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ÚSTAV JAZYKŮ

# **TECHNOLOGICAL INNOVATION ECOSYSTEMS AND THE START-UP OWNER'S MANUAL**

TECHNOLOGICKÉ INOVAČNÍ EKOSYSTÉMY A PŘÍRUČKA ZAČÍNÁJÍCÍHO PODNIKATELE

## **BACHELOR'S THESIS**

BAKALÁŘSKÁ PRÁCE

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Charakterizujte vývoj a současný stav Silicon Valley – světové Mekky technologického průmyslu. Na základě analýzy významných a úspěšných hi-tech ekosystémů navrhnete doporučení firmám začínajícím v oblasti výpočetní techniky, jak uspět na globálním trhu.

## DOPORUČENÁ LITERATURA:

- 1) Kenney, M. (Ed.). (2000). Understanding Silicon Valley: The anatomy of an entrepreneurial region. Stanford: Stanford University Press.
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## **Abstract**

The aim of this Bachelor's thesis is to analyse ecosystems that are not only home to successful business companies but they also support the creation and growth of new founded startups. Furthermore, the thesis includes a manual that contains valuable information that might help inexperienced entrepreneurs grasp some fundamental ideas behind the business launch. In the final part, various places that support or help startups in the region of Brno are mentioned. The content of the manual is based on the author's practical experience from both the startup environment and the events for beginner entrepreneurs.

## **Key Words**

Silicon Valley, analysis, entrepreneurship, entrepreneurs, business, business environment, business idea, business idea validation, startup, startup manual, startup weekend

## **Abstrakt**

Cílem této bakalářské práce je analýza ekosystémů, které jsou nejen domovem úspěšných firem, ale také podporují vznik a růst startupových firem. Tato práce rovněž zahrnuje manuál obsahující užitečné informace pro nezkušené podnikatele, které jim umožní pochopit základní myšlenky spojené se založením firmy. V poslední části jsou zmíněna některá místa v brněnském regionu, která podporují nebo napomáhají startupovým firmám. Obsah manuálu je založen na autorových praktických zkušenostech ze startupového prostředí a z různých akcí pořádaných pro začínající podnikatele.

## **Klíčová slova**

Silicon Valley, analýza, podnikání, podnikatelé, podnik, podnikatelské prostředí, podnikatelský plán, validace podnikatelského plánu, startup, startup manuál, startup víkend

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## **Prohlášení**

Prohlašuji, že bakalářskou práci na téma *Technological Innovation Ecosystems and the Start-up Owner's Manual* jsem vypracoval samostatně pod vedením vedoucí bakalářské práce s použitím odborné literatury a dalších informačních zdrojů, které jsou všechny citovány v práci a uvedeny v seznamu literatury na konci práce.

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V Brně dne .....

.....

Robert Albrecht

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# 1 Introduction

As information technology started to accelerate, another form of entrepreneurship branch began to develop. Computer technology and the invention of the Internet formed the fundamental pillars that now allow individuals to start various businesses. Despite being set up by only a few individuals, the businesses can accelerate with tremendous velocity and become multimillion corporate companies which employ thousands of people. A newly established and fast-growing business aiming to meet market needs by developing a viable business model focused on innovative processes is called a “startup company” or simply a “startup”. The origins of this idea can be found in the today’s high-tech Mecca located on the west coast of the United States in Silicon Valley. This technological ecosystem adopted a completely new approach to business and established itself as the most profound area with the largest number of technological inventions and profitable enterprises. The success of this place is by many considered to be unreproducible but the other kinds of technological ecosystems emerge today and support the theory that the Internet-based business is a very successful form of ones’ self-realization.

An idea of analysing Silicon Valley came into my mind before my departure to California in the summer of 2016. After my visit to Silicon Valley for the first time in my life, I started to work in a technological startup company and Internet-based entrepreneurship appealed to me. Therefore, I decided to analyse this technological ecosystem with the aim to find other similar ecosystems that support entrepreneurship as well.

This thesis will address the scepticism which preceded the success of Silicon Valley and the crucial aspects that defined this ecosystem. The remarkable success of this area and its impact on people’s perspective on entrepreneurship will be discussed. Next, the Silicon Wadi, which is considered a twin of Silicon Valley, will be analysed. Afterwards, the thesis will discuss the city of Brno as an ecosystem that supports local entrepreneurship and it will summarize my experience with startups and events that support local startups. It will serve as a short manual for inexperienced entrepreneurs that seek to acquire business knowledge and are interested in local events they could attend to gain more knowledge or meet like-minded others.

*The undoubtable offspring of Silicon Valley are new startup companies which shape the modern world more than we realize.*

## **2 Silicon Valley**

### **2.1 Scepticism over a new ecosystem**

A term Silicon Valley was coined in 1971 by Electronic News' reporter Dan Hoefler. At the beginning, almost everyone, except for those who were part of this ecosystem, was sceptic about the whole idea that something like Silicon Valley could exist. Those individuals were misled by their wrong judgment and future proved them wrong in the upcoming years. As time went by it started to be more and more obvious that this Silicon Valley was not only a bubble that would burst and quickly disappear. Although nowadays nobody questions the influence of the high technology Mecca on the world, during its early existence people were, as shown many times in our history, reluctant to believe in something new. Another fact that played a significant role in mistrust towards of the Valley was its hostile environment. New companies bankrupted, promising projects failed and some ideas were never pursued to the end. This supported scepticism and many did not believe that there was no potential behind this idea at all. Arguably, it was not easy to launch a new business. New ideas and visions were the first necessary pillars of success; however, without proper funding it was not enough. Persuading an investor was the greatest achievement of all and those who did not manage to get one on their side were doomed to failure or inevitably stay in limbo. Later on, after the true potential of Silicon Valley was discovered, it became much easier for new companies to raise money, although another step of establishing a successful brand increased in difficulty. Companies had to go to great lengths in order to survive and grow. Business is like poker, it is all in and one either gains or loses everything, there is no middle ground. If a company intends to prosper, it must pursue plans days and nights because competition in Valley is never far. Kenney (2000, p. 11) stated: "Be permanently paranoid that there is someone with the same idea proceeding much faster than you are". One should keep in mind that this ecosystem changes in an instance and what was true the day before might not be true the following day.

## **2.2 One of a kind**

*No other area exists with the same amount of success in technology development as this one - Silicon Valley.*

During the last decades people were asking the same questions, “What was the cause of success of Silicon Valley and how could it be copied and applied to another region?”, ultimately creating an artificial twin. It did not end with these questions. There were plans to create a region similar to Silicon Valley but they all failed. The following paragraph will be addressing the most important aspects that defined Silicon Valley ecosystem that is by many considered to be non-reproducible.

The most important aspect of all is the geographical position. Located in the west coast of California, between two metropolitan cities of San Francisco and San Jose, for the system there could be no better place to flourish. Cultural mindset of people from the Bay Area allowed them not to be afraid of losing. As I was experiencing the culture of west California, people from the Bay Area appealed to me to be the most open-minded people I ever met. No idea seems crazy enough not worth trying. As Kenney (2000, p.8) pointed out, “Entrepreneurship is considered as a form of entertainment in the Valley”. This slight difference in thinking allowed them to try and fail without any fear of consequence. Ideas were pushed forward and in many scenarios it worked perfectly. As an example, I would like to briefly introduce the establishment of the Hewlett-Packard Company. Hewlett and Packard were students attending Stanford University who were inspired by their university teacher to put their academic knowledge to practice. Without any fear of failure, together started working in a small garage and years later their offspring became one of the most influential technology company of all times. Examples as this one are plenty and proof my theory of different mindset that people from California have.

Influence of universities, namely Stanford University, played a major role as well. Bay Area Universities not only provide education of very high quality but also encourage their faculties to take their academic knowledge and put it into practice, to business. University students in the Bay Area are provided with constructive knowledge that helps them feed the demands of firms from the Valley. This interconnection between firms and universities serves well for both parties. As mentioned above, firms can find workforce in the ranks of

university students. Moreover, the academic community flourishes since many of the courses are taught by experts in the field who got the opportunity to get involved in the educational process. Yet another unique aspect of this ecosystem is how knowledge and information flows through it. It is not only about students pushing forward their ideas but also about employees who frequently change their employer while seeking a more respectful or lucrative position. Hence people in general possess much wider knowledge about existing firms and their employees, about approaches and situations that are present and could be identified only by an insider. This free movement within the Valley enhances the general knowledge even more. While one would assume brilliant ideas come from a mind of an individual, the Silicon Valley history shows that it is rather hard work of groups and not individuals who turn ideas into reality.

The reasons behind the success of Silicon Valley are easily spotted from the previous lines. It is a combination of many aspects that helped to build this sophisticated and complex ecosystem. It was the cultural mindset that allowed people to pursue their ideas and plans without fear, the geographical location between two metropolis cities only a few hours' drive from Los Angeles, and lastly the presence of some of the world top class universities shaping minds of young individuals and supporting them in starting their own business.

### **2.3 History from the beginning**

Silicon Valley played the key role in modern technological evolution. The majority of the current high tech inventions, which have changed our lives, were invented in the Valley but not many people know this. The Valley receives almost no interest from the wide public although there is a slow shift as the living costs in the Bay Area are rising. Especially in San Francisco, housing prices started to rise exponentially as more companies moved their headquarters to the Valley.

Kenney (2000, p. 18) points out “many experts still argue what year can be considered as the birth year of Silicon Valley but most agree that activities prior to the establishment of the HP company did not play a crucial role”. Therefore, we can regard the establishment of the Hewlett-Packard Company in 1939 as a year in which the idea started to mould (Malone, 2007). It might seem difficult to believe but the garage, in which William R. Hewlett and David Packard began developing their audio oscillator and where one year later established the HP brand, is considered the birthplace of Silicon Valley. An idea that inspired William and David to start inventing came from Stanford University professor, Dr. Frederick Terming, who conducted seminars that William and David regularly attended.

Although many suggest the era before 1939 did not play the crucial role in the history, it is still worth looking at because it contains the history of technology that was developed in the area. Before 1939, the Bay Area did not appear as the birthplace of future so called the “Mecca of Technology”. Some wrongly argued that Silicon Valley emerged without any prior technological evolution at the place but this statement is not true. History stretches back to the days of the early radio and radar.

Around the year 1900, radio technology was not yet widely spread and the telegraph companies dominated the market. The first radio transmitters were the Spark transmitters, which worked on the principle of current jumping across a gap between two poles, generating high frequency radio waves and a spark in the process. Transmitters were able to transfer a discrete signal, used for the transmission of Morse code. One problem with this technology was that it could not transmit voice, since the generated signal was not continuous. Technology improved over the next years and in 1912, the first telegraph voice

grid was constructed. In 1920, the U.S. military ships were for the first time equipped with devices that allowed the crew to reach other ships thousands of miles away. The First World War pushed the technology development even further because one will do anything to have technological advantages over the enemy. Shortly after the end of the war, vacuum tubes slowly took over and before the Second World War began this technology dominated radio industry. Soon telecommunication company AT&T created a plan to make a long distance telephone connection between San Francisco and New York. According to Kenney (2000, p. 42):

[...], early Bay Area electronics companies largely eschewed consumer electronics to specialize in electronic instruments, military electronics, advanced communications technologies, electronic components, and production equipment, just as Silicon Valley's firms do today.

Technology was invented and produced in the Bay Area before Silicon Valley was founded, but not in the same scale as it was afterwards. We can state that Bay Area had some predispositions for the technology development but these predispositions did not have any influence. Military contracts, even today, play the central part during technological evolution. Where investors are afraid, the military invest millions into the companies just to get the latest technology that would give them any possible advantage over the enemy. International conflicts like World War and World War II were not only causing harm worldwide, but also allowed technological evolution. Humans are by nature proud and we need to feel some level of superiority over the others. This selfish behaviour creates ideal conditions for technological evolution. Nations are willing to spend tremendous financial sums on the research that would not be invested into the technological development otherwise. And in the end, when the conflict is over, anew technology finds some usefulness in the civil sector.

## **2.4 Remarkable success**

A success of Silicon Valley is unquestionable, and to a certain extent, it symbolizes the human ability to compete with mediocrity of the world. People think differently in the Valley because they know they are a part of something revolutionary and that their work has an impact on the global scale. It is an extraordinary place and one would have hard time finding another place with a higher concentration of great minds. There is remarkable competitiveness in the Valley and one can be shocked by the amount of hard work people are willing to do. A process of getting into the Valley is exceptionally difficult not only by means of moving in, but by finding a career position. As mentioned previously, the ecosystem of Silicon Valley is able to provide both exceptional education and lifetime career opportunities for those who have appropriate qualifications. It is not an easy task to be hired as a newcomer since recruiters in Silicon Valley are particularly interested in the experts in their field and without a university degree from a prestigious university, chances of being hired drop significantly. This brutal filtration holds true unless the applicant shows remarkably great experience or achievements from the past. Applicants without any ~~past~~ previous experience and a degree from one of the prestigious universities have literally zero chance of being accepted. This is a well-known fact in the Bay Area. Once I was talking to a computer programmer who worked for an IT company in San Francisco. He had been working as a senior computer programmer for five years and decided to apply for a job in Silicon Valley. He made it to the second and eventually to the third round of the hiring process, but in the end the company representative decided for a candidate with a degree from one of the Silicon Valley universities. There are exceptions, but the main point here is to explain the idea of recruitment demands set by the firms in the Valley. Connections between companies and universities are strong and firms tend to prefer those candidates that have completed their education in the Valley. Universities within the Valley constantly prepare students for work within the Valley and this explains the reason behind the candidate preferences that companies demonstrate.

I collected useful information from the discussions I had with people who worked for a company inside the Valley. An official paper that grants the owner certain assurance of being hired by the most influential companies of the Valley is a diploma from Stanford University. It is important to mention that obtaining a Stanford University diploma is definitely not an easy task. Official Stanford admission statistics for the year 2016 show

only 4.8 % admittance rate, 41,883 out of 43,997 applications were refused. Statistics from the previous years show an increase of interest in Stanford University by an average of 2,000 applicants per year from the year 2009 to 2013. In year 2014 number of applications increased by 4,000 and for the years 2015 and 2016 number stayed approximately at 44,000 applicants (Our Selection Processes). Admission requirements consist of tests with a focus on English language, mathematics, social studies, science and foreign languages. Applicants are expected to have extensive knowledge in all of these fields. The other factors that will greatly influence the decision are teacher evaluations, extracurricular activities and most importantly an essay.

Questions arise about the adequacy of selection of possible company candidates. It was not always mandatory to possess a university diploma from a prestigious university such as Stanford but the trend has changed recently and will change again in the future. After all, Silicon Valley is a hometown to some of the best brains of our generation. In Figure 1 below I am standing in front of Robert N. Noyce's building where the headquarters of Intel Corporation are located in Silicon Valley, California.



*Figure 1.* Robert Albrecht in front of Intel Corporation headquarters facilities in Silicon Valley.

## 2.5 Entrepreneurship

An inquiry into history reveals that some variations of entrepreneurship existed even a few generations back, but only the last fifty years have defined the true meaning of this word. The most obvious definition for entrepreneurship is “the process of running a small company or inventing a great idea”. Silicon Valley was an ideal place for such an intention around fifty years ago. Today it is not a space-bounded activity because of the modern world that we live in. Most of contemporary businesses thrive with help of the Internet and entrepreneurship has become a lucrative way of obtaining financial resources likewise for an individuals and groups in all parts of the world. Recently another term has been imprinted into the memory of people and that term is a *startup*. Startups became possible only because of the Internet and we can say that this word to a certain extent overlaps with *entrepreneurship*. If we add a verb running before it we get *running a startup*, which literally means running a new fast-growing company. An idea behind it is that a group of people is pushing forward an internally accepted idea and applying it into the real world. If discussing technology companies, initial required funds are usually much higher than what members can provide, hence they are usually funded with help of investors. The largest project which helped to build confidence in startups was the KickStarter. Through the KickStarter website, everyone can browse through countless projects to help the funders with the financial part of the project. Usually there are packages, from which the supporter can choose, that will provide something in return for the support. In most cases, it consists of the product which the particular company develops. If sufficient amount of funds is raised or if an investor agrees to support the project, the startup will begin to grow noticeably. More employees will be hired, finance resources will be invested into the facilities and required technology.

Startups that were funded by investors usually have to agree to the contract. Capitalists for this partnership expect some value in return. They participate in major strategic decisions; have a word in recruiting new candidates and some other strategic functions as an introduction to potential customers. There have been examples when funders replaced the founders and pushed them aside as executive officers of the company.

Every great company once started only with an idea – Hewlett and Packard wanted to create an oscillator and later co-founded Hewlett-Packard company, Steve Jobs wanted to invent a revolutionary product and co-founded Apple Inc., Elon Musk wanted to program

games and founded three of the most innovative companies of today, SpaceX, Tesla Motors and SolarCity. These examples show that a simple idea can trigger events of a much larger scale.

If we analyse the modern world, we will see that the most successful startups are based on a smart and simple idea, the idea of providing services such as food delivery, transportation, communication and others. American market in particular is easily targeted because people are seeking convenience. We are focused on the world of the Internet and that is why overall technological development slowed down. Musk (Vance, 2015, p. 10) stated: “I think there are probably too many smart people pursuing Internet stuff, finance, and law. That is part of the reason why we haven’t seen as much innovation”. Someone will suggest this statement is not true and that our world is being innovated faster than ever. This is true but right now we are interested mainly in the Internet inventions. Great proof of this is the lost of interest in the space. In the last century humanity raced to be the first to walk on the Moon. The question of today is, “Why are we not even more interested in conquering the unknown when it defines us as a human being?”. The answer is very simple. Nowadays we are more interested in conquering the world of the Internet and virtual reality and people care less about the real world around us. Humanity creates an artificial bubble and refuses to leave it. If you asked children fifty years ago who they wanted to become, the most probable answer would be an astronaut. However, today young generations wish to be YouTubers or professional eSport gamers.

## **3 Silicon Wadi**

This chapter will briefly deal with a region that received its name from its twin to which it is sometimes compared. As it was discussed in the previous chapter, some people thought that Silicon Valley is non-reproducible due to the combined influence of geographical location, cultural mindset and the world's top universities. It is very unlikely that any other region would have the same setup and yet there is this area around Tel Aviv with more startups per capita than any other country (Senor & Singer, 2009).

### **3.1 Up from the ground**

The State of Israel, founded in 1948, became a place of refuge. Back then the area where Tel Aviv is situated today had very little to offer and in order to survive people had to be engaged in agriculture, and they gradually built their society practically from nothing. Everything had to be created from scratch such as cities and infrastructure. One similarity that can be found between the very distant regions of Silicon Valley and Silicon Wadi is the influence of warfare. Conflicts in the area around Israel have been present ever since its foundation and it has deeply affected its culture. Some would argue that to a certain extent conflicts are intentional here since they stimulate the development of technology. Due to the ongoing struggle with the neighboring states, military service is compulsory for the period of two years and eight months, and two years for men and women respectively. During this period, individuals are taught to control their ego to achieve larger accomplishments in groups. Choices beneficial for the whole group always suppress those that benefit only individuals. While in the service, it is allowed to question the judgments of those with senior ranks, which makes them think more about everything they do. This heavily contributed to the fact, that the Israeli nation are people who in general have a problem respecting authorities. Such an environment changes their behavior and with constant local conflicts people are driven to innovate and adapt which brings the beneficial outcome for the community as whole. People are involved in innovating because they want to survive. (Senor & Singer, 2009)

### **3.2 Startup nation**

The Israeli nation is sometimes referred to as a startup nation. Nowadays, they consider their State of Israel to be the best startup that was ever founded in this area. Within less than one hundred years, a city with the most innovative R&D firm headquarters was built

from scratch. Tel Aviv is a very open city that welcomes people of different tastes and interests. It is also a very liberal city, which is very appealing to young generation.

In the startup nation people have a different approach to failure. Failure is a path to success. People here feel they have a purpose to help build a better future, a better society and they want to build something, make an improvement. Sometimes the trend for young people in Europe is to go abroad and never return but this is not the case for the startup nation. People go abroad to gain knowledge and experience and later they return to help build something new in this region. Claire (as cited in Dixon & Demuth, 2017) points out: “This nation does not have natural resources since it is located in a desert and therefore they use innovation as their resource.”

People of startup nation are very well aware of the fact that initial costs of starting a business are very low and since their country was never one of the world leading economies they are always trying to find a way how to improve or get something done better. This makes them unique with a completely different perspective, motivation and priorities when compared to people from the rest of the globe. Nevertheless, what really makes a difference is that they naturally feel that it is in their genes. They know they had to build their cities and nation themselves and therefore they as a nation are hardworking people.

### **3.3 Contradiction**

Israel was founded only seventy years ago and now it has approximately eight million inhabitants. At the beginning, the state did not have any universities but now there are six out of which three rank among the one hundred most innovative universities in the world. The startup nation has the highest number of startups per capita in the world and the environment in which they live has defined their approach not only to themselves, but also to their nation as whole. Despite similarities between Silicon Valley and Silicon Wadi, some of the aspects that played a role in the rise of these regions are not the same. Silicon Wadi with its enormous success in the technology development more or less stands as a contradiction to the statement that Silicon Valley is non-reproducible, although generally I would consider it to be a younger sibling of the most influential technological region in the world.

## **4 Silicon Brno**

### **4.1 Introduction**

Brno located in the South Moravian region in The Czech Republic may appear as a minor municipal city in the world scale but within its districts many events and activities related to business and entrepreneurship take place. Being home to the headquarters and offices of multiple international companies, such as Red Hat, IBM, AT&T, Honeywell, AVG Technologies and many more, Brno differentiates itself from the other cities of the same size. The local region is experiencing a startup boom, which thrives not only due to the regional technological innovation support, but also due to a healthy variety of university students. Furthermore, Brno is home to the most successful Czech startup Kiwi.com<sup>1</sup> as well as to the international startup Y Soft Corporation<sup>2</sup>. Next subchapters will describe Brno as a successful ecosystem that supports local businesses and entrepreneurship, which will be compared to the ecosystems described in the previous chapters.

### **4.2 What defines Brno**

#### **4.2.1 Location**

From the geographical point of view, Brno has a very convenient position right in the heart of Europe. For some it may seem that the city is exactly on the boundary between the western and the eastern Europe. There are three capital cities, which are within two hours driving radius. Prague, Bratislava and Vienna are the main economical hubs for their respective countries, which makes Brno the only place with almost the same travel time to each of them. This position is definitely an advantage for some companies while choosing a place for their base of operations, especially in the case when their employees must be sent regularly to each of them.

#### **4.2.2 Universities and students**

In Brno there are fourteen universities with thirty-four faculties and overall almost one hundred thousand students, which means that every fifth person in the city is a university student (Statutární město Brno, 2018). This amount is annually increasing and locals sometimes refer to the city as a city of students, which can be easily observed during the summer period when vast majority of students leave town for summer activities or travels.

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<sup>1</sup> Kiwi.com (originally SkyPicker) is online travel agency and also the most successful Czech startup.

<sup>2</sup> Y Soft Cooperation is a Czech company specializing in print management solutions.

Masaryk University has the highest number of students and allows students to apply for degrees in languages, medicine, health care, pedagogy, psychology, law, economics, computer science and sports (Masaryk University, 2018). The second leading, University of Technology, provides education in the fields of architecture, civil engineering, electrical engineering and communication, chemistry, fine arts, mechanical engineering, information technology and business (University of Technology, 2018). Last but not least, out of the top three universities is Mendel University which gives opportunities to study agriculture, economics and business, international studies, and forestry and wood technology (Mendel University, 2018). All these universities have a great reputation and provide students with a decent level of education. The outcome of this is that Brno offers graduates of practically all study programmes (see Figure 2) of which many companies are very well aware. As the modern society and technology is changing, so are the demands for graduates. Requirements for certain modern working positions may overlap different fields, and multidisciplinary background is essential for their proper execution. Mainly due to cooperation between universities and technological firms in Brno's ecosystem, universities for the first time produce graduates who possess multidisciplinary orientation and experience based on the given study programme. Sometimes such oriented graduates can be found only here, which creates an added value for this ecosystem.

#### UNIVERSITY GRADUATES IN BRNO BY BRANCHES

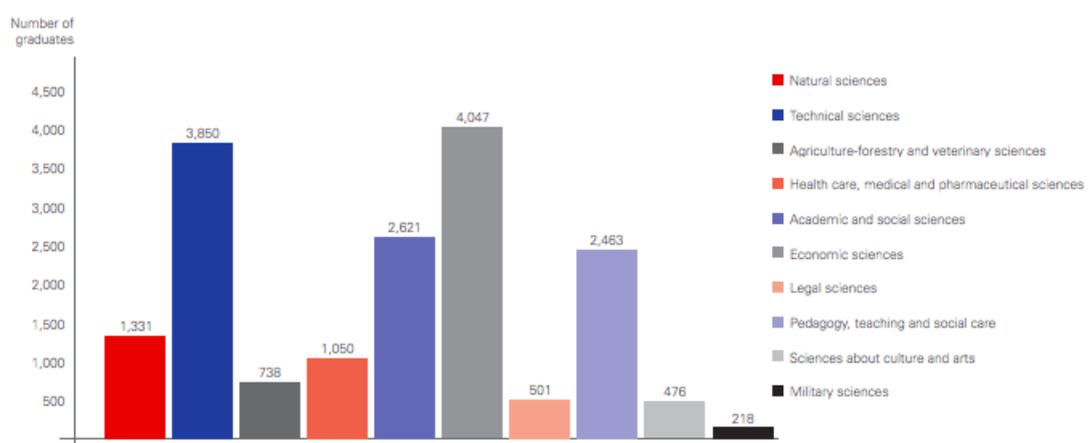


Figure 2. University Graduates in Brno by Branches. Reprinted from [https://www.brno.cz/fileadmin/user\\_upload/Podnikatel/Business\\_prospekt/BBF2017EN.pdf](https://www.brno.cz/fileadmin/user_upload/Podnikatel/Business_prospekt/BBF2017EN.pdf)

#### 4.2.3 Cooperation between technological firms and universities

As a part of studies, practically every graduate and undergraduate student has to do an internship. These internships provide great opportunities for students to find a working

position and even a better opportunity for firms to find candidates that fit their needs. One of the examples is IBM Smart University program (IBM, 2018), which is an internship for three months that allows students to learn and gain practical experience. A successful participant may eventually be offered a job according to the firm's policy. Many other businesses have their own programs or even offer part-time positions for students so that they can attract young minds as soon as possible and eventually win them over when they finish their degree. This model definitely attracts more and more students because such programs make it significantly easier for students to find a job position likewise before and after the graduation.

#### **4.2.4 Support of technological innovation and entrepreneurship**

As mentioned in the introduction to this chapter, the entrepreneurship in the region of Brno thrives. A significant force behind it is the contribution of the technological innovation support from the South Moravian Region and the Brno City Council. The South Moravian Region started investing in innovation in the year 2001 and created a regional innovative strategy whose aim is to invest heavily in entrepreneurship. Its purpose is to economically elevate the region of Brno so that it could be compared to the technological systems of such cities as Tampere in Finland or Eindhoven in Netherlands, whose main strengths lie in the high quality of universities and the presence of international companies in the city (Chládek, 2017).

### **4.3 Purpose and future of Silicon Brno**

While regions of Silicon Valley and Silicon Wadi are innovation leaders, the region of Brno tries to take a position of an innovation follower. If we compare these regions, we can easily identify similarities they share. The ecosystem of Brno is for the people whose goal is not to work 24/7 and experience burnout after two years of constant work, but for those who seek more relaxed and steady pace of work while also enjoying other perks of life. Brno is an attractive location for international companies, even though the quality of universities does not reach the same level as in Sweden, Netherlands or Holland. Some aspects that add value to this ecosystem is the variety of graduates, location in the heart of Europe and already established presence of many international corporations and world-class startups.

## **5 Manual for entrepreneurs**

### **5.1 Startup Weekend event**

Something I would definitely recommend to attend is an event called Startup Weekend. It was hard for me to understand what the idea behind Startup Weekend is and what purpose it serves. I decided to attend this event while my friend was discussing it with her colleagues. It is an event where anybody can try to launch a startup within forty-eight hours, which immediately caught my attention since I had never heard about anything similar. I asked her a couple of questions and a week later, I purchased my entry ticket.

At 6 p.m. on Friday evening, we all met in a large room with several rows of chairs facing a white board. From the attendance paper sheet which was to be seen outside I assumed there were at least fifty people that had bought tickets for this event. I entered the room with a name card on my shirt that had some of my skills I chose to present to the others written below my name. It said communication, presenting and business. By the time I entered the room people had already started forming groups. This behavior is common for people who do not know each other but have something in common, but in this case we did not know what was going to happen. Likewise, during a disastrous event, people form groups and discuss seriousness of it but under normal circumstances these people would never talk to each other in the streets. This is an important aspect and I will return to it later on in this chapter. Unconsciously I chose to join a group of people that I had something in common: we were of a similar age. Everyone in the room was using English since it was a known fact that this was an international event. We started explaining the reasons for our arrival and discussed what we expected from the event. Later on multiple facilitators emerged in front of the white board. They introduced themselves and officially launched the 2<sup>nd</sup> Startup Weekend in Brno. The main objective of any Startup Weekend is to launch a startup but there could be no startup without an idea in the first place. After the launch everyone was given some time to either invent or refresh their idea which they would like to present in front of the others. A term used for this is to “pitch an idea”. Pitching an idea was the first important task of the weekend. Presenters were given one minute to introduce their idea and make other people fall for it. Once all the ideas were pitched, a voting period started and people could approach each presenter to discuss the idea in more detail. The number of final ideas was limited and only five projects were selected out of fourteen. Presenters whose ideas were selected then had to again persuade others to join them and

together they worked on it for the whole weekend to turn it into reality. Each team was given one room with everything needed: a black board, a flipchart, a projector and other useful tools. The teams then either went home to rest or most of them immediately started working on the projects in the given room or in some of the local pubs in the city center. Most of the teams decided to brainstorm and socialize outside since we all knew that we would spend the whole next two days in that building. Thus, Friday schedule was officially over.

The following day some people arrived early so that they could start working on their projects but some also arrived later, depending on for how long each group had brainstormed and socialized the previous day. For this day facilitators prepared series of presentations that described various entrepreneurial topics. The very first presentation of the day was in the afternoon when we started with business idea validation which we consequently learned at first hand by validating our own business ideas.

### **5.1.1 Business idea validation**

Starting a business should be preceded by business idea validation. It is a very important point that every beginner entrepreneur should consider as the most crucial. A product or a service without supply and demand will definitely not succeed. It is very important to validate whether a product or a service has a customer. Something that is seen by inventors as a brilliant idea which everyone would want to buy can in fact be something no one is willing to pay for. Validation is done according to a type of business but it all comes to similar steps.

First, as Blank (2006) mentions, “look for a competition”. If there is a competition with a similar idea, it can suggest that there is a supply and demand for it. A competition is something that usually nobody wants but it is a good indicator of business potential. It is also convenient to learn from others’ mistakes simply by analyzing their current situation.

Another and probably the most important step of validation is to “seek for feedback” Blank (2006). Asking for feedback from friends and family is not sufficient and is mostly not honest feedback at all. Starting businesses should reach their target customers and get validation directly from them. This can be in form of a questionnaire survey, demonstration of a prototype or offer of the free service during a public event where many

people are present. Usually it is much easier to get feedback in B2C<sup>3</sup> oriented business. In the case of B2B<sup>4</sup> it is usually significantly more demanding to get some feedback although in some cases it can be as easy as knocking on a company's door. Blank (2010) points out: "No plan survives first contact with customers."

The third step is to *build a prototype*. Talking about a product or a service depends on two aspects: a speaker's ability to explain and a customer's imagination. Nothing will give you better feedback than actually giving your product to a potential customer and then waiting for their reaction. Customers see a product or a service from their point of view and they are not affected by its development. They care only whether it solves their problem, pain or whether it is easy to use and if its price is adequate. In addition, they can suggest a change or an adjustment that people who developed it do not consider valuable or important at all.

The fourth step of validation is to *create a learning page and pay for the Google AdWords*<sup>5</sup>. The Internet is a marvelous place without any limits and the Internet ads are a very powerful way of approaching customers. How AdWords work is that you specify a list of keywords that somehow relate to your product or service and whenever someone types these words into the Google search engine, Google will display your message – your ad. If customers like the ad, they click on it and are redirected to your website. This service can be targeted to a specific region, specific type of people or can be available only during a specific time. This service is not for free and requires some initial budget but so does the prototype validation. With this tool, you can almost immediately see whether your idea is interesting enough that people want to click and learn more about it. Entrepreneurs are afraid that a learning page of a company must have plenty of content and be almost final. This is a misconception and since the project is in a process of validation we can give customers only a hint, an idea what the service will be about. We can measure traffic on the website and include simple email registration allowing us to build a customers' database that can be used later on to reach those people who registered or wanted to be notified when the service or product is ready to be purchased.

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<sup>3</sup> B2C refers to a Business to Customer model where a company sells directly to a customer.

<sup>4</sup> B2B refers to a Business to Business model where a company sells to another company.

<sup>5</sup> Google AdWords is a form of the Internet advertisement.

Finally, *summarize and analyze your findings*. Getting feedback from potential customers is great but unless the results are analyzed those data are not implying anything. Data must be processed in such a way that one can draw a conclusion. Positive feedback is not enough. The outcome of the survey must be that the product or the service is solving somebody's pain or problem. If the overall feedback is very positive and everybody likes it but it does not solve any problem, such a project in my opinion has little chance to survive in a long run. One can suggest that this does not make sense but the opposite is the truth. If people do not feel the need for the product or service, they are not likely to pay for it. Your goal should be to have feedback from at least 20-30 individuals or more depending on the type of the project. If those people are exactly your target group, it can give you an idea whether the current business model has any chance of success.

Startup Weekend events try to teach you practical and useful tools that can be used in the real world business scenarios. After forming the teams and brainstorming ideas our first task was upon us – to evaluate whether ideas we generated had any chance for success. In a real-world case this can take some time but we had only 48 hours in total to get from a simple idea to the point where it was possible to launch a startup. Due to the time constraints, the validation had to be done simultaneously with other things and preferably as soon as possible so that the teams could abandon the idea and start working on something else in case that it did not validate well. Depending on the type of project and target customers, different approaches had to be chosen. The most straightforward approach is to go outside and ask people in person. This will serve well for services or products that have a wide and non-specific target group, e.g. a food ordering app or a platform for creating social events, but some services target only a very specific group of people and therefore approaching random pedestrians on streets will not work for such ideas. If the target group of people or businesses is very specific, the other streams of communication have to be used. The Internet seems to be the right tool for this purpose. The massive communication stream such as the Internet is will serve well. As I discussed at the beginning of this chapter, it is in the human behavior to form groups and be in touch with people that we have something in common. We can use this knowledge to help us to reach our target audience which can seem hard to reach at first. People with some interest form groups around a platform or website and we can use this platform to reach them. We can consider an example where a startup idea targets only photographers. One cannot go in the streets since the number of photographers that you would randomly encounter is very

sparse or almost none. In this sense it seems more practical to use photographic websites or photographers' communities on social media to reach them. A slightly different example can be a product which revolutionizes camera systems in buildings. For this idea, we cannot use the Internet communities or ask random people in the streets, we need a completely different approach to the validation. We can get reliable feedback if we go directly to stores or hotel managers and promote our idea in person.

To conclude this chapter, I would like to stress out the importance of validation and more importantly the choice of which communication stream you are going to use. Each idea is different and may require different validation. Important questions to ask are: "Who are our target customers?" and "How do we reach them?". There are many communication streams besides those mentioned here. Before choosing one approach to validation, it is necessary to really think about the target customers and whether the chosen approach is the most optimal way to reach them. The very experienced entrepreneur Blank (2012) published a website article which contains the following line: "There are no facts inside your building, so get outside." I consider it as a fundamental rule for everyone trying to validate, invent or get some information. One can be easily stuck in one spot without moving forward by staying inside a building.

### **5.1.2 Importance of valuable feedback**

We are now aware of idea validation but I have not yet talked about what we should ask our target group and what type of feedback we should seek. Immediately someone can write down questions such as "Would you like this service?" or "Do you think it would be a useful idea?" but those are not the type of questions you want to ask. If the idea is interesting or slightly innovative, people will most probably give you positive feedback but such feedback does not give you any valuable information and I will try to explain why not. Earlier in this chapter, I said that seeking feedback from family and friends is not wise. Family members and friends in most scenarios will be inclined to give feedback that is altered by emotions. Opinions of random individuals that have no connection to you will not be changed by relationship emotions. But emotions are something we are trying to provoke in order to receive valuable feedback.

Validation of our Startup Weekend idea turned to be very positive but in the end we decided to reject the idea and go for another project because it did not validate well. There

is a difference if an idea is receiving positive feedback and when it is validating well. People we asked in the streets seemed to like our idea and when we asked them whether they liked the service or not, most of the time the answer was yes. But this is the first mistake a beginner entrepreneur can do. While validating an idea never ask your potential customers whether they like it or not because you do not want to hear this. You want to hear different answers to different questions, such questions that will show you that your idea has potential on the market. As I said, we are trying to provoke emotions and in order to do that, we need to ask questions such are: “Did you ever have this problem?”, “When was the last time you had this problem?”, “How did you feel when it happened?”, “Did you find a solution to this problem?”, and potentially “How did you solve this problem?”. These questions make the questioned individuals search for the answer in their memory and if there is any positive match it can provoke an answer: “Yes, I remember having this problem.” This will be accompanied by emotions quickly afterwards. Emotions can help us reveal whether an idea has any potential. We will take a look at each question separately and what it can tell us. However, it is important to bear in mind that questions mentioned above are not the holy grail of idea validation. There are many other questions which will help you obtain constructive feedback. The following paragraphs focus on questions that should be asked when one is learning the validation process.

“Did you ever have this problem? And when did it last arise?”

What we are trying to accomplish with these two questions is to present a problem to a potential customer from within our target group. We do not want to introduce our solution since we want to make the person think about the problem first. If there is a positive match and a person had to deal with such a problem, we want to go deeper and ask when it arose. This will make the person search in the memory and return to that event in their mind. We want to hear confirmation that people are dealing with the problem we are trying to solve. If the answer is yes, we can move to the next question.

“How did you feel when the problem arose?”

We want to hear what type of emotions people felt when they realized that they were dealing with this problem. An answer to this question is crucial. If the respondents felt bad, frustrated or even angry, we can be pleased because there is a real problem that stirs up people’s feelings. This brings me to the beginning where I said that you do not want to search for positive feedback. You want to search for confirmation that the problem, which

you are trying to solve, is real. If people think that an idea is great but they do not have a problem or any need associated with it, they will be much less likely to spend money on it. The turning point is to make customers pay for your solution. If they do not need your solution, meaning that they do not have the problem which you are trying to solve, that will turn your business into negative numbers because no one will be paying for something they do not need.

“Did you find a solution to this problem?”

The most wanted answer here for every entrepreneur could be a resounding no, but that is not always the case. This question is brilliant because it helps you to identify whether you have any competition. Constructive feedback on this question can give you an idea whether people are aware of any businesses that provide the solution. Another piece of information that might be obtained from the answers is how successful marketing strategy your competition has. If you are aware of your competition but your potential customers are not, it is a good sign for you.

“How did you solve this problem?”

You will get a great deal of information from people if you know how to approach them. If people answered positively on the previous questions you could discover the steps that your potential customers did to solve their problem. This helps you to understand your customers better and it can also directly point you towards your competition. Competition is great because it proves that the idea is not rubbish and that there still could be a place for your product on the market.

### **5.1.3 The reason behind failure of my Startup Weekend idea**

Now after I explained what type of feedback we should seek from potential customers, it will be easier for you to understand why my very first Startup Weekend idea failed and why we collectively decided to abandon the idea and pursue another project.

During the first two hours of Startup Weekend I tried to produce an idea which I would pitch in front of the others and get as many people into my team as possible. I invented “Do it for me” project which would basically serve as an online platform allowing individuals with any skill they possessed to get hired to either do or teach something and get paid for it, e.g. Suzan is a brilliant cook and Martin would hire her since he always

wanted to know how to prepare meals. Peter is a pet owner looking for someone to walk his dog regularly therefore he visits the platform. David is a street artist who has the ability to paint beautiful landscapes on walls and someone could be interested in decorating their living room with such art, therefore they could hire David on “Do it for me” platform. Literally, almost anyone could be paid for their unique skills someone might be interested in. We tried to validate this project on Saturday and it turned out that people really liked the idea but they did not have any problem or did not feel any pain associated with it. There was no need for this type of service. In general, respondents seemed to be interested in the idea of being able to offer their skills in exchange for money but very few openly admitted that they would actually hire someone. With this outcome, we realized that such a project had little chance of succeeding and therefore we decided to move on to another project.

I will not discuss “Do it for me” project in greater detail and definitely not in terms of legal or business functioning since this business model had a lot of flaws that would probably prevent the project from launching in the local legal system. I intend to use it only as a practical demonstration of an idea validation, which seemed to be positive at first but turned out to be negative in the end.

#### **5.1.4 Difference between an entrepreneur and a successful entrepreneur**

Difference between an entrepreneur and a successful entrepreneur is in the perception of a product or a service and its customers. A mistake that many make is that they are trying to invent something and they are focused only on a product, while the focus should be on the customers instead. When launching a potential business project, it is important to take a slightly different approach. Find a problem that people are dealing with and try to solve it while being customer-oriented and not product-oriented. In other words, you may think that you defined your product correctly but that is only your personal opinion. Sometimes it is important to listen to your customers because they can tell you what they want and you can realize that your brilliant product needs to be changed or adapted because your customers in fact want something else. Do not always think that you know what your customers want because that is usually not the case.

#### **5.1.5 Introduction to the business model canvas**

We had an introduction to the business model canvas which are illustrated in Figure 3. It is a tool used to summarize all key points of a newly emerging business. Usually it is a good

idea to print it out on a large piece of paper and pin it to a wall where the whole team can gather and brainstorm while being next to it. It describes all the aspects of a business and helps both insiders and outsiders of the team to understand the business as a whole. Put differently it gives a comprehensive overview of the business idea and focuses on all the important parts that must be taken into consideration.

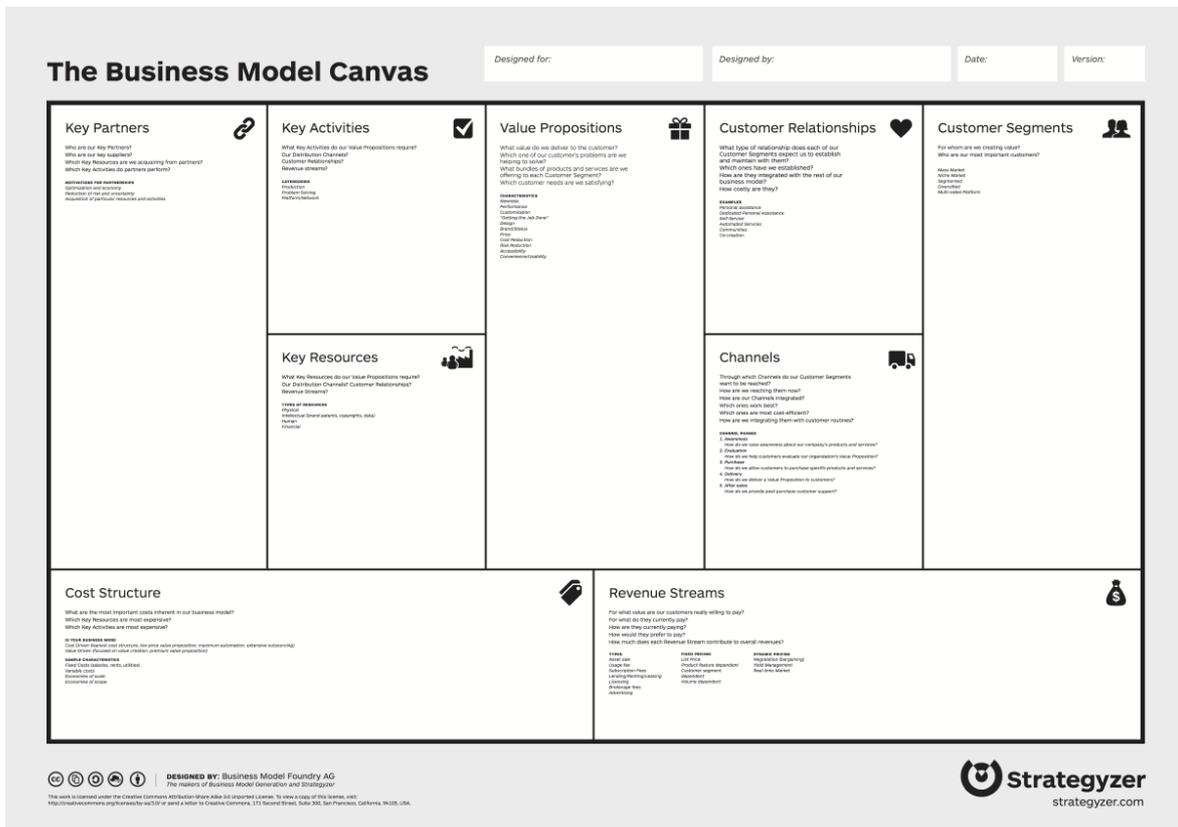


Figure 3. The Business Model Canvas.  
Reprinted from <https://strategyzer.com/canvas/business-model-canvas>

Each part will be briefly introduced with an example for better comprehension.

1) *Key Partners*

Contains all the partners that deliver or help to deliver important key aspects, e.g. investors and transportation partners.

2) *Key Activities*

Shows which activities the business must focus on and be successful at, e.g. non-stop service, great marketing strategy, research of the technology.

3) *Key Resources*

Describes key assets such as infrastructure and people that are necessary for the business to operate, e.g. computer hardware, offices, tools, a lawyer.

4) *Value Propositions*

Defines the products or services that provide value to each customer segment, e.g. streamed content delivery and Internet connection delivery.

5) *Customer Relationships*

Depicts the relationships that the business is trying to establish with the customers, e.g. customers relationship with customer care and 24/7 emergency hotline.

6) *Channels*

The ways how the business delivers their products or services to the customers are defined here, e.g. e-shop purchases, online subscription, local stores.

7) *Customer Segments*

Describes who the customers are and for whom the business is creating value, e.g. amateurs or professionals, individuals or large businesses.

8) *Cost Structure*

The cost of the backbone of the business are depicted here, e.g. \$3,490 for computer servers, \$1,200 for business website, \$2,000 rent and other services.

9) *Revenue Streams*

Describes which pricing mechanisms the business uses to generate revenue, e.g. premium subscription for \$199 or standard subscription for \$99.

Startup Weekend hosted many mentors from different parts of the world and from various types of businesses and legal environments. Their task was to provide mentorship, give advices and in the end judge the overall performance and accomplishments of the teams. There were multiple Startup Weekends taking place around the world at the same time, so if there was no mentor from a certain field, facilitators had the possibility to contact another Startup Weekend organizers who could provide such a mentor. We filled our

business model canvas in the afternoon and it helped our mentors to understand the idea without wasting our and their time by asking for an overview of the project, which was depicted exactly in the business model canvas. It gave them the needed overview so that they could give us immediate advice in the parts that seemed to be the most problematic.

### **5.1.6 Business model**

After we validated our idea and had our business model canvas filled, our main objective for the rest of Saturday and for the most of Sunday was to put our business model into practice. Every point of the business model canvas gives you only an overview of that particular part but now it had to be extended to a completely different level. In order to succeed we had to go into great details about every part of our business and define every element of it. Everyone from the team worked on a part, which they had most experience with. Everything else was redistributed according to whether someone had at least some remote experience in that given field. Our ultimate task was to be prepared for the final part of the weekend, which was a startup pitch<sup>6</sup> in front of the investors. With the remaining twenty-four hours left, we had to set our main goals and prepare everything that seemed crucial from our perspective. We also used the guidance of mentors who helped us to prepare for the final pitch. Investors could ask anything and the more carefully we prepared the higher chance we had to succeed. This was the hardest part because there are no guidelines you can follow it was every team's decision what to focus on. With this in our minds, for the rest of Saturday and most of Sunday, we researched, calculated costs, analysed the market, tried to establish a connection with potential partners, and created simple instructional webpage of our service. Mentors were available the whole time to answer any questions that we could possibly have.

Sunday was the last day of the Startup Weekend. We could sense a tense atmosphere as all the teams were running out of time. This was another real world practice, working under pressure and simultaneously successfully cooperating with other team members. Teams started to realize that not everything could be finished in time. All the teams experienced some type of internal disagreement, which had to be resolved. In one case, it escalated into such lengths that few people did not arrive on the last day. This team had to work even harder since they had to reassign the job of the deserter to another colleague. It was

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<sup>6</sup> A startup pitch refers to delivering a business plan verbally in front of investors (Gleeson, n.d.).

obvious from the behaviour of the people that there were only the last couple of hours left and still tremendous amount of work left undone.

### **5.1.7 Preparation for an elevator pitch**

The last presentation from facilitators was given before lunch around 11 a.m. and it contained practical tips on pitching. An elevator pitch or a startup pitch is a form of delivering a business plan verbally in front of investors. Every entrepreneur should master this ability to be able to do it with confidence. This event is very important in the life cycle of any startup since it is a turning point that can decide about its future; the business can gain funding or stay in the valley of death<sup>7</sup> forever. Common practice between speakers is to rehearse repeatedly until the presentation is mastered. It is a known fact that TEDx speakers rehearse the speech approximately fifty times before they are giving the final version. At Startup Weekend, we tried to follow the same trend and the advice from mentors was to practice as many times as possible in front of our team members to hear valuable feedback.

Three hours before the official pitching we had an opportunity to pitch in front of mentors that were willing to give us their honest opinions. All the teams that wished to join prepared a demo version of their final pitch and we could finally see how the other teams accomplished their tasks. What I learned from all the pitches that I performed and saw at startup weekend can be summarized into one phrase:

*Fake it, till you make it.*

Our mentors and facilitators taught us that it is important to behave as if the product or service is finished or almost finished. If the speaker is tremendously persuasive and passionate about an idea, it can completely cover the truth that a product is not functional and will not be any time soon. This misleading is a common practice in the contemporary startup world. Speakers are trying to present their idea in such a manner that it is almost ready even though it is far from the truth. What I learned from my pitch draft is that if speakers do not believe what they are saying it will be very easy to spot it. While I was performing my very own elevator pitch I received feedback that my speech contained

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<sup>7</sup> The valley of death refers to a span of time from when a start up firm raises an initial capital investment until it starts generating revenues (Death Valley curve, n.d.).

many uncertainty words. Those were words such as: “I think, it might, it could, it will be...”. This was an obvious hint for the listeners that I was uncertain of the things I was discussing. The aim here is to avoid all the uncertainty and be completely confident. The pitch should be accompanied by a perfectly crafted presentation that enhances the overall impression. Figure 4 illustrates the solution diagram I created for the final presentation. The aim was to fill it with easily understandable data that would outline our whole solution. My advice is to use simplicity, clarity and a minimalistic design.

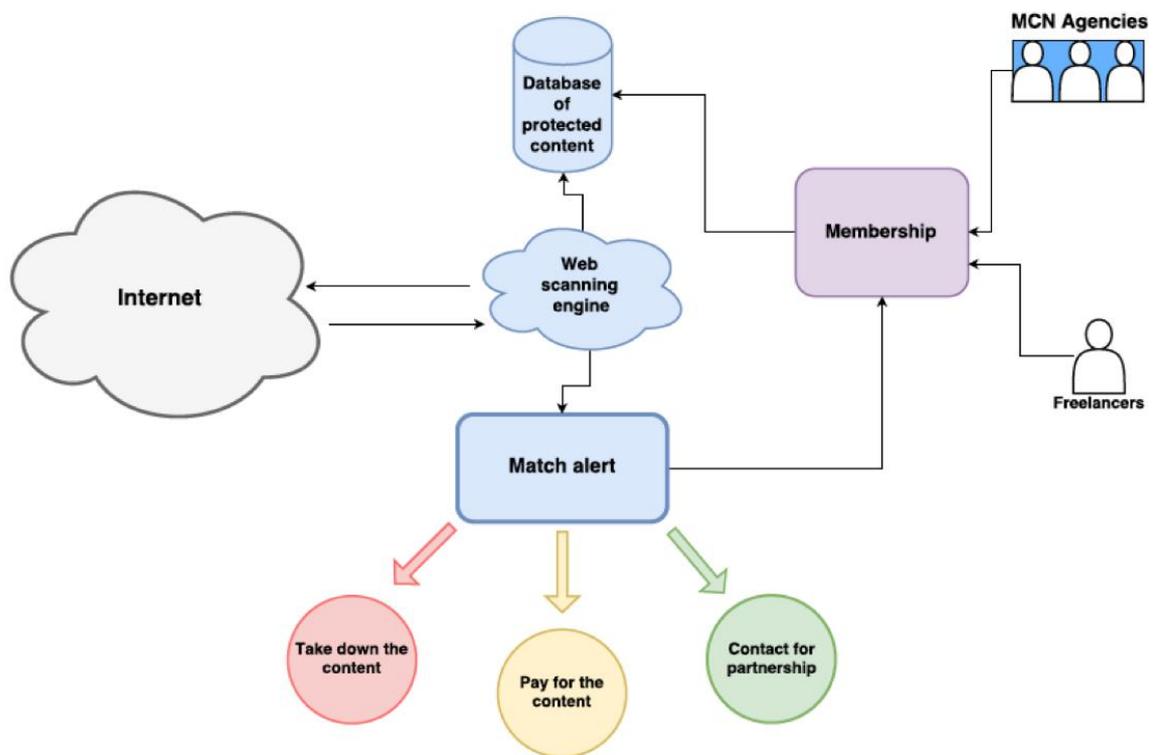


Figure 4. Solution diagram.

Each team had one speaker that would pitch the final presentation of the team. Every pitch lasted maximum of seven minutes and then the investors had room to ask for additional information. The event was scripted so that it reflected real startup elevator events, only this time the committee consisted of experts from various fields such as business, technology and financing instead of the real investors. When an individual presentation was completed, the whole team joined the speaker and the committee began asking questions they had about anything that was unclear from the speech. After all the teams finished, the committee suggested having a break. Half an hour later, the best startup of Startup Weekend was announced and the three most promising startups received prizes

from the sponsors of the event. The prizes provided more motivation for the teams to pursue their ideas. Every promising team was given free webhosting for one year as well as unlimited entry to working open space for one year.

### **5.1.8 What one can learn at Startup Weekend**

At Startup Weekend, we covered all the aspects that accompany the first initial steps of business creation. Startup Weekend (Figure 5 shows its logo) is from my point of view a wonderful event where one can learn not only about entrepreneurship but also about networking, real team work and meet similarly motivated people. Mentors, facilitators and attendants are from different parts of the world, therefore you also experience cross cultural negotiation that can be very useful in the global world today. This event allows you to try and feel what it really takes to be an entrepreneur. You will have to face uncertainty, stress, time constraints, deal with other people and you will have to “fake it until you make it”. Simply Startup Weekend teaches all the necessary skills of a future successful entrepreneur.



*Figure 5.* Startup Weekend logo. Reprinted from <http://communities.techstars.com/czech-republic/brno/startup-weekend/8394>

## **5.2 South Moravian Innovative Center**

In Chapter 4 I mention that the South Moravian Region has been supporting technological innovation and entrepreneurship since 2001, but what really sets this ecosystem aside is the South Moravian Innovative Center (JIC), devised as a project from the South Moravian innovative strategy which defines how the region will advance in the following years. With the cooperation of local entrepreneurs and the city council, JIC was founded two years later and today occupies three buildings, employs almost fifty employees, and already more than two hundred individual startup companies participated in its programs. JIC STARCUBE is the very first startup accelerator<sup>8</sup> in the Czech Republic and has already guided sixty-two startups, which were given more than 122 million CZK in funding (Chládek, 2017). JIC is serving as an incubator<sup>9</sup> and an accelerator not only for startups but also for scalable technological business located or connected to the region. JIC's main purpose is to guide and help likewise the experienced and inexperienced ones and its added value comes from the network of people it provides. The following chapters are mainly based on an appointment I had with Hana Šudáková, on August 18, 2017 in the JIC INMEC building, who works as a business growth manager at JIC and agreed to summarize and describe the programs they offer. Information was taken from the JIC's official website and from the JIC Open Day event, which was held on 24<sup>th</sup> of May 2017 and consisted of multiple lectures about JIC and entrepreneurship in Brno and South Moravian Region.

### **5.2.1 Incubation and acceleration programs**

JIC offers four programs designed to aid innovative South Moravian startups and business in all stages of their life cycle. Recently, an additional pre-entry cooperation program has been included. It is tailored for inexperienced entrepreneurs with very limited business knowledge who have an idea but no validation or a business plan. This program helps them to discover whether their idea has a paying customer and then whether it would be feasible to execute it. The program lasts a week and consists of lectures and workshops where topics such as primary and secondary market research, financial management, business model canvas and idea validation are discussed. The four core programs described in the following subchapters are illustrated in Figure 6.

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<sup>8</sup> Startup accelerator is a company or a program that fosters the development of a company which already has some ideas and it does so through mentorship and/or financial support (Funders Club, n.d.).

<sup>9</sup> Startup incubator is a company or a program that helps starting businesses with an initial lack of experience and usually provides mentorship, workspace or guidance (Funders Club, n.d.).



Figure 6. JIC Startup programmes. Reprinted from <https://jic.cz/nabizime/>

### 5.2.2 JIC ENTER

The first program in the JIC's portfolio is JIC ENTER. It is a startup incubator and its main target group are students and graduates with innovative ideas. This program with a duration of six months is for an individual, small group of people or a small starting firm that has an idea with certain probability of success in the business environment but is without a paying customer. In order to consider an idea in the selection process, it must be innovative and scalable product/service and must be linked to or bring benefits to the South Moravian Region, e.g. employees or company facilities are based in the region. The selection process is held three to four times a year in the form of an online application process and the place is not guaranteed. Those who apply are evaluated either as positive or negative in the first round, which reflects whether their idea carries any value and potential, e.g. a website for selling goods or services would not be positively evaluated since it carries no innovation. Commonly five to ten ideas are selected in the process whose authors are then invited to attend a selection day when they must pitch their concept in twenty minutes. The first ten minutes are allowed for a presentation and the rest of the time for a discussion of any questions the committee might have. In the end, usually only three to four ideas are selected.

Required conditions for an application are:

- 1) Innovative idea
- 2) Scalable product/service
- 3) Connection to the South Moravian Region

Program's fee is 1,500 CZK per month excluding a tax.

Program includes:

- 18 hours of consultations (1,5h every two weeks) with JIC consultants about general business related issues;
- 10 hours of consultations with external consultants (managers or experts on one particular field that can provide deeper knowledge – listed on the JIC website);
- 5,000 CZK budget for services such as copywriter, lawyer, accountant or tax consultant;
- 3 spots in a co-working area with the Internet and 24/7 access;
- access to conference rooms (the initial 10 hours free of charge);
- access to FabLab with 3D printers, cutters, tools and IoT<sup>10</sup> room;
- once a month free entry to a workshop with topics of PR, online marketing, financial management, business models and motivation;
- access to all networking activities held at JIC;
- grant counselling.

### **5.2.3 JIC STARCUBE**

JIC STARCUBE program serves as a startup accelerator with a duration of two months, designed for technological startups that are not in the initial phase anymore, with the objective of rocket speed acceleration. Entry conditions are different as there is a possibility to apply from anywhere in the world and applications are not geographically limited only to the South Moravian Region. In this very intensive program, successful applicants work daily including days and nights in the Starcube open space, which is located in facilities of JIC. JIC provides mandatory workshops, consultations with internal and external consultants as well as accommodation.

### **5.2.4 JIC MASTER**

JIC MASTER is very similar to the JIC ENTER program but the applying company also has to have a paying customer. Program is for firms that are generating revenue but need to expand or grow, or are struggling with an internal issue, e.g. creation of teams or establishing internal policies. The duration of the program is six months and most of the other included benefits are identical with JIC ENTER. The main difference is that the MASTER program is not directly managed by JIC employees but by external experts, especially Martin Dokoupil who conducted consulting work for companies such as Apple

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<sup>10</sup> IoT stands for Internet of Things (*Oxford dictionary of English*, n.d.).

Inc. and Coca-Cola. Currently he is working as the main external consultant and mentor for JIC employees. Likewise, JIC ENTER and JIC MASTER programs are under his supervision.

Program's fee is 3,000 CZK per month excluding tax.

Program includes:

- 24 hours of consultations with JIC consultants;
- 20 hours of consultations with external consultants;
- 20,000 CZK budget for services such as copywriter, lawyer, accountant or tax consultant;
- access to conference rooms (the initial 10 hours free of charge).

### **5.2.5 JIC PLATINN and JIC VENTURES**

The last offered program JIC PLATINN is only for very advanced firms with profit of millions CZK and it includes forty hours of expert consulting. The basic entry conditions remain the same but it is necessary for the firm to have a greater number of employees. Internal JIC consultants propose one specific expert that will help the firm solve one particular problem it is confronted with.

JIC VENTURES is an offspring company of JIC, which has certain annual capital for investments into promising businesses that participated or are participating in any of JIC's programs. For more information, visit JIC VENTURES website (JIC VENTURES investment, 2018).

### **5.2.6 The network**

JIC truly has a unique portfolio of programs providing services for those who stagger in the modern world of entrepreneurship. Nowadays, only an idea by itself does not assure success in the business environment. It is the art of combining technological knowledge, marketing, business experience, customer orientation, financial literacy, personal motivation and network of people that work together in favor of a business idea implementation. Internal and external JIC consultants will provide you with guidance but in order to succeed, your personal motivation and absolute dedication is needed. Upon the completion of any of the listed programs, you will become a part of the entrepreneurial network connected to JIC where you may seek further guidance and perhaps one day you

could participate as a mentor yourself. Portfolio of JIC programs is definitely worth examining and I would highly recommend the participation.

### **5.3 Co-working and mentorship**

The endeavor of business creation can be, especially in the initial phase, tedious and frustrating deed. Individuals who want to become entrepreneurs face many obstacles, lack of experience and an unclear path in front of them. Launching a startup is not a simple process and many will abandon effort very soon, mostly due to the frustration from the unknown that slowly extinguishes the entrepreneurial spirit. One of the most successful innovators of our generation Elon Musk (Law of Attraction Coaching, 2017) states: “Trying to build a company and have it succeed is like eating glass and staring into the abyss... It is quite exciting for the first several months and then the reality sets in...”. With this in mind, I would highly recommend to surround yourself with the people who are on a similar path of business creation. The following subchapters will discuss the possibility of co-working<sup>11</sup> in Impact Hub Brno. The fundamental idea of co-working is not only to reduce expenses for an office rental but also to create the environment for synergies that can arise while working next to the other entrepreneurs.

#### **5.3.1 Impact Hub Global Network**

Impact Hub is a global network of hubs that fosters entrepreneurship by utilizing networking and business incubation techniques, offering co-working space, providing their members with motivation and inspiration, and allowing collaboration with others in order to achieve impact. Philosophy behind this project is that a better world can be achieved through combined accomplishments of individuals coming from different backgrounds but sharing the same values. This network tries to connect, inspire and provide working space, allowing the members to focus fully on their objectives. Currently ninety-four Impact Hubs are opened around the globe and each of them is a source of meaningful content through programs and workshops. Impact Hubs’ co-working areas are designed with functionality and productivity in mind, which makes them a great place to work at (Impact Hub Global Network, 2018).

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<sup>11</sup> Co-working is a form of shared workplace where people share an office or an open-space but do not work for the same company (*Oxford dictionary of English*, n.d.).

### 5.3.2 Impact Hub Brno

Impact Hub Brno was opened in 2015 and now works with more than sixty experienced consultants and forty mentors. Rental of working space is offered next to the portfolio of entrepreneurial programs and tailor workshops. Impact Hub Membership is mandatory for events and workshops while not needed for the rental plans. Rental possibilities include a one-day pass plan without commitments, hourly co-working plans, unlimited access plan, and a plan with fixed desk for both an individual and a whole team. Their affordable co-working space (see Figure 7) is what makes the Impact Hub a great substitution for a regular office (Impact Hub Brno, 2018).



*Figure 7.* Impact Hub Brno. Reprinted from <https://www.hubbrno.cz/wp-content/uploads/2017/03/visit-hub-brno.jpg>

### 5.4 Funding a startup

Obtaining funds is a very important step as they are required for the launch of a startup and also for the period when the product is not yet available or the potential customers are still not aware of its presence. Most of the startups never manage to escape the Death Valley Curve as they fail to generate revenue but in order to get into this phase the company must first possess initial capital to even exist. The following subchapters will introduce some of the most common ways in which startups can obtain funds, so you will be able to decide for yourself which option is the most suitable one.

### **5.4.1 Bootstrapping and debt approach**

Bootstrapping is a process of financing company from one's own personal saving and also includes funds coming from family members or close friends. This method assures that the company stays in the owners' possession as they do not have to rely on any other form of funding. Considered by many to be the preferable choice, not always entrepreneurs can afford it. "Bootstrap" (n.d.) describes the main downsides of this method, such as the dependence on the generated revenue, as there is no other income, and the slower development of products due to the limited financial resources.

Another possible form of funding is a loan but this approach heavily depends on the profile of the inquiring individual. Inexperienced entrepreneurs or starting businesses carry high risk for banks and without constant revenue streams chances of acquiring a loan are very low. Loans in general should be approached with caution as the inability of repaying them most certainly causes distraint of company's possessions.

### **5.4.2 Equity financing**

Equity financing is a method of obtaining capital in exchange for stock, power position, or any other benefit, which suits the investor and the owner is willing to accept. Woodman (2014) points out that such trade is attractive because the debt does not have to be returned immediately but this agreement usually removes some of the control from the owner's hands. Therefore, the right choice of an investor and the final agreement are import since once an investor becomes a shareholder, they have very little motivation to return their share to the owner, especially in the case of a successful company generating revenue. Other benefits are the investor's network, guidance and experience from their field.

Chládek (2017) mentions three main types of investors:

- 1) Business angels – investors from the same field who see potential and closely share their experience and network, usually have smaller share and focus on one particular startup at a time
- 2) Venture capital funds – larger investors interested in successful startups with the aim of expanding abroad, offering significantly larger investments but for the cost of more control taken away from the owners, usually invest into multiple startups at the same time

- 3) Strategic investors – powerful investors who intend to buy the whole company and include their product into their own portfolio

### **5.4.3 Crowdfunding**

Phenomenon of crowdfunding<sup>12</sup> websites emerged only recently as a result of Internet entrepreneurship. These websites serve as places where companies or individuals can raise funds for their ideas from wide public. The main benefit of this method lies in the process of avoiding an investor and obtaining funds directly from customers. There is always a chance for projects to be funded at crowdfunding websites even if investors consider them to be small in scale or not ambitious. Kickstarter crowdfunding website proved to be the prominent way of raising funds from a large number of people and currently has the largest community of backers.

### **5.4.4 Grants**

Grants are a type of financial support which does not affect the ownership of a company. They are usually issued by government or other organization for specific purposes and certain qualifications must be met by the applying company. Additionally, companies must be chosen by the grantors in a transparent pitch (Business Dictionary, n.d.). For the local startups I would recommend researching the website with grants offered by the South Moravian Region (Dotační portál Krajského úřadu Jihomoravského kraje, 2018) and for the owners of startups with innovative ideas I would recommend to take advantage of the European union's project Horizon 2020 which supports small to medium sized startups with innovative solutions (European Commission, 2018).

## **5.5 Fear of failure**

The journey of entrepreneurship is tedious but also rewarding journey. There can be no manual which will work for everyone as each startup company has their own product and their own problems they confront. I would highly recommend participation in entrepreneurial programs as they allow you to meet similarly motivated people and slowly build your own network of contacts. Do not be afraid to ask for help. There are plenty of entrepreneurs out there who are willing to give an advice or brainstorm with you; you are not alone. And most importantly, do not be afraid to fail. No one's first idea was a success.

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<sup>12</sup> The practice of funding a project or venture by raising money from a large number of people who each contribute a relatively small amount, typically via the Internet (*Oxford dictionary of English*, n.d.).

It is more than probable you will bury multiple startup ideas before one launches successfully.

## **6 Conclusion**

The aim of this thesis was to analyze Silicon Valley and find similar ecosystems where entrepreneurship thrives. After the systems and aspects creating the entrepreneurial environment were identified, it was necessary to design a manual which beginner entrepreneurs could use as a theoretical and practical guide on their journey.

The thesis can be divided into two parts. The first theoretical part, consisting of the first four chapters, deals with the technological ecosystems of Silicon Valley, Silicon Wadi and Silicon Brno, and introduces them to the reader. The second part of the thesis is a manual that contains both theoretical and practical information every entrepreneur must learn preceding a startup launch. In this part, multiple events for beginner entrepreneurs in the South Moravian Region are mentioned and recommended since they provide participants with invaluable entrepreneurial knowledge and experience.

Certain parts of the thesis could stand as separate projects and more research could be done due to the variety of topics that were covered. More profound research on the technological ecosystems would allow us to examine additional examples including the technological ecosystems of Tampere and Eindhoven in Europe and Singapore in Asia. The theoretical part briefly described the environmental conditions that stimulate people and change their viewpoint on failure; hence further study could be carried out to discover how the environment changes the perspective on entrepreneurship. Moreover, the chapters dealing with JIC and startup funding could stand separately because of their complexity.

It was never the aim of this thesis to describe all the topics in great detail but rather to give a comprehensive overview for those who are interested in entrepreneurship while lacking the experience and general overview of this field. I attempted to outline various topics that entrepreneurs must know and identify local events that help with the establishment of a startup company in the area of the South Moravian Region and I hope someone will find my recommendations useful.

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