SUPPORT OF BUSINESS AND INNOVATIONS IN STRATEGIC PLANNING OF REGIONAL DEVELOPMENT ON THE MUNICIPAL LEVEL OF THE CZECH REPUBLIC

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Abstract

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The article deals with a strategic planning of the regional development on the municipal level of the Czech Republic with a focus on the theme of business and innovations support. The main aim of this paper is to explore and compare 13 regional capital's approach to the issue of business and innovations support based on information provided in the basic strategic documents. The results of the analysis show that the topic of the business and innovations support occurs in all reviewed documents. However, several partial imperfections of analysed documents were also identified. The paper also fulfilled the secondary objective of assessing the strength of links between the processes of strategic planning of regional development, and the processes of budgeting in the thematic area of business and innovations support.

Some problematic issues can occur, although the strategic planning of regional development is nowadays commonly used method dealing with regional development at municipal and regional levels of Czech public administration. This can be noticed in unclear legal processing, methodological inconsistencies, or even in occasional misunderstanding the meaning and possibilities of strategic planning in regional development. Some pressures on the efficiency is likely to be increasing, and not only in the field of public administration. This happens even the economic crisis subsides in current post-crisis period. Therefore, it appears to be very important to focus on these issues, and to solve specific questions in this field. The authors of this paper have been devoted to the fields of strategic planning in regional development at regional level of the Czech public administration in previous researches (see e.g. Hájek et al. 2010; Grebeníček & Bednář, 2011; Hájek et al., 2011; Grebeníček, 2012; Hájek et al., 2012). This paper is focused on the level of municipalities, specifically regional capitals of the Czech Republic.

The strategic planning links the starting position of an entity with a specified target situation, where the long term trends or development objectives and strategies to achieve them are being elected by this entity (Group of authors, 2004). Idea of what an entity (e.g. city) wants to deal with in the future, and which needs of participants (citizens, entrepreneurs and visitors) are going to be fulfilled and prioritized occurs during the strategic planning. Vision is created, along with the way how to turn it into reality (Skokan, 2004). Strategic planning can be defined similarly, as an effort to produce fundamental decisions and actions shaping and governing of what organization, or other entity is, what does it do and why (Bryson, 2011). Thinking about the
future, objective analysis and subjective evaluation of various indicators, objectives and priorities are
penetrating in the process of the strategic planning. The result is to determine future directions and
activities, which should ensure an efficiency of the given entity of public administration and to add
a value to the public (Poister, 2010).

The theme of business and innovations support is one of the topics that are currently being discussed
in the professional, academic and political circles, and not only in the Czech Republic. Municipal
governments are also trying to actively grab this issue, and to positively affect it in cooperation
with other participants in the area (e.g. regional authorities, entrepreneurs, educational institutions,
research and supportive organizations), in terms of strategic planning in regional development. These
activities are partially related to the possibility of using regional policy funds of the European Union.
However, participants of the regional development have realized the changes in the global economy
with the need to focus on the development and innovations, to ensure future competitiveness of
companies, cities and regions.

The regional development has been intensively associated with the business sector since the 20th
century, when the neo-classical localization theories of Weber, Hotelling or Lösch were subsequently
published. These theories were dealing with the explanation of localization decisions of companies.
Many other theoretical approaches to regional development with the theme of business support
and later with innovations have been prepared (see Blažek & Uhlf, 2011; Blakely & Leigh, 2010).
The relation between business and regional development, respectively subsequent questions of
regional growth, or regional competitiveness are being frequently discussed. Contribution of the
business sector to the development of regions or cities is assessed by different approaches. The main
positives of functioning and evolving business sector are seen in the creation of new job opportunities,
the contribution to market competitiveness development, in increasing productivity through
innovations, the positive influence of regional or local area. This can be seen also from the perspective
of establishing new companies, or in positive influence on general socio-economic situation of

On contrary, some authors and analytical studies are devoted to the opportunities of regions and
cities, respectively to regional and local policies and strategic documents for positive influencing of
business sector development in their territory (Huggins & Williams, 2011; OECD, 2011; Pimenova
& van der Vorst, 2004). Kaufmann & Tödtling (2002) are devoted to the concept of the support of the
small and medium enterprises. Their paper deals with the efficiency of regional tools for the support
publicly funded advisory services for the business sector, respectively small and medium enterprises.
The authors recommend that public intervention should effectively complement private advisory
sector, especially in the field of strategic services (e.g. arrangement of new business opportunities,
or ensuring financing for start-up companies). Similarly, Cumming & Fischer (2012) deal with the
evaluation of efficiency of public administration resources spent on advisory services for start-ups,
especially their impact on business outcomes (sales growth, innovations, investment, patents, and
strategic partnerships). The concept of innovations and regional innovations systems is currently very
popular in professional community. Innovations as the result of learning and knowledge creation
are essential elements, in current globalized world. Companies are trying to react to the changing environment, and the loss of traditional
competitive advantages, in terms of strengthening competitiveness in their strategies (see e.g. Dohse,
2007; Pavelková & Jirčíková, 2008; Tödtling & Trippi, 2005). In case of innovations support,
different levels of public administration create and implement strategic documents, or innovations
policies, which are often labelled as regional innovations strategies (Lin et al. 2010; OECD, 2011).
Previous ideas are the basis for the promotion of innovations through cluster initiatives, respectively
clusters. Clustering has a positive effect on the creation of innovations, competitiveness, skills
development, growth, and long-term business dynamics (Desrochers & Sautet, 2004; Porter, 2003).
Rice (2002) deals with the business incubators and their outcomes in terms of cooperation and advisory
services. Previous approaches are complemented by the concept dedicated to the benefits of the
cooperation of private, academic and public sector, which refers to the theory of triple helix (see e.g.
pioneers of this concept Etzkowitz & Leydesdorff, 2000).

The main aim of this paper is to explore and compare 13 regional capital’s approach to the
business and innovations support based on information provided in their strategic documents.
These documents are meant to be long-term, medium-term strategies, strategic plans and
development programs, under which cities define their priorities for development in various thematic
areas (e.g. transportation, education, environment, business and innovations support). Secondary
aim of this paper is to assess the strength of links between the processes of strategic planning of
regional development, and the processes of budgeting at given entities in the thematic area of
business and innovations support.

The paper is structured as follows. This introductory chapter briefly presents the basic
theoretical knowledge of the topic of strategic planning of regional development in the public
sector, and briefly presents some basic concepts of regional development closely related to the thematic
area of business and innovations support. Aims of this paper are included as well. The second chapter describes used methods and sources. The third chapter is dedicated to actual results of performed analyses, alongside with the major findings that are being discussed.

**METHODS AND RESOURCES**

Strategic documents of all 13 regional capitals of the Czech Republic were examined within the analysis of approach business and innovations support within strategic planning of regional development. There are practically no separate specifically aimed documents dealing only with the issues of business and innovations at this level of the public administration\(^1\) (in contrast to the Czech regions, elaborating e.g. regional innovations strategies aimed on innovations support). This analysis includes only basic strategic documents of the cities. These documents are referred to as the city development program, the development program of an area, the strategic plan of a city development, or the strategy of a city development. These are top-level development documents of cities, setting priorities for the development of a wider range of thematic areas.

Sources for the analysis were obtained from the official websites of particular analysed entities. Only current valid versions of documents by the end of 2012 were evaluated. Considering the City of Jihlava have not had any processed and approved basic strategic document yet, this analysis include only 12 basic strategic documents. Tab. I provides a brief overview of the analysed strategic documents, where each strategic document analysed is described by the title of the document and for its processing or approval (or its update).

Evaluation and comparison of approaches, respectively documents of regional capitals of the Czech Republic was carried out with basic descriptive and comparative analysis methods (methodologically, content analysis of selected strategic documents was applied). The authors selected several comparative views (attributes):

- The year of processing, approval or the last update of strategic documents.
- The method of including, or not including the topic of business and innovations among the priority topics of strategic documents.
- Focus of development objectives and specific activities for business and innovations support in proposal parts of strategic documents.

Additional analysis of financial covering of planned activities mentioned in strategic documents was carried out to achieve the secondary aim of this paper. This was accomplished by the analysis of expenditures of given entities. The budget database of regional capitals with the detailed structure in the period of 2007–2011 was created for this purpose. Sources were systems of ÚFIS and ARISweb, which provides information about budgets of all municipalities in the Czech Republic. The spending for the business and innovations support was discovered for every analysed entity. This was carried out by identification of real expenditures of given cities in given years belonging to the sectorial classification under following sections: § 2510 – Business support, § 1012 – Business and restructuring in agriculture and food industry, § 2123 – Support of industrial zones development,

<table>
<thead>
<tr>
<th>Regional capital</th>
<th>Document’s title</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brno</td>
<td>Brno City Strategy – update 2012</td>
<td>2012</td>
</tr>
<tr>
<td>České Budějovice</td>
<td>Strategic Plan of the City of České Budějovice 2008–2013</td>
<td>2008</td>
</tr>
<tr>
<td>Hradec Králové</td>
<td>City of Hradec Králové Strategic Development Plan through 2020</td>
<td>2006</td>
</tr>
<tr>
<td>Jihlava</td>
<td>n/a</td>
<td>x</td>
</tr>
<tr>
<td>Karlovy Vary</td>
<td>Strategic Plan for the Sustainable Development of the City of Karlovy Vary</td>
<td>2008</td>
</tr>
<tr>
<td>Olomouc</td>
<td>Olomouc City and Olomoucko Micro-Region Strategic Development Plan – update 2007</td>
<td>2007</td>
</tr>
<tr>
<td>Plzeň</td>
<td>Pilsen Development Programme</td>
<td>2004</td>
</tr>
<tr>
<td>Prague</td>
<td>Strategic Plan for Prague – update 2008</td>
<td>2008</td>
</tr>
<tr>
<td>Ústí nad Labem</td>
<td>Development Strategy 2015 of the City of Ústí nad Labem</td>
<td>2007</td>
</tr>
</tbody>
</table>

Source: Authors based on official websites of regional capitals

\(^1\) Prague is the only exception because of the own processed regional innovation strategy from 2004 (which obviously relates to the role of the capital city, with area considered also as one of the regions of the Czech Republic). This strategy is not current and the new one is being prepared at this time, according to the official website.
\[\text{§ 2124 – Measures to improve the competitiveness of industries, § 2125 – Business and innovations support, and § 2129 – Other sectorial and industrial measures, throughout the budget structure of mandatory used within the whole system of the Czech public budgets.}\]

**RESULTS AND DISCUSSION**

The text of this chapter focuses on the results of carried analyses, structured by selected comparative perspectives, while key findings are being discussed at the same time. Some important facts, context and questions related to the researched issues are also mentioned.

- The year of processing, approval or the last update of strategic documents

Seven of the 12 analysed strategic documents were finalized in 2007–2008, two more are even older. Newer documents from 2009–2012 can be found only in three cases, which means 25% of the total (see Tab. I). Summarized, there is a relatively high degree of obsolescence of basic strategic documents of regional capitals. The question is whether the older documents are practically useful nowadays (in relation with problematic economic developments in recent years, it is possible to expect that conditions are out of date, some proposals and even formal structure of strategies are not following current trends). Interesting thing to point out is the comparison with the regions of the Czech Republic, where the situation is rather opposite. In the years of 2009–2012, 70% of currently valid basic strategic documents were created (see Grebeníček, 2012).

- The method of including, or not including the topic of business and innovations among the priority topics of strategic documents

Supporting the areas of business and innovations is usually solved in the major development priorities aimed at economic development, business, competitiveness, innovations or research and development (R&D). Topic of business and innovations also appears in other priorities, which are aimed at human resources and employment, education, environment, city management or external relations. The analysis basically showed relatively high degree of variability in terms of labelling affected development priorities aimed at the business and innovations support (see Tab. II).

At this point we should mention one of the most important conclusions of the analysis – the theme of the business and innovations support is substantially contained in all analysed documents. This can be perceived in a positive further development of this thematic area. It appears that the municipal authorities consider this theme as one of the key for their further development. This relatively optimistic “quantitative” view is supplemented with a view of “quality” in the

<table>
<thead>
<tr>
<th>Regional capital</th>
<th>Titles of main development priorities of the strategic documents, where the business and innovations support take part</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brno</td>
<td>Local economic development</td>
</tr>
<tr>
<td></td>
<td>Research, development, innovations and education</td>
</tr>
<tr>
<td></td>
<td>Image of the city and internal / external relations</td>
</tr>
<tr>
<td>České Budějovice</td>
<td>Economic development</td>
</tr>
<tr>
<td>Hradec Králové</td>
<td>Business and employment</td>
</tr>
<tr>
<td>Jihlava</td>
<td>n/a</td>
</tr>
<tr>
<td>Karlovy Vary</td>
<td>Development of industry and services</td>
</tr>
<tr>
<td></td>
<td>Biotechnology development</td>
</tr>
<tr>
<td>Liberec</td>
<td>Economic development</td>
</tr>
<tr>
<td></td>
<td>Social development and health</td>
</tr>
<tr>
<td>Olomouc</td>
<td>Economic growth and competitiveness</td>
</tr>
<tr>
<td></td>
<td>Human resources</td>
</tr>
<tr>
<td>Ostrava</td>
<td>Economic development</td>
</tr>
<tr>
<td></td>
<td>Human resources development</td>
</tr>
<tr>
<td></td>
<td>Environment</td>
</tr>
<tr>
<td></td>
<td>City management and external relations</td>
</tr>
<tr>
<td>Pardubice</td>
<td>Economic development, education and preparation of labour force</td>
</tr>
<tr>
<td>Plzeň</td>
<td>Research, innovations and new technologies</td>
</tr>
<tr>
<td></td>
<td>Development areas for creating jobs</td>
</tr>
<tr>
<td>Prague</td>
<td>Competitiveness</td>
</tr>
<tr>
<td>Ústí nad Labem</td>
<td>Economy of the city</td>
</tr>
<tr>
<td></td>
<td>Physical city environment</td>
</tr>
<tr>
<td>Zlín</td>
<td>Economic development and labour market</td>
</tr>
<tr>
<td></td>
<td>Environment and physical city environment</td>
</tr>
<tr>
<td></td>
<td>Management and administration of the city</td>
</tr>
</tbody>
</table>

Source: Authors based on official websites of regional capitals
Support of business and innovations in strategic planning of regional development on the municipal level of the Czech Republic

III: “Typical” development objectives and specific activities to support and develop the thematic area of business and innovations

<table>
<thead>
<tr>
<th>Development objective, specific activity</th>
<th>Regional capitals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooperation between city and entrepreneurs</td>
<td>Brno, Olomouc, Ostrava, Pardubice, Prague, Ústí nad Labem, Zlín</td>
</tr>
<tr>
<td>Support of cooperation of entrepreneurs with other entities (typically with academic sector)</td>
<td>Brno, Olomouc, Ostrava, Pardubice, Ústí nad Labem, Zlín</td>
</tr>
<tr>
<td>Promoting the development of business support and innovation infrastructure, related services (information centres, business incubators, and strategic advisory services)</td>
<td>Brno, Olomouc, Ostrava, Plzeň, Prague, Ústí nad Labem, Zlín</td>
</tr>
<tr>
<td>Support of the development of industrial zones and brownfields regeneration</td>
<td>Brno, České Budějovice, Olomouc, Pardubice, Plzeň, Prague, Zlín</td>
</tr>
<tr>
<td>Propagation of the city in terms of business</td>
<td>Brno, Olomouc, Plzeň, Zlín</td>
</tr>
<tr>
<td>Support of incoming investors</td>
<td>Brno, Ostrava, Pardubice, Ústí nad Labem, Zlín</td>
</tr>
<tr>
<td>Special support of start-ups</td>
<td>Hradec Králové, Ústí nad Labem</td>
</tr>
<tr>
<td>Special support of small and medium-sized enterprises (SMEs)</td>
<td>Olomouc, Plzeň, Zlín</td>
</tr>
<tr>
<td>Support of the creation of new jobs</td>
<td>Hradec Králové, Prague, Zlín</td>
</tr>
<tr>
<td>Support of human resources development</td>
<td>Brno, České Budějovice, Olomouc, Ostrava, Pardubice, Plzeň, Zlín</td>
</tr>
</tbody>
</table>

Source: Authors based on official websites of regional capitals

The paper “Support of business and innovations in strategic planning of regional development on the municipal level of the Czech Republic” deals with the topic of strategic planning of the regional development on the municipal level of the Czech Republic with a focus on the theme of business and innovations support. A strategic planning of the regional development is nowadays particularly widespread method used where the regional development is concerned on levels of regions and questions to ponder are highlighted.

- Focus of development objectives and specific activities for business and innovations support in proposal parts of strategic documents

“Typical” development objectives and specific activities for development of given thematic area were also identified within carried comparison. The most commonly used specific measures to support and develop the theme of business and innovations are shown in Tab. III. The analysis shows that practical approaches used for the business and innovations support at the level of regional capitals in the Czech Republic are largely identical with the main theoretical concepts, which overview is mentioned in the introductory chapter.

The issues of business and innovations support were mentioned in relatively brief and general form in some documents. On contrary, some documents were devoted to those topics in detail. It is possible to notice an “imbalance” between documents. Related question is to determine the right level of specification of the proposed objectives, strategies and activities, where the most of the documents have rather high level of generality without sufficient focus and determination of real priorities (when “everyone wants to do everything”). On contrary, serious lacks were not identified in relation of proposal parts of documents on findings of analytical parts.

- Financial coverage of development activities to the business and innovations support planned in examined strategic documents

Analysis of funds, which were really spent within the budgets of regional capitals to the business and innovations support revealed, that even this theme is the part of main development priorities of all analysed documents, there are not planned objectives and activities supported by expending sufficient funds within budgets (e.g. thematic area of business and innovations has weak links between the strategic planning of regional development processes and the processes of budgeting). Financial sum really spent by regional capitals to support this theme can be considered as negligible. None of analysed capitals exceeded the 1% limit of the budget expenditures of these entities with expenditures to the business and innovations support in the years of 2007–2011. In most cases, these entries were even unidentified. The analysis according to the previously mentioned method needs to be perceived in context of certain limitations, which can be distorted in some cases (e.g. when the problem of inaccurate or uneven budgeting of similar activities of analysed entities occurs). The authors are planning to focus on these limitations and their elimination in the following researches of these issues.

SUMMARY

The paper “Support of business and innovations in strategic planning of regional development on the municipal level of the Czech Republic” deals with the topic of strategic planning of the regional development on the municipal level of the Czech Republic with a focus on the theme of business and innovations support. A strategic planning of the regional development is nowadays particularly widespread method used where the regional development is concerned on levels of regions and
municipalities in the Czech Republic. Process of strategic planning combines the starting position of a subject with a specified target situation where the subject chooses long term ways and objectives of development and means of achieving them. The main aim of this paper is to explore and compare 13 regional capital's approach to the issue of business and innovations support based on information provided in the basic strategic documents (methodologically, content analysis of selected strategic documents was applied). The secondary aim of this paper is to assess the strength between the processes of strategic planning of regional development in this thematic area and the processes of budgeting in specified entities. The results of the analysis show that the topic of the business and innovations support occurs in all reviewed documents. It appears that the municipal authorities consider this theme as one of the key for their further development. This optimistic “quantitative” point of view was however complemented by a “qualitative” one that showed some partial insufficiencies (e.g. “imbalance” between analysed documents, supporting of planned activities by spending insufficient amount of financial resources within budgets etc.).

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