florida).

In Florida’s view, high numbers of Creative Class members fuel vibrant startup ecosystems. Florida argues that these people tend to aggregate in what he refers to as “Creative Centers,” which he defines as places with “abundant high-quality amenities and experiences, an openness to diversity of all kinds, and above all else the opportunity to validate their identities as creative people” (Florida, p. 218). Florida also believes the Creative Class is attracted to Creative Centers first and will then find work. To echo this point, Michael Goodwin of Endeavor finds in his analysis of New York City startups that 90 percent of the most successful startup founders were educated outside of the city. In Goodwin’s research, “The average future entrepreneur initially comes to the city to work for one of its existing companies, taking the plunge to found a company almost a decade after graduating. Ultimately, it is not the cities that educate entrepreneurs but rather the ones that attract and retain them that are building top-performing tech sectors” (Goodwin, p. 5).

Therefore, in my analysis of the Brno startup environment, I use Florida’s logic to see if Brno can attract outside talent. Can

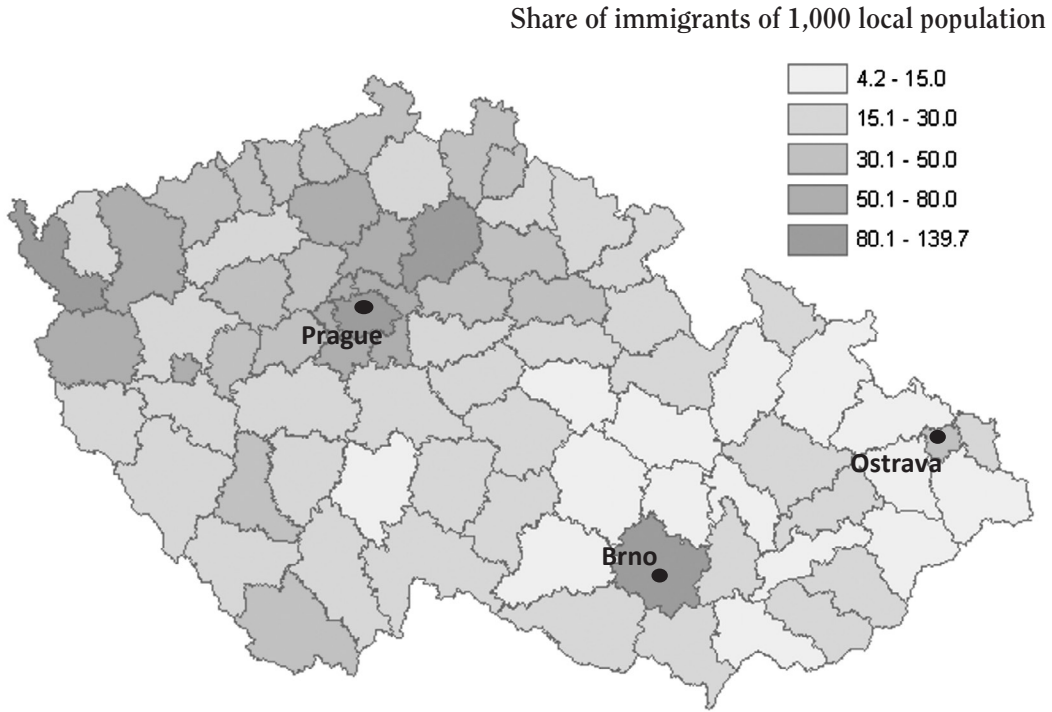
it be classified as a Creative Center? Florida says that there are 3 T’s that attract creative people—technology, talent, and tolerance—and that all are necessary to be a Creative Center. Lacking any one of the components can be the difference between rapid growth and stagnation. I have already discussed technology and talent; therefore, I will examine tolerance in Brno. According to Florida, tolerant societies are often more appealing to the Creative Class because they are more open to new ideas or different ways of life.

To get a sense of how tolerant Brno is, I examine the population and acceptance of groups that traditionally have been discriminated against. The rationale of this method of metric selection is that individuals who have been discriminated against tend to live in areas that are accepting. Areas more accepting of these groups will be more likely to accept the Creative Class. Groups that I use are bohemians, immigrants, and the gay population (Florida).

Brno has gained the reputation of being a city that is known for its art. Filled with numerous concert halls, passion for the arts is entrenched in Brno’s history. For example, the National Theater in Brno has ballet, dance, and drama groups that perform in their three venues. The Municipal Theater in Brno also hosts musicians, comedians, and dramatic productions in two state-of-the-art venues. Finally, the city of Brno is very friendly to musicians. The website [musicfriendlycity.cz](http://musicfriendlycity.cz) compiles all of the music offerings of the city (including local artists) and displays the days on which they will play. Generally between 30 and 50 music offerings a week appear on the site. Additionally, the opera company of the National Theatre in Brno traces its roots back to the late 1800s. This is juxtaposed with a fresh take on opera by Opera Diversa, a group of young professionals known internationally for their mini-operas. Based on the relatively high support of the traditionally bohemian fields, the city of Brno is welcoming in this regard (“Arts and Culture”).

In the realm of immigration, the distribution of foreigners living in the Czech Republic is varied. As Figure 2 indicates, foreigners tend to stay in the more urban

**Figure 2**  
**Spatial Distribution of Immigrants in the Czech Republic**



Source: Drbohlav et al., p. 29.

regions, like Prague, Brno, Ostrava, and their immediate vicinities. Prague has the highest number of foreigners, one-third of the total, as well as 37 percent of all foreigners with long-term residence. Additionally, Dušan Drbohlav noticed an apparent difference between the Bohemian (west) and Moravian (east) regions in that an east-west gradient was formed where the number of immigrants was much higher in the west near Germany than in the east (with the exception of the regions listed above) (Drbohlav et al.). This is strange in that the large majority of immigrants in Prague are from eastern countries, such as Ukraine, Russia, Vietnam, and China. Although Brno houses a large immigrant population, it is in a region that otherwise has rather few foreigners. This lack of diversity in the South Moravian region might affect the ability of Brno and the surrounding region to attract immigrants.

According to the Brno Expat Centre,

same-gender partnerships are allowed by the Czech Republic; however, the same rights and benefits are not extended to these partnerships as enjoyed by heterosexual couples. For example, benefits not afforded to homosexual couples in the Czech Republic include joint filing of income taxes and family planning privileges, such as adoption. Despite this, a guide for the gay community in Brno, “Queer Brno,” published by the Brno Expat Centre, claims that the Czech Republic is one of the friendliest EU countries toward gays. The guide goes on to state that Brno has been influential in the lesbian, gay, bisexual, and transgender community in the Czech Republic. Additionally, according to the Brno Expat Centre, “The city (Brno) has a large gay scene, placed particularly around the city center, with bars, clubs and saunas” (“Queer Infosheet,” p. 1). The guide also lists activism centers in the city of Brno that lobby for gay rights as well as



different bars, restaurants, and apps that help the gay community date and feel comfortable (“Queer Infosheet,” pp. 1–11).

In analyzing the tolerance of Brno by these qualitative metrics, it appears there is a disparity in tolerance. The evidence suggests that the city treats its musicians and artists well. In many cases Brno boasts its musical and artistic accomplishments (in particular the Brno Expat Centre in its articles about things to do in Brno). The gay community, however, is not treated as well as one would imagine for a city that claims that it is one of the most accepting of gays. There remain legal barriers that affect the gay community. The openness to immigration also appears to be in question when looking at immigration statistics. Although Brno has a vibrant community of foreigners, the surrounding area does not attract immigrants. If the whole South Moravian region hopes to thrive as part of the innovation strategy, the distinction is important. In summarizing its attractiveness to the Creative Class, I find that Brno performs well; however, there is room for improvement.

## **Business-Friendly Environment**

The second concept evident throughout the truly great startup ecosystems of the world is the existence of a business-friendly environment. This can be noted in various forms, but the main concepts presented in this section are the ease of doing business and a strong mentorship network.

### **Ease of Doing Business**

The idea of “ease of doing business” is mostly concerned with the so-called red tape involved in opening and running a business. Various organizations rank the degree of difficulty of owning and operating a business in different cities; an example of one of these is the World Bank Group. It ranks countries from 1 to 189 in a variety of ease of doing business metrics. It allows for a comparison of how countries match up on their legislation in regard to business formation and maintenance. Some of the best startup countries in the world rank highly in their ease of doing business. This list includes countries such as

the United States, United Kingdom, Sweden, and Germany, which rank 7, 8, 11, and 14, respectively. This ease of doing business is then split into subcategories, which are also ranked and when added together make up an ease of doing business rank. Examples of these subcategories are starting a business, getting credit, paying taxes, and trading across borders (“Doing Business 2015”).

The Czech Republic, in the ranking for 2015, is listed at 44 out of 189. It is in the company of such countries as Israel, Chile, Belgium, and South Africa, which rank 40, 41, 42, and 43, respectively. In the subcategories, the scores of the Czech Republic are mixed. It scores rather poorly in the subcategories of starting a business and paying taxes, 110 and 119, respectively. With respect to paying taxes the listing notes that it takes 413 hours to comply with tax requirements. The country, however, is ranked number 23 in the category “getting credit.” The Czech Republic enjoyed a large year-to-year change in the getting credit category, improving 22 spots from the previous year. The World Bank data suggest that during 2014, the Czech Republic made three major steps toward offering comparatively easier business operation regulations. These steps were “substantially reducing the minimum capital requirement and the paid-in minimum capital requirement” (“Doing Business Reforms,” p. 5) required for starting a business, adopting credit procedures that better protect investors by improving their ability to collect collateral, and adjusting the civil code to make it easier to execute and enforce contracts (“Doing Business Reforms”).

While the above data represent the whole of the Czech Republic, I found that the city of Brno has gained some attention due to its business-friendly environment as well as its comparative cost effectiveness. According to Cathy McReynolds of *fDi Magazine*, Brno ranked #6 on the list of the Top 10 Eastern European cities (Prague was #10), #7 in foreign direct investment strategy, #5 in the Top 10 mid-sized European cities in cost effectiveness, and #4 in the Top 10 mid-sized European cities in business friendliness. Overall ratings were aggregates of 5 different metrics: economic potential (GDP, population, and inflation);

human capital and lifestyle (top universities and quality of life); cost effectiveness (average salaries, corporate tax rate, and utilities); infrastructure (quality, variety, and upload speeds); and business friendliness (credit ratings and number of companies in high-tech manufacturing or service). Based on these data, Brno seems an attractive option for entrepreneurs when compared to other more well-known Czech and European cities (McReynolds, pp. 46, 49, 53, 73–74).

### **Mentors for Entrepreneurs**

One of Saxenian's comments on the success of startup hubs is the ability of business owners to network with fellow entrepreneurs. This networking allows for new entrepreneurs to learn from and be mentored by more experienced entrepreneurs. While informal networking can occur at coffee shops or bars, the ease of finding a mentor increases when formal organizations are in place to help. As mentioned previously, the RIS led to the formation of three innovation centers. One is an incubator: the Jihomoravské inovační centrum (JIC) serves several purposes for the entrepreneurs of Brno and abroad. It is subdivided into multiple units, which range in their expertise from exploring a prospective business idea to growing an already functional company. The JIC's flagship program is called Starcube. The program lasts three months and includes over 160 hours of seminars pertaining to such areas of entrepreneurship as establishing a business plan, finding funding, and marketing a new product. Most important, arguably, is the accessibility to more than 80 mentors, including accounting and legal experts ("JIC Starcube").

Starcube is not the only source of networking potential for interested entrepreneurs. Impact Hub Brno was established in April 2015 and allows startups flexible use of a shared space at an hourly or monthly rate. Additionally, longer-term options are available, such as a monthly option to have an individual desk. The services range from five hours a month for use of shared space to unlimited access and a personal desk; monthly fees range from 300 koruny (CZK) to CZK 2,950 (\$12–\$120). Aside from office space,

free networking events and seminars are also available. With the framework for mentorship, networking, and interactive inspiration, Brno has a strong basis in one of Saxenian's key points regarding the success of Silicon Valley ("Welcome to Impact Hub Brno").

### **Availability of Funding**

In the scheme of strong startup ecosystems, arguably the single most obvious barrier is limited access to adequate funding. As I stated earlier, the World Bank Group's ease of doing business statistics rank the Czech Republic 23rd out of 189 countries in the area of availability of credit. The ranking is derived from the legal rights of investors as well as the scope of information available to potential investors supplied by credit bureaus and other sources. Therefore, this ranking indicates that Czech investors can feel secure that they are making a well-informed investment decision. This metric, however, does not capture whether Czech investors are willing to invest their money in unproven startups.

An article written by Leos Stehlik, a reporter with *Expats.cz*, offers some perspective when analyzing the availability of money for Czech startups. Stehlik identifies five sources that an entrepreneur could use to fund his or her venture: banks, government programs, EU funds, business angel investors, and venture capital (VC). The focus of Stehlik's article is on large startup ventures, those raising in excess of CZK 100 million (€3.4 million). Based on this premise, Stehlik dismisses the first two options. Banks will not risk the large sums of money necessary on an unproven venture, and government programs are smaller in scope, generally looking to supply less than CZK 10 million. The third option, EU funds, also has the drawback of largely being reimbursement-type funds, where the money will be dispensed to the entrepreneur only after expenses have been incurred, which creates a cash flow challenge for a startup. Additionally, according to Stehlik, "Most [EU] grants from the Structural funds are focused to help resolve social problems and structural economic anomalies" (Stehlik, p. 5). This implies that EU funds are typically not reserved for startups.

With those three options not available



to large-scale startups, the final two options are business angels and VC. Stehlik notes further that these sources can help provide up to CZK 20 million and CZK 300 million, respectively, which qualify business angels and VC as significant sources of funding for entrepreneurs.

Business angels are individuals who have large sums of money available to invest in ventures in which they see potential profit. Often business angel investors have experience working with startups, and typically they invest in exchange for a significant portion of the ownership of the firm. However, business angel investment comes with advantages and disadvantages. One advantage is that the money is usually paid in a lump sum, so there is a significant increase in cash flow. One disadvantage is that if a large portion of the ownership is given in exchange for the funds, entrepreneurs may find themselves at odds with investors when it comes to making key decisions. Due to this, picking the right business angel investor is important. Therefore, in my analysis, I look at the number as well as the areas of expertise of the business angels to assess the availability of business angel funding.

The main Czech entity for amassing Czech business angel investors is 42Angels. The organization is a collection of Czech and Slovak entrepreneurs with a passion for startups. 42Angels does not focus on any specific industry for startups, however. The website lists ten investors who work for the organization. Therefore, although a nice option, it does not provide all the angels needed or a large variety of industry-specific expertise. Another source is AngelList, which lists business angel investors in particular. For the city of Brno, AngelList indicates that four business angel investors reside in Brno. Based on the number of angel investors available to Brno, I find that there are options; however, more are needed to compete with other startup hotbeds.

When it comes to growing a small business quickly, there is nothing quite as helpful as VC. VC only accounts for a small fraction of startup deals, so I also consider private equity and institutional investors. These three sources

have in common the ability to provide large sums of money to startups quickly and carry many of the same advantages and disadvantages as business angels.

Currently the private equity and VC fundraising ability of markets in CEE is much lower than elsewhere in Europe. In 2013, CEE accounted for less than one percent of all private equity and VC funds raised worldwide. More specifically, Poland leads with €380 million, with the Czech Republic raising the second most private equity funding, €134 million. The European Private Equity and Venture Capital Association sums up its discussion on the investment activity portion of the article in this way: "With venture capital and growth capital fundraising having surged in 2013, future data is also likely to show a higher number of companies receiving investment as that capital is deployed" (Hoppner and Manz, p. 11).

Based on the size of the Czech Republic, it is crucial that funds can easily be invested in Czech firms by foreign entities. These investments can be complicated by law or policy differences between countries; however, the Czech Republic being part of the European Union (EU) is helpful as far as investment goes (Alhorr et al., p. 913). The EU's Capital Markets Union has recommended regulating VC investments. The Capital Markets Union states that the small use of VC in the EU is affected by this variance in legislation. The rules change as the location of investment changes, making it difficult to navigate the subtleties of regulations at play in each individual country ("Capital Markets Union...").

The fragmented nature of European VC hinders attracting large-scale investment from entities beyond national borders, resulting in decreased activity in the Czech VC industry. Until the EU member states agree on a standard set of investment regulations, the Czech Republic must focus on making its business environment attractive for foreign investors. As a report by Spence Johnson Ltd. on the state of cross-border investment reveals, "A fragmented regulatory regime creates problems for asset managers spanning borders" ("Trends in Cross Border Distribution," p. 3). Survey results of many different European investment groups have also shown that managing the complexity

of cross-border investment is the largest challenge facing the firms. The issues include local regulation compliance, tax efficiency, and managing risk. In particular, the lack of a consistent tax code across the EU results in significant risk, which makes asset managers wary (“Trends...,” p. 3).

As a result of these varied regulations, two countries dominate the fund industry in the EU, Luxembourg and Ireland. “Trends in Cross Border Distribution” states that this is so because both countries have done a very good job of establishing distribution hubs (Association of the Luxembourg Fund Industry [ALFI] and Irish Funds [IF], respectively). They are characterized by a combination of legal services and regulators that are familiar with the fund industry. ALFI states that its distinctive advantage comes as a result of a combination of factors, including its legal and regulatory framework for investment funds and its expertise in investor protection. Likewise, IF believes its success comes from a combination of investment expertise as well as a unique taxation framework in which foreign investors’ gains are not taxed by the Irish government, thus removing double taxation on foreign investors (“Trends...”).

Because of the difficulties, it makes sense that investment in CEE countries is characteristically lower than in Western Europe, where the channels of distributing these funds is more entrenched. The Czech Republic and Brno have the ability to develop a center of excellence for the distribution of funds, as in Ireland and Luxembourg. If such an office can be developed and the right policies are enacted, the Czech Republic could gain a significant advantage over other countries in the EU.

Finally, on the topic of institutional investors, the Czech Private Equity and Venture Capital Association points to laws that make it difficult for pension funds and insurance companies to invest in private equity or VC (“Current Data/Statistics on PE & VC”). According to Downes, one of the strengths that Silicon Valley has is its easing of the Prudent Man Rule, which had restricted certain types of institutional investors from putting their money into riskier investments. When the

restrictions were lifted, CalPERS, the pension fund for California State employees, began investing. Consequently, a huge portion of previously off-limits money became open, and the nature of VC in California forever changed. While the managers of these funds tend to be risk averse, wise disbursement of pension funds into worthwhile private equity or VC investments can be a win-win situation for firms (Downes). It is possible that the Czech restriction on this type of investment could be hurting the startup ecosystem.

Much is left to be desired concerning the effectiveness of the Czech Republic in supplying funds for its entrepreneurs. Apart from a general lack of information about the availability of funding, the diversity of types of funds available also raises concern.

## Conclusion

At the outset of this article, I stated that the goal was to examine the health of the Brno startup ecosystem. Through three lenses, a comprehensive high-level snapshot of the startup health came into focus. These three lenses are the accessibility of talent, the friendliness toward businesses, and the accessibility of funding. While all areas could use improvement, the South Moravian government has clearly made it a priority to lift Brno and the surrounding area into the upper echelon of startup havens in Europe. Although the ranking of “top 50 innovative regions” in Europe seems arbitrary, I contend that Brno is on the right track. Generally, the universities in the region are high quality, and the area seems tolerant of diversity, which Richard Florida contends is crucial to attracting the Creative Class.

In the realm of business friendliness, the Czech Republic has a reputation for making compliance with business regulations difficult. Considering this reputation, it is an extremely positive sign that rankings have put Brno in the conversation for places that are friendly toward business. The emphasis on fostering business will enable Brno to attract and retain entrepreneurs and firms. Out of the three focal metrics studied here, I find business friendliness to be the strongest in the South Moravian region.

Finally, funding is the Achilles heel of the region. The general lack of options when it comes to sources gives larger regions a distinct advantage. Additionally, it is difficult to attract foreign investment due to issues in the governance of these investments.

As a result, I suggest five recommendations to help Brno and the South Moravian region achieve their goal. First, Brno needs to improve the quality of universities in the region. As they become more prominent on the international level, more world-class talent will be attracted to the region. Second, universities could focus on industry-sponsored research for graduate and undergraduate students. Exposing students to the business world while still in university is important for graduating business-savvy students. Third, Brno has to find a way to expedite the tax compliance process. The World Bank Group indicates that it takes 413 hours to prepare and file taxes in the Czech Republic as of 2015 (“Doing Business 2015”). Fourth, streamlining regulation of taxation

and regulation of cross-border VC investment would be of great assistance to Brno. If the sources that entrepreneurs need to access funding are too heavily regulated, significant opportunities for investment will be missed regardless of the strengths of the business ideas. This goal could be accomplished through the establishment of an organization such as ALFI or IF, whose sole responsibility is creating a state-of-the-art legal framework regarding funding. Fifth, Brno could focus on developing its brand. This brand should emulate Florida’s framework for what attracts the creative class: an area with “abundant high-quality amenities and experiences, an openness to diversity of all kinds, and above all else the opportunity to validate their identities as creative people” (Florida, p. 218).

If it makes progress toward these ends, South Moravia will succeed in lifting Brno into the upper tier of Europe’s most innovative regions.

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