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ANALYSIS OF THE SELECTED COMPANY BY USING THE SELECTIVE METHODS

ANALÝZA VYBRANÉHO PODNIKATELSKÉHO SUBJEKTU POMOCÍ VYBRANÝCH METOD

MASTER'S THESIS

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Ředitel ústavu Vám v souladu se zákonem č. 111/1998 Sb., o vysokých školách ve znění pozdějších předpisů a se Studijním a zkušebním řádem VUT v Brně zadává diplomovou práci s názvem:

Analýza vybraného podnikatelského subjektu pomocí vybraných metod

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Teoretická východiska práce
Analýza problému a současného stavu
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Závěr
Seznam použité literatury
Přílohy

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Vhodně zvolenými metodami strategické a ekonomické analýzy (především PESTEL, Porterův model 5 konkurenčních sil, SWOT analýza) analyzovat
XXX s.r.o.
Na základě výsledků plynoucích z provedených analýz a s přihlédnutím ke specifikům XXX s.r.o. i oboru jeho podnikání formulovat doporučení a navrhnout opatření umožňující zlepšení zjištěného stavu.

Základní literární prameny:

DLUHOŠOVÁ, D. Finanční řízení a rozhodování podniku. 2. upravené vyd. Praha : Ekopress, s.r.o., 2008. 192 s. ISBN 978-80-86929-44-6.

GRASSEOVÁ, M. a kol. Analýza podniku v rukou manažera. 1. vyd. Brno : Computer Press, a.s., 2010. 325 s. ISBN 978-80-251-2621-9.

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RŮČKOVÁ, P. Finanční analýza – metody, ukazatele, využití v praxi. Praha : Grada, 2007. 120 s. ISBN 978-80-247-1386-1.

SYNEK, M. Manažerské výpočty a ekonomická analýza. Praha : C.H.Beck, 2009. 301 s. ISBN 978-8-7400-154-3.

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děkan

Abstrakt

Diplomová práce se zabývá komplexním zhodnocením aktuální situace podniku XXX s.r.o. První část práce teoreticky obsahuje jednotlivé analýzy, které jsou využity v analytické části. Analytická část práce zhodnocuje externí, sektorové a interní okolí firmy. Dále stručně analyzuje finanční zdraví podniku. Na základě provedených analýz s přihlédnutím na specifika podniku jsou formulována doporučení a opatření vedoucí ke zlepšení současné pozice na trhu.

Abstract

This diploma thesis is focused on the complex evaluation of the current situation of the company XXX s.r.o. The first part of the thesis describes the theoretical foundation of selected analyses which are used in the analytical part. The analytical part assesses the external, the sectorial and the internal company's environment. Further, the assignment briefly analyses the company's financial situation. The outcome of the conducted analyses along with the company's specifics formulate proposals and contributions leading towards strengthening the current position on the market.

Klíčová slova

SLEPTE analýza, Porterův model pěti sil, SWOT analýza, Quick test, McKinsey 7 – S, podnik a jeho okolí, stavebnictví

Key Words

SLEPTE Analysis, Porter's five force, SWOT Analysis, Kralicek's Quick test, McKinsey 7-S, enterprise's environment, construction sector

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Statutory Declaration

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In Brno, July 13th, 2017

Bc. Jakub Kouřil

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Content

Content.....	8
Introduction.....	10
1 The objectives and methods of the work.....	11
2 Theoretical foundations.....	12
2.1 Enterprise and entrepreneurial activity	12
2.1.1 Enterprise's objectives	13
2.1.2 Enterprise's external environment	14
2.1.3 Enterprise's life cycle	15
2.1.4 Joint-stock company	16
2.2 Enterprise's environmental analysis	17
2.2.1 Macro environment.....	17
2.2.2 Industry Environment	19
2.2.3 Internal environment - McKinsey 7-S	23
2.2.4 SWOT analysis	24
2.2.5 TOWS matrix.....	25
2.3 Financial analysis	25
2.3.1 Kralicek's Quick Test	25
3 Current analysis situation	27
3.1 Company characteristics.....	27
3.1.1 History.....	29
3.1.2 Organization structure.....	29
3.1.3 Classification of the company.....	31
3.1.4 Differences in construction sector	31
3.2 Macro environment	32
3.2.1 SLEPTE	32
3.2.1.1 Socio-demographic factors	32
3.2.1.2 Legal factors.....	37
3.2.1.3 Economic factors	38
3.2.1.4 Political factors	44

3.2.1.5	Technological factors.....	46
3.2.1.6	Environmental (Ecological) factors	47
3.3	Industry Environment.....	48
3.3.1	Porter’s Five Forces	48
3.3.1.1	Rivalry among existing competitors	48
3.3.1.2	Bargaining power of buyers.....	51
3.3.1.3	Bargaining power of suppliers	52
3.3.1.4	Threat of substitute products.....	54
3.3.1.5	Threat of new entrants	55
3.3.1.6	Porter’s five forces summary	55
3.1	Internal Analysis.....	56
3.1.1	McKinsey 7-S Analysis	56
3.1.1.1	Strategy	56
3.1.1.2	Structure.....	57
3.1.1.3	Systems	57
3.1.1.4	Style	58
3.1.1.5	Staff.....	58
3.1.1.6	Skills	59
3.1.1.7	Shared Values	59
3.2	Financial analysis.....	59
3.2.1	Kralicek’s Quick Test applied on XXX.....	59
3.3	SWOT Analysis.....	62
3.3.1	Strengths	62
3.3.2	Weaknesses	63
3.3.3	Opportunities.....	63
3.3.4	Threats.....	65
4	Proposals and contribution	67
	Conclusion	71
	References.....	72
	List of Figures.....	81
	List of Appendixes	83

Introduction

The market-oriented economy offers the environment full of immense opportunities for all individuals. Such as establishing a new business, expanding the current business and many others. At the same time, this pulls up the quality of delivered products and services. Consequently, it results in the raising severity of competition. Therefore, in many cases, companies do not remain unresponsive. They seek solutions for retaining their position on the market and gaining a competitive advantage. Other significant factors are industry specific. It is necessary to take them into account as well. In particular, the construction sector has recently shown dynamic evolvement. The sector has witnessed the introduction of new esthetical trends, materials, technologies and others. Given all these facts, the analysis for a company is required for any valuable recommendation and strategy. The analysis points on upcoming challenges, opportunities, weaknesses and strengths. Moreover, it is a starting point for any strategic planning.

The topic of this thesis, Analysis of the selected company by using the selective methods, is exceptionally actual and needed for any organization. The company environment is investigated with selected methods focusing on distinct parts. The used methods assess the performance using various techniques, indexes and indicators. All of them have theoretical foundations. The main thesis investigation centers on improving the company's current performance. The results from the investigation shed light on specific proposals and recommendations. The outcome could be used completely as an inspiration for the company's management; however, it is recommended to consider their implementation in the future business strategy.

The investigated company in this thesis is XXX, s.r.o. The company is a construction company located in the South Moravian Region. The company focuses its activities on all areas of construction, including residential and commercial development. Although the company has a strong position in the regional market, the constant improvement of its performance is vastly desired by the XXX's management.

1 The objectives and methods of the work

This diploma thesis analyses the selected company by using the selective methods. It is widely agreed that this topic tend to be very actual and needed for every active company on the market. The analyses enable to reflect the company's previous performance, a point on its strengths, weaknesses, threats, and opportunities. It is possible to focus analyses both on the particular area and the overall performance. Analyses shape the future strategy of the company and forecast further development scenarios. Professional literature presents various tools, methods, and ratios for analyzing the performance.

The reflection of performance is more important during the crisis period. Currently, the construction sector is recovering from the recession caused by the lack of state investment and the end of the EU funds program period funds. Although the Czech economy has grown in the previous years. The issue is closely related to the observed company XXX since XXX operates within the construction sector.

The aim of this thesis is to evaluate the performance and the position on the market of XXX s.r.o. On the theoretical foundation, the selected analyses investigate the latest company's external, sectorial and internal position and the financial performance. The conducted analyses will point on possible proposals strengthening the XXX's position on the market. The final proposals could be implemented in the XXX's strategy or provide inspiration for the further business activity.

The thesis starts with a critical analysis of the macro environment examined with SLEPTE analysis. Narrowing the analysis, the industry environment is tackled through Porter's five forces. Subsequently, XXX's internal environment is investigated with McKinsey 7 – S and financial situation with Kralicek's Quick test. All gathered information enters in SWOT analysis. Ultimately, the last part presents proposals resulting from the previous critical analyses.

2 Theoretical foundations

This section provides the theoretical frame for the analysis of the current situation in the selected company.

2.1 Enterprise and entrepreneurial activity

An enterprise, or a company, is a registered society or organization of individuals with designed purpose. An enterprise is defined as a set of tangible, intangible and personal components serving for entrepreneurial activity. Every enterprise contains objects, rights, and assets belonging to an entrepreneur. The mentioned elements are used to run a business, or their nature serves for a business purpose (Synek, 2010).

An entrepreneurial activity, or a business activity, is understood in section 420 of the Civil Code, 89/2012 Coll. Act., as “person who, on his account and responsibility, independently carries out a gainful activity in the form of a trade or a similar manner with the intention to do so consistently for profit is considered, regarding this activity, to be an entrepreneur.” The activity strives for profit making and fulfilling customers’ needs, while the activity is conducted with acceptable risk level (Synek, 2010).

The Civil Code deems an entrepreneur as an individual (natural or legal) who meets formalities related to legal requirements and is recorded in the Commercial Register. According to Martinovičová (2006), a successful entrepreneur has features corresponding with high qualifications, proficiency, know-how and systematic goal-minded ambition. Similarly, Synek (2010) adds that an entrepreneur is perceived as a person who has a strong personality with charisma and the ability to lead and manage.

The Czech legislation, 90/2012 Coll. The act permits several principal forms of doing business, such as the Sole proprietorship, partnerships, incorporated entities or not-for-profit corporation. Also, Enterprises are classified into different categories varying by size, some employees, predominate factor of production, a sector where it operates and others (Martinovičová, 2006).

2.1.1 Enterprise's objectives

An enterprise is used as a medium for the production of products and providing services to their customers. Moreover, an enterprise (commercial) was founded with the aim to generate money. An effectivity of generating money is presented on the company's value which should have the increasing trend (Kislingerová, 2007). Shareholders attempt to the maximization of the company's value because it maximizes their wealth. In other words, maximization of company's value is the main objective of entrepreneurial activity. Other objectives are related to interested groups. We recognize shareholders, employees, management, suppliers, customers, state, municipalities, debtors, and creditors. The groups, presented in figure 1, have a different relationship defending its interests, although they all want a long-term prosperous company. As a result, they all influence enterprise's objectives; however, in a different manner (Kislingerová, 2007; Martinovičová, 2006; Synek, 2010). Those objectives should be specific, measurable, acceptable, realistic, time-based. Moreover, they should be classified based on agreed criteria; importance, time frame, sources demanding and so forth (Němeček and Zich, 2004).

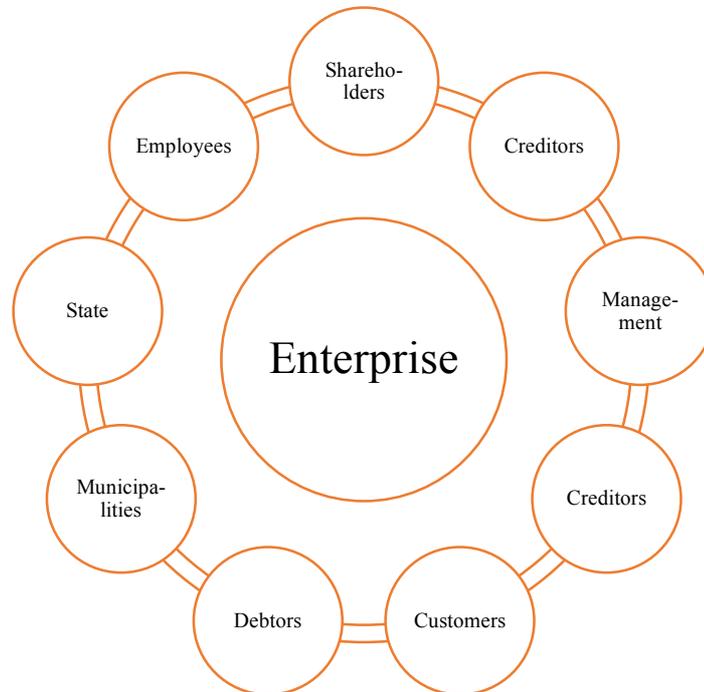


Figure: 1 Interested groups in the enterprise environment (Source: Synek, 2010)

2.1.2 Enterprise's external environment

Every enterprise's environment is composed of the internal and external part, where the internal part is related to company's inner environment and external to outer forces. An enterprise belongs to the specific external environment since it is established. The outer environment is comprised of geographical, social, political, legal, economical, ecological, technological, ethical, cultural and historical environments. Each environment has a specific degree of influence on a company due to its business activity. Therefore, a company interacts differently with each environment. At the same time, these environments bring remarkable opportunities, restrictions, and threats. A company cannot influence the environmental forces. It rather accepts, respects them and adjust its sources with the aim to achieve the best possible performance in prevailing conditions. A quick adaption on prevailing or new subjects could lead to the gain of a competitive advantage. However, a company needs to monitor and precisely analyse current environment and its trends actively. The author presents several analytical tools for environmental analysis as shown below (Martinovičová, 2006; Synek, 2010). Figure 2 illustrates how the external environments affect an enterprise.

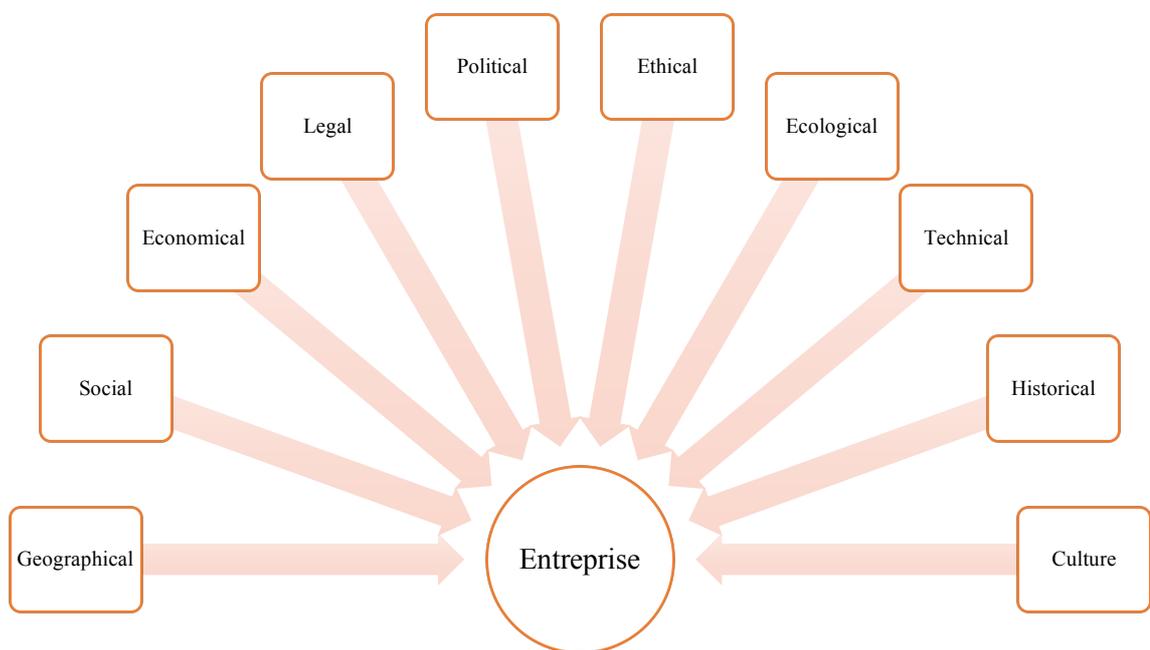


Figure: 2 Parts of the company's external environment (Source: Synek, 2010)

2.1.3 Enterprise's life cycle

Martinovičová (2006) and Synek (2010) describe that once an enterprise is established, an ambiguous journey starts. The market driven economy steadily causes that companies are established and ceased to exist at the same moment. An enterprise goes through specific phases with different duration and intensity. Namely introduction, growth, maturity, decline, and demise.

Starting with the introduction phase, the phase is characteristic with a company establishment, such as a selection of its legal form, calculating a business plan, meeting mandatory requirements, the slow start of business, setting up internal processes and others. When the features are completed in the introduction phase, a company is ready for exploiting the commercial opportunities. The following phase of growth consists in the expansion of production volume, the revenues growth, an extension of company's activities and continuous innovation. External and internal sources can significantly contribute to growth because investments grow faster than depreciation and amortization. The third phase is introduced when the growth of investments slows until it is equivalent to capital expenses, the business activities are stabilized, and the size of the business is considered as optimal for market conditions. A company has a tendency to maintain actual conditions and stability related to internal and external environments. The last, decline, phase brings adverse development of a market share, liquidity, and other indicators. The business is threatened if the negative situation prevails. It leads to the demise of the company in the final consequence. Although Martinovičová (2006), Vochozka and Mulač (2012) and Synek, (2002) illustrate five main phases in their books, Levitt (2017) adds another phase, before the demise phase, the regeneration phase. In this phase, a company strives for a new lease of life through internal or external "regeneration." For instance, a company can look for a new partner to merge with or redefine the management of own sources and efforts. The phases are presented in Figure 3.

It is worthy of noting that some companies never go through all phases since managers focus all efforts on long-term stable performance. They promptly respond to business challenges. Furthermore, all phases have a different duration in different industries and are highly specific in every company (Vochozka and Mulač; 2012).

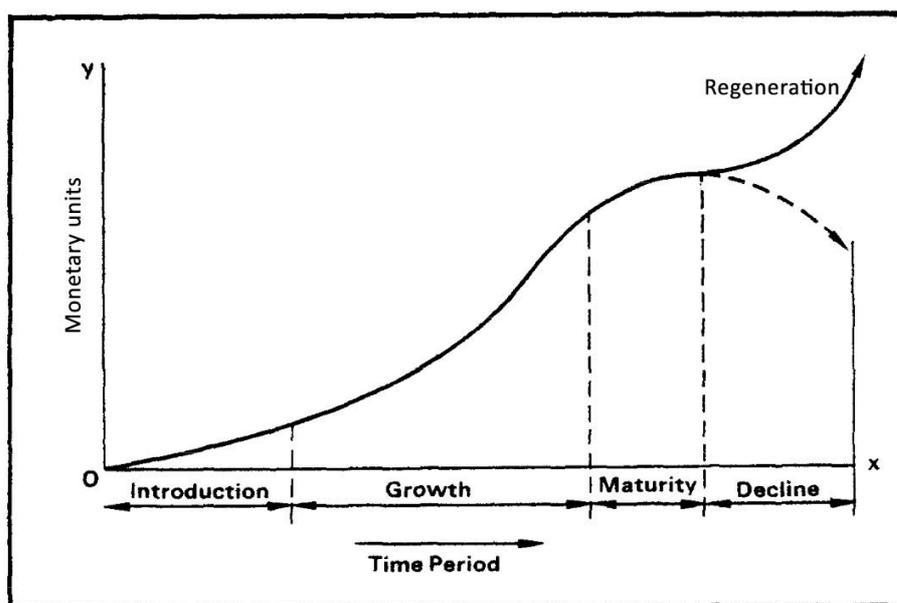


Figure: 3 Company's life cycle (Source: Synek, 2010; Levitt, 2017)

2.1.4 Joint-stock company

The XXX company for the analysis is the joint-stock company. Thus the author briefly describes characteristic of this business entity based on the Czech legal regulations.

The lowest number of founders	One individual (legal or natural)
The highest number of partners	Unlimited
The lowest volume of registered capital	2 000 000 CZK or 80 000 EUR
Founder's documents	The articles of association
Statutory authority	The board of directors
Control authority	The supervisory board
Executive authority	The general meeting
Liability for company's obligations	Shareholders do not have a liability obligation. However, the joint-stock company is liable with the entire property.

Table 1 Joint-stock company specifics (Source: 90/2012 Coll. Act., Business Corporations Act)

Another characteristic feature of the joint-stock company is a share. The share is a security to which rights enables to its shareholder to participate in the management of the company. The Czech legal system deems distinct types of shares with certain rights (Akciovaspolecnost.com, 2017).

The significant constraint represents the separation of ownership from company's management and control. Unlike shareholders, who want to the company to maximize the value of their shares, management wants to maximize their reward, the profit maximization. For example, in the extreme consequence, this issue can influence some investments in innovation.'

2.2 Enterprise's environmental analysis

An enterprise takes part in the complex environment composed of its competitors, interested groups and other forces resulting from the environment. All involved parties defend their interests, and it influences the company's position within the market. Therefore, a company should beware of opportunities and threats arising from the market. Their successful prediction and adaption can lead to a competitive advantage and an effectivity improvement. Inversely, they can worsen the company's position on the market, if a company remains inactively. Consequently, an enterprise should constantly monitor, assess and understand forces arising from the market with the aim to keep health performance (Grasseová, Dubec, and Řehák, 2010).

A company can use various tools for the environmental analysis. Usually, a company starts with an assessment of the external environment than goes narrower to the industry environment and ends up with evaluation of the microenvironment. Predominantly, the knowledge gained from analyses enters in the SWOT analysis. The same approach is kept in this work (Ryan, 2008).

2.2.1 Macro environment

A macro environment contains external factors that a company cannot directly control. Instead a company should manage those external factors in a way to benefit from them. The factors are **s**ocial, **l**egal, **e**conomic, **p**olitical, **t**echnological. The bold first letters make an abbreviation of the name of analytical tool used for an external environment analysis, SLEPT or PESTL. The principle of both analytical approaches is the same; however, the analysed factors are in different order. They are in accordance with the order of first letters. Also, PESTL and SLEPT analysis incorporating recently added factor – ecological, is called SLEPTE or PESTLE. The afore-mentioned factors affect every company differently with a distinct intensity. Hence, the main purpose of the analysis is to identify the external factors and understand how they can affect the company in further

development. The author has chosen SLEPTE analysis for the analysis of external environment (Grasseová, Dubec and Řehák, 2010; Marmol, Feys and Probert, 2015).

SLEPTE analysis

To start with **socio-demographic factors**, these factors analyse and identify trends in societies. Their beliefs, literacy, behaviours, values and norms. Furthermore, it analyses the average age of citizens, trends in population growth at relevant ages or the shift from rural areas to cities and other factors related to socio-demographic issues (Grasseová, Dubec and Řehák, 2010).

Legal influences analyse the ease of doing business, employment laws, international trade restrictions, customer protection and so forth. The aspects are examined from a legal perspective in a chosen country. Most importantly, legal needs must be complied by a company.

Economic factors identify trends related to macro economy such as the rate of unemployment, gross domestic product, average income, inflation, exchange rates, interest rates, cost of labour, economic growth and trends in a specific industry.

Political influences are closely linked with legal influences; however, they are not mandatory and a company can influence them up to a certain level through a lobby activity. The analysis investigates planned changes in global trends of adopted policies. When the election is approaching, a company assesses possible impacts on industry.

Technological factors include assessment of technology infrastructure, rate of new inventions and development, changes in the application of technology and uptake of technology.

Ecological influences, also environmental influences, have been important in recent years. They include issues related to waste management, amount of disposable natural resources, ecological threats, environmental questions, climate conditions, environmental protection, recycling procedures (Grasseová, Dubec and Řehák, 2010).

When a company carries out the analysis, it should be focused on aspects which are related and important for the industry where the company operates. Moreover, Grasseová, Dubec and Řehák (2010) recommend to examine factors in longer time perspective rather than single snapshots. In other words, the evolvement of considered factors can reveal

new information. All aspects represent threats and opportunities in the company's further development.

2.2.2 Industry Environment

An industry environment investigates a narrower analysis of the environment in comparison with macro analysis. It considers the closer competitive environment, future development and possible constraints on the industry level (Grasseová, Dubec, and Řehák, 2010).

Porter's five forces

Porter's five forces model is used as a framework for analysing the level of competition within the industry. The five forces examine:

- rivalry among existing competitors,
- bargaining power of buyers,
- bargaining power of suppliers,
- threat of substitute products,
- threat of new entrants.

The aggregative effect of forces and their intensity point on the intensity of rivalry within an industry (Porter, 1998). The diagram of Porter's five forces is given below in figure 4.

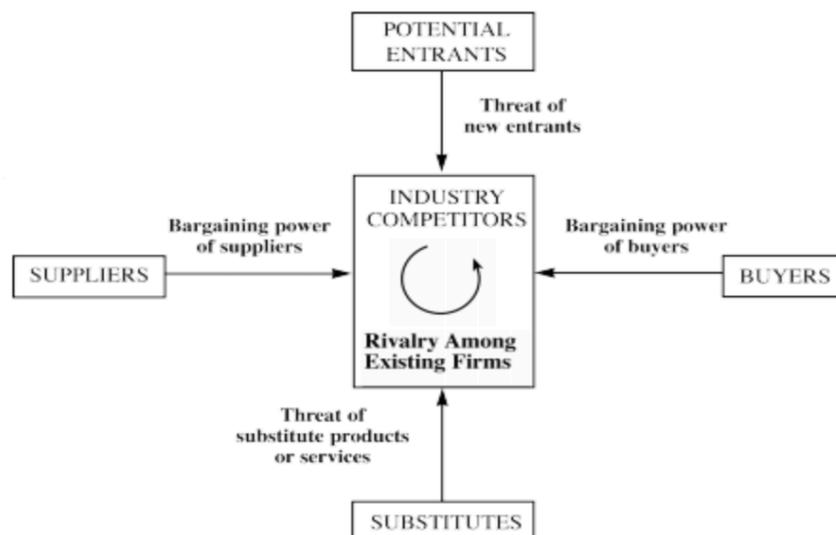


Figure: 4 Porter's five forces diagram (Source: Porter, 2008).

Rivalry among existing competitors is often the strongest force which shapes the overall competitive structure of the industry the most. If the rivalry among competitors is fierce, competitors behave aggressively and try to take profit and market share from one another. It reduces profit potential for all players within the industry. In opposite, the low intensity makes the industry less competitive. Factors influencing the intensity of rivalry are following:

- Some competitors demonstrate the intensity among competitors. If the industry consists of numerous competitors, the rivalry is more intense.
- The size of competitors and their market share. The intensity increases in the industry, where competitors are of equal size and market share.
- The growth rate of the industry, if industry growth is slow, the intensity of rivalry will be high.
- The volume of necessary fixed costs. If the industry requires high fixed cost, the competitive rivalry will be intense.
- The level of product and service differentiation. When the industry's products are undifferentiated, the rivalry will be intense.
- Brand loyalty and the volume of switching costs. If consumer switching costs are low and brand loyalty is insignificant, this will intensify industry rivalry.
- Possible excess of production capacity. An industry with excess production capacity will have greater rivalry among competitors.
- The height of exit barriers. The high exit barriers will cause the intensity of rivalry among industry firms (Grasseová, 2010; Porter, 2008).

Bargaining power of buyers influences the business attractiveness. High buyer's bargaining power is projected on the pressure that can exert on businesses. Thus, the businesses are forced to provide higher quality products, better customer service, and lower prices. The analysis is conducted from the seller perspective. Strong buyers can pressure sellers to lower prices, improve product quality, and offer more and better services and vice versa. These things represent costs to the seller. Subfactors are following:

- Buyer's concentration. If the number of buyers exceeds the number sellers on the market, buyer power is low.
- The volume of switching costs, the cost of switching from one seller's product to another seller's product. If they are high, the bargaining power of buyers is low.
- The threat of backward integration is high when buyers can easily backward integrate the bargaining power of customers is high.
- High buyer's price sensitivity regarding the product, buyers power is high.
- The level of product differentiation. When the product is undifferentiated, the buyer's power is strong.
- Volume of possible purchases. If buyers have an option to buy the large volume of product, it enforces their power (Grasseová, 2010; Porter, 2008).

Bargaining power of suppliers refers to the pressure suppliers can exert on businesses by raising prices, lowering quality, or reducing the availability of their products. All this represent costs to the buyer. The industry analysis is conducted from the buying firm perspective when analysing supplier power. The supplier's power affects the competitive environment for the buyer and influences the buyer's ability to achieve profitability. Determinants are following:

- Volume of suppliers. Few suppliers and many buyers result in the high power of suppliers.
- Buyer switching costs. If the buyer can easily (with low costs) switch the supplier, the supplier's power is low.
- Threat of forwarding integration. If suppliers can easily begin to produce the buyer's product themselves, their power is high.
- Price sensitivity. Supplier power is low when the buyer is price sensitive.
- The level of product differentiation. Supplier bargaining power is high if the supplier's product is highly differentiated.
- A portion of supplier's sales. If buyers represent a large portion of the supplier's sales, the bargaining power of suppliers is low.
- Volume of substitutes. If many substitute products are available in the marketplace, supplier power is low (Grasseová, 2010; Porter, 2008).

The threat of substitute products represents the level of available products that are very similar or equivalent to the industry's product. Therefore, the consumer can decide which one buy. The threat of such a purchase limits the revenues. The substitute's price and technology monitoring are highly recommended. Their excessive availability can make the industry more competitive and decrease potential profit. Factors influencing the threat are following:

- Consumer switching costs. If the switching costs are low, the threat of substitutes represents a high risk.
- The price of the substitute product. If the substitute product is cheaper than industry product, then a threat of substitutes high risk is the case.
- The quality of substitute product. The threat of substitutes is low if substitute product quality is inferior to industry product quality.
- Substitute functionality and performance. If these features of the substitute product are equal or superior to the industry's product, the threat is high (Grasseová, 2010; Porter, 2008).

The threat of new entrants refers to the threat new competitors enter an industry. It causes challenges in achieving the desired profit to existing firms. Also, new entrants threaten the market share and make the industry more competitive. The threat increases when entry barriers are low. Barriers to entry are factors or conditions in the competitive environment of an industry that make it difficult for new businesses to begin operating in that market. The threat increases, when:

- The proprietary technology and materials are not an issue;
- Government policy is not an issue;
- Profitability does not require the economies of scale;
- Location and accessing distribution channels is easy;
- Initial capital investment is low;
- Products are undifferentiated;
- Brand names are unknown (Grasseová, 2010; Porter, 2008).

To conclude, the results will not always be straightforward. Thus, it is suggested to consider all possible nuances of the analysis and the circumstances of the given industry or firm when using gathered data to evaluate the competitive structure.

2.2.3 Internal environment - McKinsey 7-S

McKinsey is the tool for analysing company's organizational design by looking at seven key internal elements. Strategy, structure, systems, shared values, style, staff, and skills. The tool was developed by consultants in the company called McKinsey in 1980. All elements help to management to understand and to identify if they are effectively aligned and enable the company to achieve its objectives. The elements are interconnected and together form complex insight into the company's structure. At the same time, each factor has a different importance; hence, it requires an individual examination. Furthermore, these elements are categorized as either "hard" and "soft" elements. To start with, the "hard" elements are easier to identify, and management can directly influence them. They are strategy, structure, systems. To continue with, the "soft" elements, in the opposite, can be more difficult to describe. Culture and less tangible more influence them. They have shared values, skills, style, staff (Shekhar, 2010; Witcher and Chau, 2010).

- Strategy – This part defines the company's long-term and articulated goals. Also, it includes a plan leading towards the achievement of the competitive advantage over the competition. The strong strategy is reinforced by strong vision, values, and mission. The long-term strategy should be aligned with other elements.
- Structure – It represents the way the organization is structured and who is accountable to whom. It is one of the most visible part and easy to change.
- Systems – This term includes processes and procedures within the company. It relates to business' daily activities and decision-making. Systems are the area of the firm that determines how business is done and it should be the main focus for managers during organizational change. For illustration, it comprehends managerial information systems, communicating tools and others.
- Style – It is the management style of the senior management team. Its interactions with employees and undertaken actions create a perception of them.
- Staff – This feature refers the company's employees and their capabilities. It deals with their competencies and how many employees a company will need. Also, it

involves the staffing strategy and the way how they will be recruited, trained, rewarded and motivated.

- **Skills** – This element includes the abilities, capabilities, and competencies that company’s employees perform very well. While a company considers an organizational change, needed skills should be included and reinforced in a new strategy.
- **Shared Values** – Shared Values, or superordinate goals, are the core values of the company that is evidenced in the corporate culture. They are the standards and norms that guide employee behaviour, fundamental ideas, and actions. An organization is built around them (Shekhar, 2010; Witcher and Chau, 2010).

2.2.4 SWOT analysis

One of the most fundamental methods which can assist in analysing a company’s strategic position is SWOT analysis. It undertakes a review of a company’s strengths, weaknesses, opportunities, and threats (SWOT). The analysis allows a free-ranging review of the internal and external factors which determine the probability of a business success. The internal factors are combined with strengths and weaknesses. They relate to matters concerning company’s resources, programs, and organization in key areas. In opposite, threats and opportunities have a tendency to come from the external environment. Namely competitors, industry trends, environmental factors and others. It enables the analyst to form a judgement about the appropriate strategic balance.



Figure: 5 SWOT analysis (Source: En.wikipedia.org; 2017)

SWOT analysis gathers all executed company's analysis, including PESTLE, Porter's Five Forces, Fundamental and Financial analysis. It is not necessary to solve all weaknesses, exploit all strengths, manage all threats and use all opportunities. A company can assign the importance weight to each point and focus on the most relevant elements. Based on SWOT analysis, a company considers the strategic, tactical and operational decision. (Ryan, 2008). Figure 5 presents the formal structure of SWOT Analysis.

2.2.5 TOWS matrix

The acronym TOWS helps with the strategic choices that a company faces. It is closely related to SWOT Analysis, and it purposes options which a company can pursue. The matrix matches external opportunities and threats with internal strengths and weaknesses, originating from SWOT Analysis (Koontz and Weihrich, 2015). It draws alternative strategies, as illustrated below:

- SO (Maxi-Maxi) strategy uses strengths to maximize opportunities.
- ST (Maxi-Mini) strategy, takes advantage of strengths to minimize or avoid threats.
- WO (Mini-Maxi) strategy uses opportunities to overcome experiencing weaknesses.
- WT (Mini-Mini) strategy minimizes weaknesses and avoids threats (Koontz and Weihrich, 2015).

2.3 Financial analysis

2.3.1 Kralicek's Quick Test

This financial test enables to "quickly" assess and classify the company's performance. The test is composed of distinct financial ratios, considering liquidity, rentability, stability, and profitability. The fundamental assumption for the validity of resulting values in the Quick test is that all inserted indicators must be accurate without any disturbing influences (Sedláček, 2011). Quick Test includes following indicators:

$$\text{Shareholder equity ratio} = \frac{\text{Equity}}{\text{Total assets}}$$

- Shareholder equity ratio informs about some assets on which shareholders have a residual claim. Also, it indicates the level long-term financial stability and the level of independence.

$$\text{Indebtedness} = \frac{\text{Current} + \text{Non current liabilities} - \text{Cash and Cash equivalents}}{\text{Operating CF}}$$

- Indebtedness represents the necessary period (expressed in years) for paying all company's obligations.

$$\text{Financial efficiency} = \frac{\text{Operating CF}}{\text{Revenues}}$$

$$\text{Profitability (ROA)} = \frac{\begin{matrix} \text{EBIT} \\ \text{or} \\ \text{EAT} + \text{interests} \times (1 - \text{tax rate}) \end{matrix}}{\text{Total assets}}$$

Financial efficiency and profitability (ROA) assess the stability of revenues. The first two indicators characterize the financial stability of a company. The resulting values are assigned to the rating scale, presented with bolted numbers in Table 2. Consequently, the final number is calculated as the arithmetical average of part numbers (Ručková, 2007; Sedláček, 2011).

		Shareholder equity ration	Indebtedness	Financial efficiency	ROA
		%	Years	%	%
1	Excellent	>30	<3	>10	>15
2	Very good	>20	<5	>8	>12
3	Average	>10	<=12	>5	>8
4	Poor	<=10	>12	<=5	<=8
5	Threat of Insolvency	<0	>30	<0	<0

Table 2 Scale of value in the Kralicek's Quick Test (Source: Sedláček, 2011)

3 Current analysis situation

3.1 Company characteristics

This section is dedicated to the partial presentation of the company XXX s.r.o. Due to respecting the company's anonymity.

The company XXX s.r.o. is located in the South Moravian Region with the business activities focused on all areas of construction, including residential and commercial development which assigns XXX s.r.o., the significant market position in the region. Its construction activities are ensured with own capacities, including the company's subsidiaries, and professional subcontractors. Table 3 presents the basic characteristic of the company.

Name	XXX s.r.o.
Type of Business Entity	Joint-stock company
The day of registration	01. 06. 1996
I.N.	65279711
Domicile	Brno
Basic Capital	(92,5 mil Czk)

Table 3 Basic characteristics of XXX s.r.o. (Source: Internal company resource, 2017)

Even though the core business activity is directed to the industrial, civil and residential construction, the company runs the associated products and services. The associated products and services include the production of construction timber, production of the euro windows and the atypical furniture, providing formwork and scaffolding for rent, running the municipal waste dump, metalwork and operating a biogas plant. XXX uses for its activities several trade licences that are presented in the following table 4.

XXX s.r.o. has gained several certificates and awards. The first certificate ČSN EN ISO 14001:2005 proves that company abides by the requirements of the environmental management. The second certificate ČSN EN ISO 9001:2009 certifies the company's quality management competence. The third certificate ČSN OHSAS 18001:2008 verifies that XXX complies the management of occupational safety and

health. Moreover, XXX has gained the Certificate of Facility Security Clearance issued by the National Security Authority of the Czech Republic. This certificate allows participating in public tenders with a confidential status. Finally, some buildings constructed by the company have repeatedly been awarded in the competition for best Building of the Year (Berendsen.cz, 2017; IMP net s.r.o., 2017; Nbu.cz, 2017; NETservis s.r.o., 2017).

List of trade licences
Activity of financial advisors, bookkeeping and tax records
Business in the hazardous waste management area
Construction of residential, commercial and industrial buildings
Engineering activities
Geodesic activities
Installation, repairs, revisions, and testing of the gas and electrical equipment and filling gas tanks
Installation, repairs, revisions and testing the lifting equipment
Locksmithing, toolmaking
Plumbing, heating engineering
Production, trade, and services not specified in Annexes 1 to 3 of the Czech Trade Act
Project activity in construction
Realization of monolithic concrete structures
Repairing road vehicles
Road Haulage - domestic and international

Table 4 The list of trade licences obtained by the company (Internal company resource, 2017)

Company's main field of its business activity is centred on the South Moravian Region with insignificant extension to surrounding regions. Currently, it is also operating in Prague. The management states that they do not actively seek business opportunities in other regions than the South Moravian Region. Figure 6 shows the intensity of the company's operation in last years. The XXX's headquarter, located in Brno, has an advantageous location for the management of its business activities in the region. In the case of operation outside the South Moravian borders, it manages the business activities

through cooperation with business partners and the sub-suppliers' management. It does not employ its workers in other regions due to the increasing overheads and travel costs.

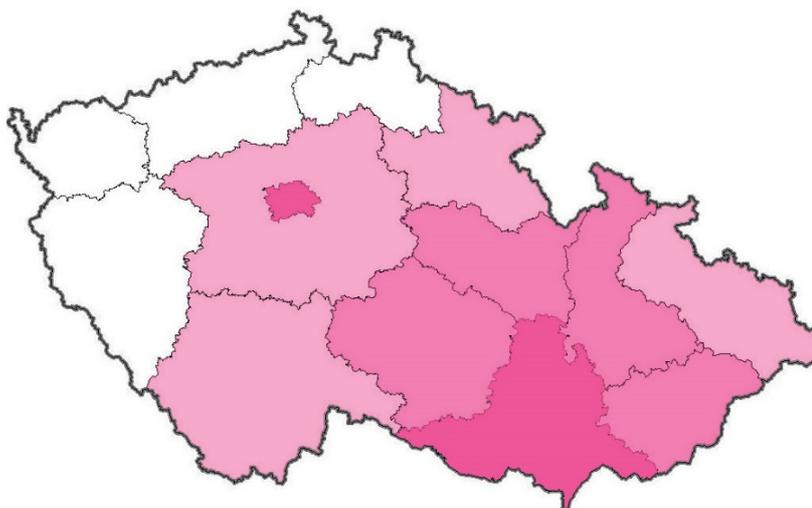


Figure: 6 The intensity of company's business activity in last years (Source: Internal company resource, 2017)

The company owns two subsidiaries. Both subsidiaries focus their activities on the XXX's development projects. XXX is their general supplier.

3.1.1 History

The company roots are traced back to the early post-revolution period. The legal predecessor of XXX s.r.o. was a state-owned enterprise (SOE). Later, the SOE was privatized by the limited liability company XXX s.r.o. In 1996, the company changed the type of legal entity to a joint-stock company. Since the last conversion, XXX s.r.o. has not made any transformation of the legal form.

The company has financially participated in several subsidiaries focusing on various business activities ranging from development projects to manufacturing companies. Nowadays, XXX s.r.o. financially participate in the two subsidiaries directing their activities on the development projects.

3.1.2 Organization structure

The general meeting composed of the company's owners represents the executive authority. Members in the general meeting elect the company's statutory authority represented by the executive board. Consequently, the elected executive board select

the general director. The company's activities are supervised by the control authority executed by the supervisory board. The company's core is by the Czech legislation.

The general director manages the directors responsible for the management of the company's departments directly. The company's departments are following; sales, economic, technical, investment and production. The production department is composed of the four divisions focusing construction activities on different geographical areas and the two divisions providing additional services. Moreover, the general director directly manages and interacts with the quality manager, the company's layer, and its assistant and personalise in the one person. All firm's departments share the same location in Brno, although they operate within the Czech Republic. Figure 5 illustrates the company's structure (Internal company resource, 2017).

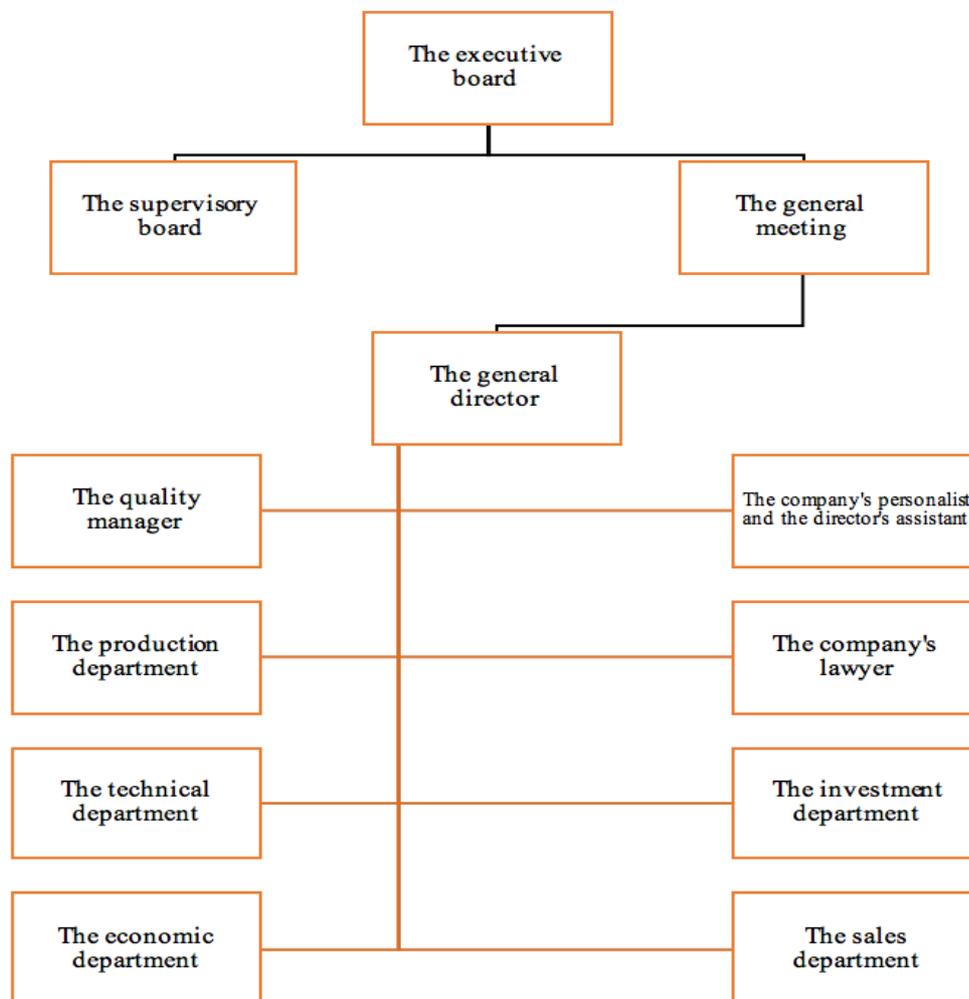


Figure: 7 'The organization structure of XXX s.r.o. (Internal company resource, 2017)

3.1.3 Classification of the company

The company is fulfilling the all three characteristic criteria for the medium-sized company, according to the standard set by European Commission. XXX s.r.o employs more than 50 and less than 250 employees. The turnover and the value of total assets steadily exceed 10 millions of Euro. On the Czech Accounting Act (No 536/1991 Coll.), the company also belongs to the group of medium-sized companies. Table 5 presents achieved results corresponding with mentioned criteria for SME's characteristics.

	2015	2014	2013	Unit
Number of employees	134	137	151	Person
Turnover	22,5	19,6	16,5	Millions of Eur
Total assets	17,0	14,4	14,5	Millions of Eur
Total assets	460	388	393	Millions of Czk
Turnover	607	530	445	Millions of Czk

Table 5 XXX's performance in 2013-2015 (Source: Internal company resource, 2017, The currency conversion CZK/EUR on the 16th of March 2017)

According to the legal form identification, the company is identified as the joint-stock company. On the business typology considering the type of sector and industry, XXX s.r.o. is classified as a private company providing business within the secondary and industry sector.

3.1.4 Differences in construction sector

The Czech construction sector plays a crucial role in the Czech economy. Construction sector includes various activities ranging from construction, reconstruction, repair and maintenance of buildings and structures to exploratory, project and preparatory work necessary for a building realization (Synek, 2010).

In opposite to an industrial production, the construction sector has few peculiarities which influence economic performance in the industry.

- “Production is mobile; the product is static.” Every construction site usually has a trailer(s), containers and some facilities which are moved to another site, when the work, or building, is finished.

- Piecework. The prevailing majority of constructed objects are unique. Therefore, every object has unique project documentation, budget, schedule, and workflow.
- Long construction cycle. The whole construction process is divided into numerous phases. The entire process can exceed a few years.
- The composition of the competition. The construction market nourishes the small number of big and medium enterprises and many small enterprises. Small enterprises often supply or deliver their services to those big players.
- Dependence on climatic conditions. Several constructing actions (concreting, roofing work, etc.) can be conducted purely during the specific climatic conditions. This restricts the production during the winter season.
- Machine work and production facilities are diverse. The building process is an interplay of numerous heterogeneous actions. Every phase uses different tools, machines, and material. Also, phases are linked to each other; therefore, the building manager needs to schedule all actions in order carefully and then coordinate them. (Synek, 2010)

3.2 Macro environment

3.2.1 SLEPTE

3.2.1.1 Socio-demographic factors

The Czech area hosted approximately 10,54 million of the Czech citizens at the end of 2015, one tenth of them lived in the capital city. The number increased by 20 thousand from the previous year. The total increase has been primarily caused by the net migration in recent years, as the Appendix A – 1 shows. The positive net migration demonstrates the greater number of immigrants than emigrants. The Czech natural increase has been rather stagnating in recent decades. For detailed information, please, see Appendix A – 1. please. Figure 8 presents the population evolvment.

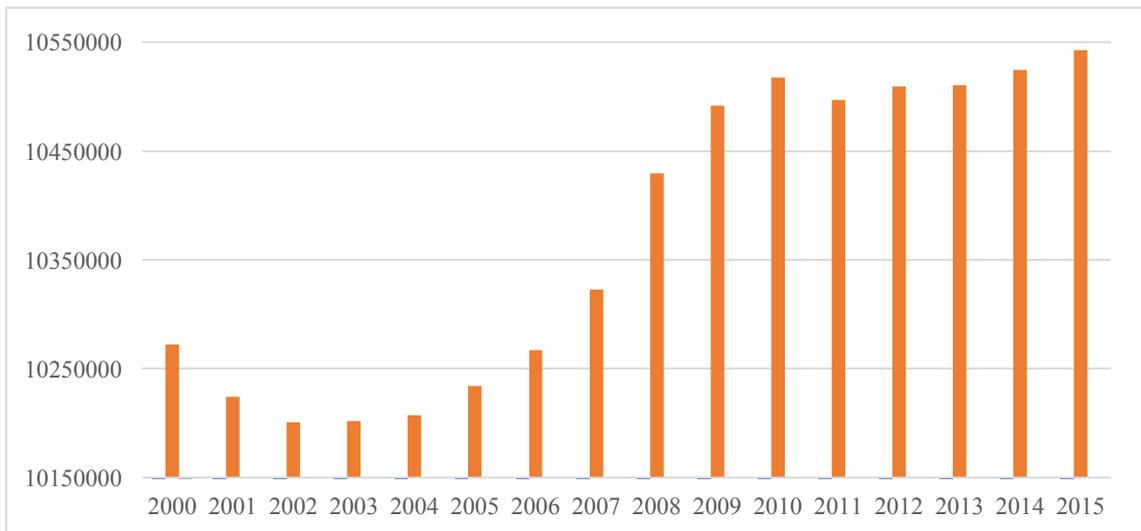


Figure: 8 The total number of the Czech citizens, yearly values, 2000-2015 (Source: Czso.cz, 2017a)

The current average life expectancy was 75,8 years for men and 81,4 years for a woman in 2015. The average Czech citizen was approximately 42 years old in 2015 (Czso.cz, 2017c; Novinky.cz, 2016). The evolution of life expectancy is presented in the appendix A – 2. This demographical change will cause a change in demand requirements. The change will be displayed in the construction sector as well. For instance, the demand will ask the barrier-free entrance, adequate size of bathrooms and others.

In opposite to the national situation, the South Moravian region has witnessed constant growth lately. In 2015, the region had 1,17 million inhabitants. The growth has been caused mainly by the positive migration from abroad and other Czech regions. The data are given in figure 9. Almost the one-third of inhabitants lived in Brno, the regional city. The region has registered ageing population, since 1991. Although the average age grew by 5.3 years (to 42 years), the birth-rate was the third highest among the Czech regions. Also, the average life expectancy has grown since 1996, a man in average live 76.32 years and woman 82.22 years, both numbers above the national standard (Český statistický úřad, 2016).

The active workforce has grown up to 5,04 million on the Czech territory in 2015. An interesting trend represented the number of the workforce employed in construction because it has decreased. The previous values are given in Table 6. Experts assign the issue to the continuous decline in the construction sector. Moreover, some experts claim that the decline is due to the technology advancement and better mechanization. The

overall performance in the construction sector is tightening by 100 milliards Czech crowns with a comparison to the peak year in 2008. In short, the aggregated demand has decreased (Čtk, 2016).

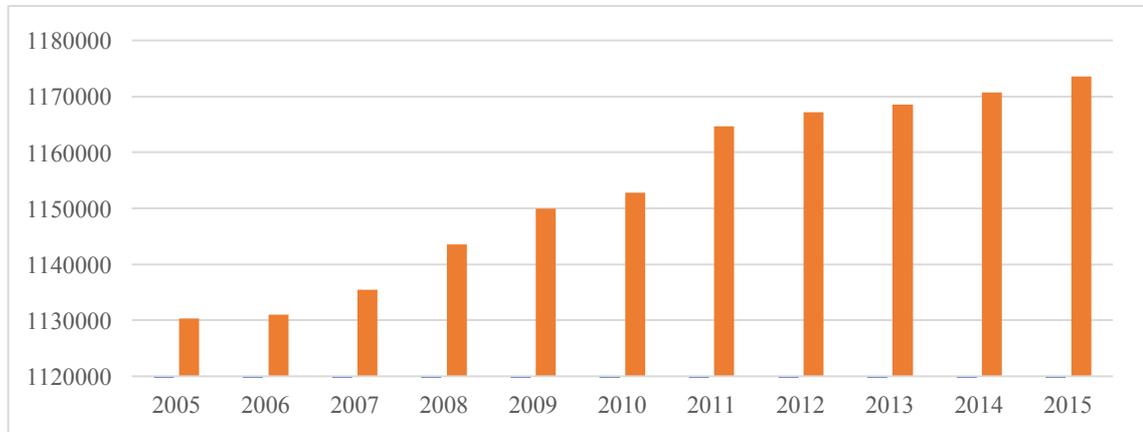


Figure: 9 The total number of citizens in the South Moravian region, yearly values, 2005-2015 (Source: Czso.cz.,2017b)

The number of the active workforces has grown in the region, as well. The regional workforce employed in construction has not changed in recent years. The number has stagnated around the 46 thousand. All presented values are given in Table 6.

Total Workforce	2012	2013	2014	2015	Unit
In the Czech rep.	4890,1	4937,1	4974,3	5041,9	Thousands of persons
–construction sec.	425,0	420,3	413,9	396	
In the South Mor. Reg.	537,7	556,4	557,5	569,1	
–construction sec.	46,6	47,1	44,6	46,3	

Table 6 Total active workforce in the Czech Republic and The South Moravian Region, including construction sector (Source: Český statistický úřad 2016, Czso.cz 2017d, Kr-jihomoravsky.cz, 2017)

The educational structure of workforce has significantly changed over decades in the region, as figure 10 shows. The trend exhibits that the regional workforce has gotten more educated. Almost 28% of the regional workforce had higher education. The educational trend is equivalent to the national level. Also, figure 10 demonstrates that the number of unemployed individuals with higher education is increasing. In 2015, the unemployed individuals with higher education represented 28,5% of all unemployed in the region. The group of the unemployed workforce with secondary education with leaving certificate has slightly decreased in recent years. It could be assumed that the

overall education tends to increase over the years. The number of unemployed has dropped from 44,4 thousand in 2010 to 29,8 thousand in 2015. The drop shows the positive evolvement in the region. However, it is highly likely that the company may struggle with hiring employees. To sum up, the required qualification structure has reshaped. The current education system is insufficient. The labour market is a deficit and cannot deliver enough skilled craftsman. Hence, XXX can start with close cooperation with high schools, faculties of civil engineering and own accredited training centre. The centre can support the outage of needed workforce. It can be operated fitfully. The shortages in the number of non-qualified employees can be outsourced or supplied with the foreign workforce, students and part-timers.

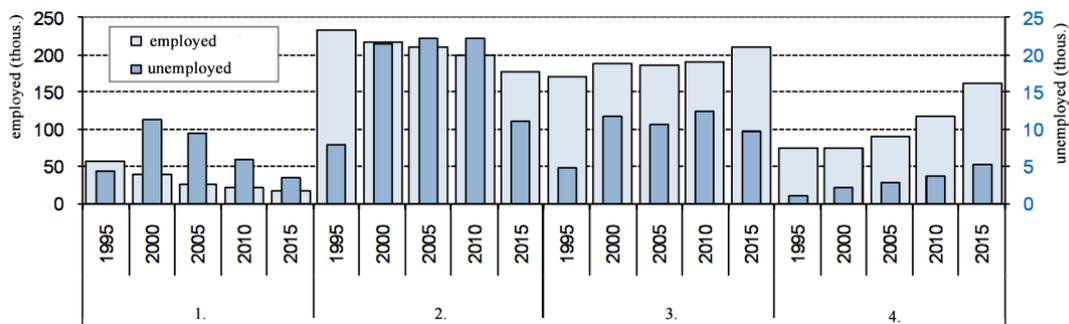


Figure: 10 Employed and unemployed individuals regarding their level of education. The 1st group has only with the primary education. The 2nd group has the secondary education without leaving certificate. The 3rd group achieves the secondary education with leaving certificate. The 4th group achieves the higher education. (Source: Český statistický úřad, 2016)

The average gross wage has constantly increased on the national level in last years. Similarly, the trend has evolved in SMR and the construction sector. The average wage was approximately 27051 Czk in the region in 2015. Employees employed in the construction sector received in average 23949 Czk which is under the national and regional standard. Nevertheless, the trend has increased in the last years. The detailed values are given in Table 7.

In the construction sector, employees have several kinds of working agreements. The first, the regular employees work for a standard wage. The second, the employees who deliver piecework are paid with the piecework rate. The third, the external workers who deliver outsourced work are paid with the invoice.

Average wage	2012	2013	2014	2015	Units
In the Czech rep.	25109	25128	25686	26467	Czk
In the SMR	25153	25587	26079	27051	
in construction sector	22902	22395	22964	23949	

Table 7 The national average wage and the regional average wage (Source: Czso.cz 2017d, Český statistický úřad 2016, and Kurzy.cz 2017)

According to the structure of households by apartment type, figure 11, the prevailing majority, circulating 38%, lives in its own house. The trend has slightly decreased. Nonetheless, the structure of owner-occupied and rented apartment has remarkably changed. It could be assumed that the change was triggered by reduced interest rates, responding to the financial crisis. Figure 11 shows that individuals rather own (buy) an apartment than occupying a rented one. Moreover, the percentage of cooperative (družstevní) apartments has fallen from 13,8% to 9%. This evolution might be connected to the increased percentage of owned apartments. The ratio of individuals sharing an apartment with relatives and friends has moderately increased. The opposite evolvment has been an exhibit in apartments owned by the company. The detailed data and additional charts are presented in the Appendix A – 3.

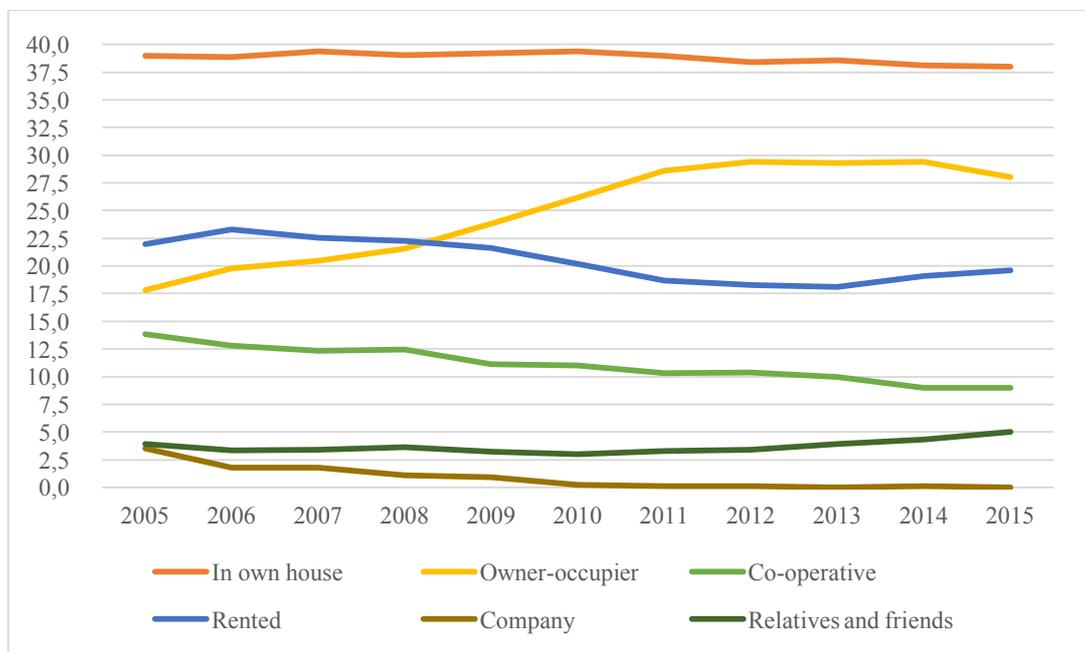


Figure: 11 The structure of households by apartment type in %, 2005-2015 (Source: Český statistický úřad, 2017).

These trends point to the fact that the structure of income groups has changed. Low-income groups often reconstruct their apartments. The reconstruction process is cost effective. On the other hand, they can move from a small apartment to the bigger one.

In opposite, the trend has shown that higher-income groups ask houses with ecological solutions. For instance, water recycling and thermal insulation. Therefore, satellite city will emerge more often.

3.2.1.2 Legal factors

Every company is running its business on the Czech market musts to comply and respect the Czech legislation. The legislation composed of laws, decrees, and regulations. The core legal frame represents the Czech Republic Constitution and Charter of Fundamental Rights and Freedoms. Also, The Czech Republic, as the member of the European Union, is obliged to act by the EU legislation; thus the EU legislation should be monitored by companies as well. Both authorities tighten up the conditions for doing business.

Since its registration, the company must comply the list of basic acts and laws defining barriers and mandatory requirements of the Czech business environment. Namely, the Trade Act, the Business Corporations Act, the new Civil Code, the Labour Code (if employs individuals), the set of Tax laws, the Building Law and others.

Recently, the company has adapted to the modified Law on Public Procurement, no. 134/2016 Coll. (Portal-vz.cz, 2012). Also, the company is expecting the amendment to the Building Act shortly. Which is discussed by experts and the Ministry of the Regional Development. The amendment should lessen the processing period of building permission, which is far above the European average. Also, it can fasten the construction of nuclear unit at the Nuclear Power Plant in Dukovany, where the company operates as a leading supplier (Stavebnictvi3000.cz, 2017b). In contrast, Kupka (2017) claims that the amendment will not simplify and speed up the process. He asserts that it increases the bureaucracy because it will not make simpler the process. An individual will need to ask every single office involved in the construction process for permission, instead of submitting the project documentation in the construction office. Another point of view is brought by Dira, who asserts that the amendment solves just the most crucial issues and a preparation of the completely new Building Act is the must (Váchal, 2017b).

Additionally, attendees at the Fórum českého stavebnictví 2017 claimed that the division of the private and public law in the Building Act is a must in the construction

sector. Furthermore, the Czech lawmakers should reorganize ministries and modify the competence act, because it slows processing period of investments in construction. The process presented above by Kupka (2017). Ultimately, regions lack the special development policy, which could resonate in the lack of investment in the construction sector (Blue events.eu, 2017).

3.2.1.3 Economic factors

The data about the employment could also be included among economic factors. Nevertheless, the author placed them in part considering socio-demographic factors.

Gross Domestic Product (GDP)

Starting with GDP that monetary measures the market value of all final goods and services produced in a specific period (quarterly or yearly). The evolvement of GDP in recent years witnessed in the Czech Republic has shown an increasing trend. The fragile economy, struck by the world's crisis in 2008, has slowly recovered. The domestic GDP increased by 4,3% in 2015. In comparison to the EU member countries, it was one of the best performance. According to the Czech National Bank, easy monetary conditions and increased growth in government investment contributed to the faster growth. A potential deterioration of economic activity in advanced countries (especially the euro area) is the main source of risk to the local economy in the nearest future. Emerging markets and their possible adverse development would not hit the Czech economy directly, only through a worsening of global sentiment and volatility in global financial markets. Figure 12 reflects the Czech GDP growth.

The latest report summing up the fourth quarter of 2016 published the Czech National Bank identifies that the Czech economy slowed as a result of a temporary drop in government and corporate investment co-financed from EU funds, and will reach 2.8% in 2017. The growth was due mainly to net exports and to a lesser extent to household's consumption. GDP growth will continue to record similar rates in the next two years (Česká Národní Banka, 2017a).

Finally, the small Czech economy is highly correlated with the occurrence in neighbouring countries. The decrease in foreign demand can bring the recession. The Czech economy falls back into recession owing to a decrease in external demand. This causes a return of pessimistic private sector expectations about future economic

developments and renewed deferral of household consumption and corporate investment (Česká Národní Banka, 2017a).

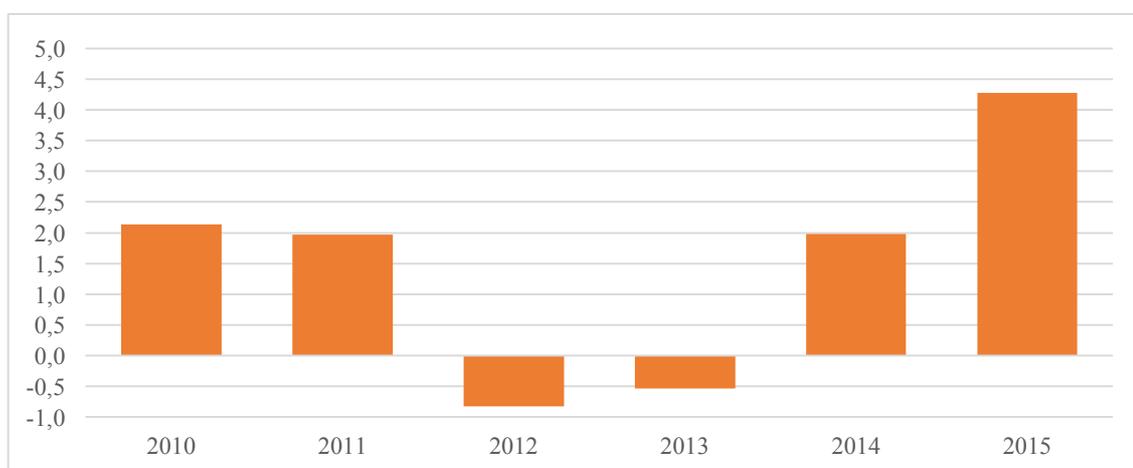


Figure: 12 Real GDP Growth (year on year, in %) 2010-2015 (Source: Česká Národní Banka, 2017a)

Inflation

The Czech National Bank switched to inflation targeting in 1998; therefore it controls the Czech inflation. The latest inflation report describes the evolution of inflation which stayed well below the CNB's target. The growing economy and wages will continue to foster higher domestic costs and hence also higher consumer prices. Thus, inflation will increase further and slightly exceeds the 2% target at the monetary policy horizon. Consequently, it will return to the target from above.

The forecast assumes that inflation will increase further and domestic costs will continue to rise swiftly over the horizon due to rising wages and price of capital amid continued growth in economic activity (Česká Národní Banka, 2017a).

Figure 13 presents the evolution of the consumer price inflation from 2010 to 2016 and Table 8 gives values in percentage. The national average wage and the regional average wage.

	2010	2011	2012	2013	2014	2015	2016	
Real GDP growth	2,1	2,0	-0,8	-0,5	2,0	4,3		Year on year, %
Consumer price inflation	1,5	1,9	3,3	1,4	0,4	0,3	0,7	Avg. an. index growth, %

Table 8 Real GDP growth, 2010-2016, and consumer price inflation, 2010-2016 (Source: Česká Národní Banka 2017a)

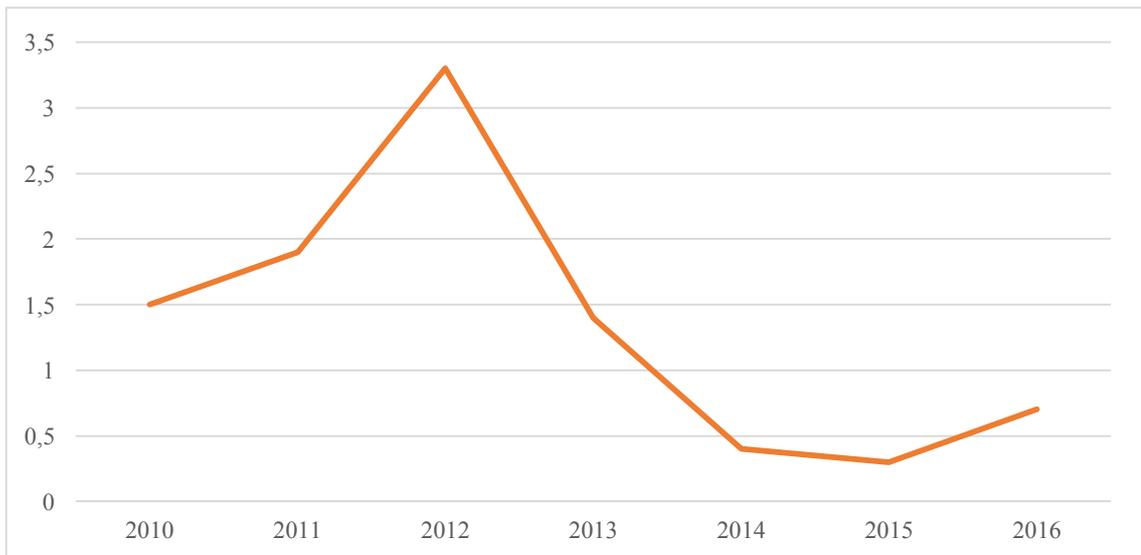


Figure: 13 Consumer price inflation (average annual index growth, in %) (Source: Česká Národní Banka, 2017a)

GDP per capita

Even though the Czech economy has performed under the European average (EU28), the trend has been increasing since 2014. This is a hint for the Czech environment is slowly recovering from the financial crisis. The Czech citizens have been getting richer on average since 2014. This fact positively influences the spending behaviour. Consequently, it enforces the demand in the construction sector. Table 9 presents the GDP per capita values from 2012 to 2016.

GDP per capita						
	2012	2013	2014	2015	2016	Units
EU28	26600	26700	27600	28900	29000	Eur
Czech Republic	15400	15000	14900	15800	16500	

Figure: 14 GDP per capita (average annual index growth, in %) (Source: Česká Národní Banka, 2017b)

Fiscal indicators

The author includes the public debt and the deficit/surplus of public finance among the analysed indicators. Annual public finance deficits hold the public debt. The public finance deficit or surplus represents the difference between state's annual expenditures and revenues. Table 10 presents values of mentioned indicators from 2010 to 2015. The Czech consolidated public debt has performed constant growth in the period

from 2010 to 2015. Nonetheless, the Czech Ministry of Finance (MoF) has managed a surplus of 61,8 thousand million in 2016. According to the MoF's report, the surplus has primarily been achieved through favouring circumstances, such as unexpected additional revenues reflecting the exceptional tax collection accompanied by the growth of the economy, high employment rate and the outstanding amount funds received from the EU. Hence, it is highly likely that the surplus will not be reached in the following years. At the same time, the fiscal indicators do not represent a threat to the Czech business (Žurovec, 2017).

	2010	2011	2012	2013	2014	2015	Unit
Public debt (consolidated)	1508518	1606492	1805429	1840412	1819098	1836255	Millions of Czk
Public finance deficit or surplus / GDP	-4,4	-2,7	-3,9	-1,3	-1,9	-0,4	%
Public debt / GDP	38,2	39,9	44,7	45,1	42,7	41,1	

Table 9 Annual development of fiscal indicators from 2010 to 2015 (Source: Česká Národní Banka, 2017a)

Monetary policy

The Czech National Bank, the monetary authority, control monetary policy with the primary objective to maintain price stability. The CNB achieves the objective with its instruments, essentially interest rates.

Domestic money market interest rates remained at historical lows even in 2016. The CNB's forecast expects short-term interest rates to remain flat at current low level. Apart from interest rates on technical zero, the CNB uses the exchange rate of the koruna against the euro as an additional monetary policy instrument. Currently, the exchange rate commitment of 27 Czk to the euro has been terminated at the beginning of April 2017. (Česká Národní Banka, 2017a).

	2010	2011	2012	2013	2014	2015	2016	Unit
Monetary policy 2W repo rate	0,75	0,75	0,05	0,05	0,05	0,05	0,05	End of period, %

Table 10 Annual development of the 2W repo rate from 2010 to 2016 (Source: Česká Národní Banka, 2017a)

The volume of issued mortgages returned on volumes before the crisis. However, the current development of mortgages market has caused additional CNB's interventions with the aim to prevent the mortgage bubble and increasing value of properties. The CNB has tightened conditions for providing mortgages. Newly, since April 2017, commercial institutions providing mortgages are "advised" to provide the loan covering 90% of the Loan to Value (LTV). Also, it restricts the volume of arranged mortgages covering the value of the property from 80% to 90% and the maximum possible loan amount for investment properties. The results of this restriction sweep the families with a low income that rather rent an apartment (Váchal, 2017a; Zámečník, 2017).

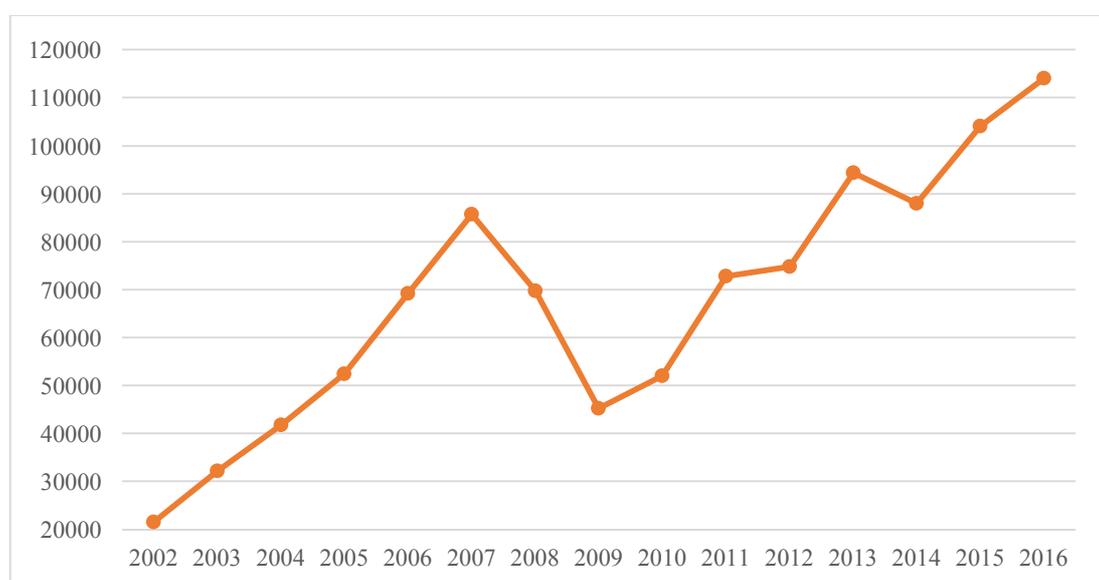


Figure: 15 Total number of issued mortgages, annual values, 2002-2016 (Source: Ministerstvo pro místní rozvoj ČR, 2017)

Investment in Construction sector

Fixed investment switched to a year-on-year decline in 2016. It was caused mainly by a deepening of the decline in fixed investment by the government sector resulting in a remarkable drop in investment in buildings and structures (Česká Národní Banka, 2017b). Moreover, the decline in construction output was supported by the fall in the drawdown of EU funds which significantly pulled the demand in the sector in previous years. The decline projected both on civil engineering and building construction (by 16,1% and 9,6%). CNB reports that bank credits assigned in construction bear the greatest risk (25,1%) for financial institutions. The risk is connected to insolvency (Česká Národní Banka, 2017).

The sector is distinctly depended on governmental tenders. The lack of government investment force the giant companies to compete for a contract in segments “belonging” to small-scale business. Thus, this effect causes fiercer competition and inevitably drives out modest businesses (Stavebnictvi3000.cz, 2017c).

Fortunately, the forecast in sector predicts real recovery pulled by the growth of listed governmental contracts. The growth is anticipated to start in mid-2017 and follow in next years. The civil engineering should outperform other construction activities (Stavebnictvi3000.cz, 2017a; Stavebnictvi3000.cz, 2017c; Stavebnictvi3000.cz, 2017d).

The opposite direction, an increasing trend, has shown the development demand especially for residential and industrial development (Stavebnictvi3000.cz, 2017c).

Household’s sector

Investment by the households returned to the positive rates in 2016. The CNB’s selected indicators suggest that household’s investment will continue to rise. The flourishing investment environment has been driven by low interest rates and confidence in the favourable future evolution of the economy and employment. Banks have supported the conditions by relaxing their credit conditions, primarily by reducing the average interest margins. The volume of mortgages is close to historical highs. At the same time, banks are indicating a tightening the credit standards for mortgages due to new legislation and CNB regulatory measures (Česká Národní Banka, 2017; Česká Národní Banka, 2017b).

Transaction prices of housing continued to rise. The unusual situation is occurring in Prague where the prices are rising even faster with a comparison to the Czech standard.

The greatest part of household consumption has steadily consisted of the housing expenditures (Czso.cz, 2017e).

Trade marketing (Corruption)

The Czech construction sector is well known for its significant corruption index. Corruption, also hidden under the term trade marketing, is accepted the commercial practice, although the trend is decreasing since 2012 and the ratio of companies asked to accept a bribe was the lowest since 2007 in 2015 (Immaterialy.dumabyt.cz, 2017). Additional values are presented in figure 15. Although the company does not actively use

tools of trade marketing, the opposite approach from its competition can significantly harm the company's position on the market.

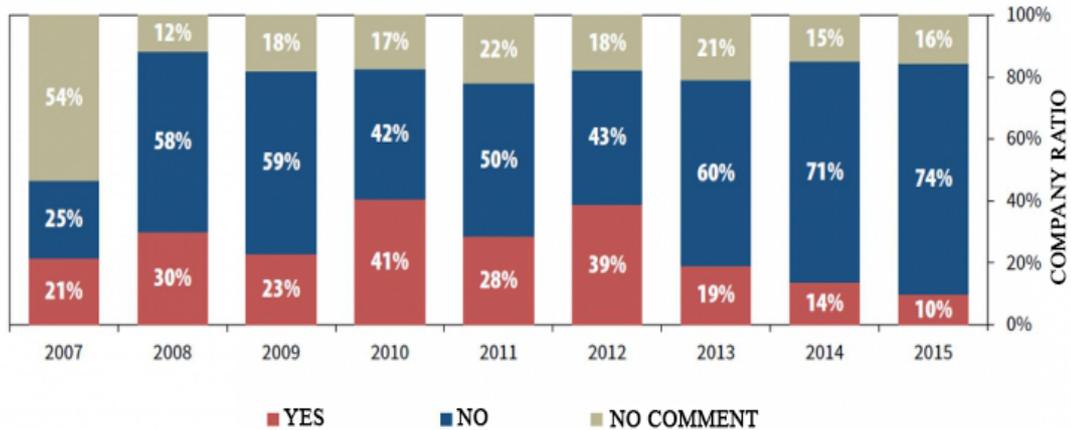


Figure: 16 Companies experienced practices of trade marketing (Source: Imaterialy.dumabyt.cz, 2017)

Economic situation in the region

The regional GDP performance has specified the South Moravian Region during years after the crisis. It is the only region that recorded positive GDP values from 2010 to 2014. The year 2011 brought the same economic situation as was before the financial crisis.

The investment activity has been decreasing since 2007, although the regional investment activity was below the national level only in 2013 (Český statistický úřad, 2016).

3.2.1.4 Political factors

The political environment influences the society and the construction sector directly as well. Each company should follow the current political situation and adapt to newly arising conditions.

The European Union has a strong position due to the European structural funds. Czech Regions and municipalities can draw them for the area development. The development is primarily linked to construction activities. It means that these funds influence construction companies and regions and municipalities act as investors. Thus,

the process of this kind of public tenders is highly political. Moreover, it is subject to lobby, manipulation, and frauds.

The main issue related to the Czech political situation is stability. The political stability influences the amount of investment and companies' proactivity. Although the stability is essential for the healthy business environment, the Czech citizens have not experienced the stable government since 1996¹. All previous ruling governments have faced intrigue among ruling parties or opposition. The intrigue included financial scandals, corruption scandals or betrayals in the coalition. Such a political environment created instability resulting in often changes in legislation, discontinuity in investment project preparation, taxes and other areas (Rejl, 2017). Nowadays, the ruling coalition, consisting of ANO, ČSSD, and KDU-ČSL, is the longest ruling governance. Nonetheless, the Czech parliamentary election is going to be in the last quarter of 2017, and the political situation can (or rather will) change again.

Present events and statements of political parties indicate an unclear situation after elections. According to the present pre-election polls, ANO, mid-right party, is the leading party with a significant lead (28,9 %), however rivaling party chairpersons claimed that they do not want to form a coalition with ANO after the election. The second most trusted party is the left wing ČSSD (17,1 %) than follows KSČM, the far-left party, (12,2 %). Minor players with less than 10 % are ODS (9,7 %), SPD (6,8 %), KDU-ČSL (6,7 %) and TOP 09 (5,4 %) (Sanep.cz, 2017). The author does not want to forego the coalition after the election in 2017.

Although the situation may not occur, the author accounts the main points concerning the construction in election programs presented by major political parties. The leading party ANO has not revealed its program. The traditional party ČSSD reveal the programme where states that construction sector will be supported by promoting tangible investment. Furthermore, it will stand for attracting foreign investment and complex change of the Building Act (ČSSD, 2017). The far-left party, KSČM, has not particularly mentioned any plans regarding the construction except maintain the state aid on building savings (KSČM, 2017). The liberal-right party ODS has not specifically mentioned the construction sector (ODS, 2017). Nor SPD has not done it yet.

¹ The author does not consider the current governing coalition, because its mandate has not finished yet.

The elected representation on the regional level has imposed the 2020 strategy focused on the regional development without any specification in the field of planned investment. Currently, the regional establishment is supposed to work on the new strategy, because the actual strategy will not last long (Kr-jihomoravsky.cz, 2017b). The similar situation is present in the municipal level, where the electorate is already working on the new strategy 2050 (Urbancentrum.brno.cz, 2017). The strategy 2020 for Brno does not determine any particular elements related to construction sector (Brno.cz, 2010a). However, the city will focus on the development of “suburban” area in Brno. Namely Bohunice, Brno-střed and Starý Lískovec (Brno.cz, 2017b). Appendix A – 6 specifies selected areas for development in the map.

3.2.1.5 Technological factors

Although the company is not directly involved in R&D and the level of innovation in construction grows slower than in other industries, the company’s management should be aware of the technological progress and innovations. It should be able to respond investors’ needs and deliver, with the help of proper suppliers, the most present solutions (Stavbaroku.cz, 2017).

Recent years has related to the rapid development of IT, mobile technology, and digitalization in all areas. Several sources have discussed the topic of coming to a transformation in construction. The digitalization in construction is reflected in the term “Construction 4.0”. The phrase hides an evolution process in the construction sector which fasten the construction process, increases the effectivity and automatization from the building design to the property management. Although the construction 4.0 is in the initial phase, experts have presented their visions (Stavbaroku.cz, 2017). The new software called Building Information Modelling (BIM) with the assistance 3D modelling allows to a customer movement in the building during the designing phase. Thus, it favours the customer and investors position because they will be able to imagine exterior and interior. The same electronic projection will be sent to authorized authorities who assign the permission to construct because it gathers all data and details related to the building. The same application can manage the supply of construction area (Berger, 2016; Černý, 2017). Furthermore, it will increase the cooperation and communication among suppliers on the construction. The next step after BIM is 3D printing of an entire building. For example, builders in China have already “printed” a high-rise building. 3D printing

will be managed with the Robotization presence. Berger (2016) and Experts in Czech Point 101 (2017) claim that it reduces expenses; thus it increases efficiency. Nevertheless, the valid legislation hinders the evolution process in Czechia (Stavbaroku.cz, 2017).

Moreover, the users of final objects, the smart houses, will manage and control their property and household's appliances via smartphones. Finally, other scenarios have presented the usage of drones for a remote monitoring and controlling of the construction (Berger, 2016).

In short, the technological progress has modified technology, process, and material. It has softened seasonality in the sector. The company will need to react on the progress shortly.

3.2.1.6 Environmental (Ecological) factors

Ministry of the Environment of the Czech Republic is the head authority responsible for the protection of the Czech nature and environment. The ministry defends its policies and actively regulates through legislation following areas; protection and sustainable use of resources, climate protection and improvement of ambient air quality, protection of nature and landscape, safe environment. As the EU Member State, the Czech Republic will aim to fulfil its commitments set in the EU environmental legislation. The ministry announced the next call in the programme "Životní prostředí" with the financial support of 5 thousand million in the April 2017. The programme includes flood protection measures along with energy saving renovations which can positively affect the company's business activities (Mzp.cz, 2017).

The trends in construction have changed lately. The demand for energy-efficient housing has raised due to the rising price of energy. This kind of housing is friendly to nature. The principle of energy-efficient housing lies in sophisticated energy saving and reusing already produced energy. Those houses save energy through better insulating, high-efficiency equipment and usage of renewable energy sources (Sps.cz, 2013). Furthermore, houses are constructed with the eco-friendly materials. Most of them are produced from recycled waste. The great emphasis has enjoyed nature materials such as wood, stew, wool, and Eco-panel. They are less expensive, non-carcinogenic and absorb moisture and which is significantly beneficial for the end-user (Čapková, 2017). Most of these features are required by an investor nowadays.

The climate conditions have the remarkable impact on the Czech construction. Extreme temperatures, rain, and others cause challenges to site managers. Both factors slow construction works and prolongs the period of delivery. They effect essential chemical processes within the material, manual work, building plot, and machinery. The winter severity exemplifies this in 2014 and in 2002 that was mild; hence, the index of construction production significantly raised. In opposite, when the winter is fierce, site managers are forced to interrupt processes and wait or use additional heaters which increase planned costs (Cuřínová, 2017; iDNES.cz. 2017).

3.3 Industry Environment

3.3.1 Porter's Five Forces

3.3.1.1 Rivalry among existing competitors

The national, also regional, the construction industry is characterized by few segments, ranging from a small number of large players to hundreds of small and micro players. Competition is different in each accounted segment. Typically, small and micro firms compete in construction tenders on local levels and do not represent any threat to a company of XXX's size. Also, small and micro firms may stand as suppliers in more complex tenders managed by large and medium companies. In opposite, large companies take part in immense public and private tenders on a national level. In this case, occasionally XXX act as a supplier of a leading supplier. Therefore, the author excludes these segments.

The direct competition on a regional level is not numerous; however, the number of announced tenders is not notable as well. Therefore, the competition has been rather severe. The severity has increased in recent months, due to the constant decline in construction predominantly caused by the lack of investment from the state side and the outdated, although valid, legislation slowing the process of acquiring necessary permissions for construction (Kurzy.cz; 2017). The large players initiated to approach the segment originally belonging to the medium players, including XXX company. Resulting in the fiercer competition; hence, the rivalry is high. The index of construction, known as the industry growth indicator, has not grown recently. Rather, it has been in constant decrease since January 2016. It means that the intensity of rivalry is high. The company's management pointed on five main competitors:

1. PS Brno s.r.o. (PS Brno)
2. Esox, spol. s.r.o. (Esox)
3. Moravostav Brno, a.s. (Moravostav)
4. Kaláb – stavební firma, spol. s.r.o. (Kaláb)
5. Komfort, a.s. (Komfort)

The author assessed their position, considering the generated turnover in 2015. The findings have shown that the “smallest” player is Kaláb than Esox and Komfort. After komfort is ordered XXX, PS Brno and the greatest is Moravostav. Please, see details in Appendix A – 5 and details about companies below. Apart from their distinct size and turnover, all of them compete in the same tenders (Internal company resource, 2017). Therefore, the competition is high. Moreover, all firms are supposed to deliver the same outcome, corresponding with the project documentation, which supports the high level of rivalry. The intensity of competition rises with the volume of necessary fixed costs. In general, the segment of medium firms demands high overheads. Consequently, it increases the rivalry within the sector. Additionally, for a company operating in this segment is not easy to withdraw from the market. They possess a significant volume of property with a certain value. The eventual disposal of the company would take months or maybe years; thus, exit barriers are high. Ultimately, it can be said that aggregated rivalry is extraordinary high.

Nowadays, the rivalry among the players is fiercer due to the overall construction sector performance. All of them strive to maintain their revenues in the face of a sharp fall in demand. In the period of prevailing decline, the price has become one of the leading market drivers. Companies try to alleviate the price factor by the guaranteed quality and additional services (Internal company resource, 2017).

Main competitors

Komfort, a.s. (Komfort), is a company located in the South Moravian Region. Komfort originated from privatization process in 1991 as limited liability company. Later, the company transformed into a joint-stock company in 1998. Since the very beginning, Komfort focused on development projects in Brno and surroundings. For instance, it finished 65 family houses in Brno – Soběšice in 1999. Recently, the decline of the family

house market has forced Komfort to participate in joint projects with other established developer companies. Additionally, Komfort competes in the field of revitalization and regeneration of panel houses. Apart from mentioned business activities, the company builds industrial and commercial objects for various investors. Finally, Komfort provides ecological constructions, decontamination of territory and construction of utility networks. All activities are centred in the region with rare exceptions (Komfort.cz, 2017).

Comparing numbers related to some assets, generated turnover, and profit, Komfort is the closest competitor to XXX. Also, the range of business activities and its prosperous history makes the company Komfort outstandingly strong competitor. The author identifies Komfort's ties to the public administration because Komfort has performed numerous activities for the public sector. Those ties favour its position. It is an important competitor.

PS Brno s.r.o. (PS Brno), the construction company PS Brno, located in Brno, was founded in 1997 under the name KKM Plus, s.r.o. The company was rebranded in 2004 and got today's name. Before the rebranding was made, the company had changed its top management and set up a new strategic direction. Today, PS Brno is a medium construction company with business activities ranging from construction of civil, industrial and residential buildings to production of steel and clay structures. Additionally, it extends its business activities with development projects (Ps-brno.cz, 2017).

PS Brno competes with XXX chiefly in the field of industrial construction buildings for private investors. Moreover, its business scope is centred on the South Moravian Region, similarly to XXX. Therefore, the competition between these companies is remarkably fierce (Ps-brno.cz, 2017).

Esox, spol. s.r.o. (Esox), was founded in 1990 in Brno. The company's core business activity is the land and industrial construction. Today, Esox is a medium company building various and complex objects. It constructs numerous types of buildings. In addition, the company provides rehabilitation of moist wood and run a wholesale and a retail store with building material (Esoxbrno.cz, 2017).

Although Esox competes intensively with XXX and other competitors, it is often hired as a supplier. For instance, its competitors select Esox to build a part of constructed object. Among all mentioned competitors, Esox has “the smallest” number of assets. Finally, it operates on within the South Moravian Region.

3.3.1.2 Bargaining power of buyers

The author considers the seller’s segment composed medium and large size players who deliver the project in the value of tens millions of korunas. This market segment is currently having superiority over the number of buyers. Companies have not used their capacity fully partially due to the lack of investment from the state side. It has been caused by decreasing demand for construction in last years. In other words, the environment has got fiercer, and buyers have gained bargaining power. Thus, the power is high. Buyers are more price sensitive and construction projects are evaluated up to immense volumes. It increases their power (high). Consequently, companies are forced to compete for construction projects that would otherwise not run. On the other hand, buyers are dependent on construction companies, because they are not able to produce the desired outcome by themselves. They cannot backward integrate; the power of buyers is low. If a buyer decides to switch the construction firm, it would be a difficult and expensive process. Buyer’s power is low from this point of view. Considering all aspects, the price aspect obtains the greatest part in the buyer’s interest. It is followed by the seller’s reputation on the market. Overall, buyer’s power is moderate to high.

Key Customers

XXX has developed strong ties with the management of following customers: ČEZ Energoservis spol. s r.o.; Red Hat, Inc.; Technologický Park Brno, a.s. Recently, the company has enjoyed repetitive cooperation with them. Strong ties and precise work of XXX favours mutual relation and strengthen the possibility of future cooperation. All three of them represent an important and strategically valuable asset for the company. Also, investors tightly work with consulting engineering firms who project the final object. Then these firms demand contractors who can deliver the project for the acceptable price.

ČEZ Energoservis spol. s r.o. is a subsidiary of the national leading electricity supplier ČEZ, a.s. The subsidiary is in Třebíč, and its main purpose is centred on maintenance and operation of the nuclear power plant in Dukovany, hydroelectric power plant in Dalešice, Dlouhé Stráně, Lipno, Hněvkovice, and Kořensko. XXX has frequently participated as a leading supplier in reconstruction and additional construction in Dukovany (Cezenergoserwis.cz, 2017). (Internal company resource, 2017)

Red Hat, Inc. is a multinational company operating all over the world. It is a technology company providing computer software and a broad range of services. The company's expansion has resulted in the expansion of the Czech subsidiary in new facilities. XXX repeatedly won in issued tenders. The precise quality of delivered building tightens the XXX's connections with a foreign investor. Nowadays, XXX is building an additional facility in Red Hat complex in Brno (Redhat.com, 2017) (Internal company resource, 2017).

Český technologický park a.s. is a low-density development providing modern business premises for technology companies in a business park environment. The project's vision is intended to provide a total of 190,000 m² of mixed commercial accommodation for office, research and light industry, together with associated retail, leisure, and services facilities. The Park's master plan is divided into a series of zoned areas which should be developed in four phases. The second phase is in the process. XXX has been involved in the first and now in the second phase. XXX participation on further phases would be crucial for its flourishing development. The management of Český technologický park and XXX created close ties, based on smooth cooperation, which favours XXX's position in future deals (Technology Park.cz, 2017).(Internal company resource, 2017).

3.3.1.3 Bargaining power of suppliers

Once suppliers sign the contract, it is complicated to switch them. The biggest strain linked with replacing a supplier is the time issue, and the additionally arose costs. XXX is obliged to deliver the construction in time, and every struggle with suppliers slows the scheduled plan of activities on a site. Moreover, finding a supplier in last minute is financially demanding. The significance of switching cost mitigates the fact that XXX does not have to cooperate with the unreliable supplier on the next construction project.

Hence, the switching costs are moderate to high. The XXX's site manager claims that the company usually chooses from two and more suppliers to a large extent. Also, he does not recall any supplier with dominant bargaining power. This weakens the supplier's bargaining power; therefore, it is low. XXX is price sensitive, along with the number of possible suppliers; hence the bargaining power of supplier is low. In general, the supplier's power decreases with the size of planned construction project. The immense construction project, such as a shopping centre, is time consuming and the volume of supplied services is complex and more time consuming. This kind of order secures supplier's workload for months ahead along with a striking income. The company is aware of this advantage and actively uses it as its priority. Resulting in the low supplier's power. The threat of forwarding integration is negligible. Smaller suppliers might be capable of delivering a complex project; nevertheless, they do not have enough capacity and assets. Typically, suppliers in construction do not provide highly differentiated service or product. Thus, the bargaining power is low. To conclude the supplier's side, they do not represent any particular threat to the business. Their aggregate bargaining power is low in the market.

Leading Suppliers

Although the bargaining power of the XXX's suppliers is low, the company has repeatedly cooperated with three major suppliers. Namely Unicon, spol. s.r.o.; Supplier 1, s.r.o.; RJ Group, s.r.o.. Each of them provides a different service.

Unicon, spol. s.r.o. (Unicon) Is a construction company running its business activities in the field of production and assembly of steel structures, including cladding. Also, it deals with the realization and reconstruction of buildings and the prefabrication of concrete prefabricates. The company was established in 1992 in Třebíč (Uniconcz.com, 2017). Mainly, Unicon assists with the XXX's business activity in Dukovany where supplies the site with steel-fire-resistant structures. Mutual satisfaction on various sites has led in tight cooperation over the years. Although both companies have not agreed on a framework agreement regulating their cooperation, they both enjoy benefits flowing from mutual relation build on trust. For illustration, Unicon supplies sites at competitive prices and at

the same time Unicon has almost secure work over the year (Internal company resource, 2017).

Supplier 1 is a company with business scope focused primarily on production and assembly of steel structures. Originally, Supplier 1 was a single company focused on the surface treatment of steel structures. Afterward, XXX's acquired half of the company shares and Supplier 1. Apart from services related to steel structures, it offers fire-resistant coatings, roof and wall cladding and concrete reinforcement. Predominantly, Supplier 1 supplies with its services all XXX's sites, where its help is needed (Internal company resource, 2017).

R.J. Group, s.r.o. (RJ), established in 2007 in Brno, is a construction company providing monolithic reinforced concrete structures, wooden constructions, brickwork, craft work and complex delivery of entire building. Although XXX does not financially participate in RJ, it has offices in the same areas as XXX (Rjgroup.cz, 2017). Primarily, XXX uses RJ as a supplier delivering monolithic reinforced concrete structures on the XXX's sites. Their cooperation is not treated by any contract, even though both companies repeatedly cooperated on various projects (Internal company resource, 2017).

Apart from mentioned leading suppliers, XXX signed framework agreement only with concrete plants and building supply stores. The agreement secures the delivery of the service and products for the advantageous price for a certain period. The worth of mention is how company practise the process of ordering material. The management, based on expected demand and pre-negotiated contracts, gives an order for a material during the offseason construction period when the prices for the material decrease in the minimum possible level. (Internal company resource, 2017)

3.3.1.4 Threat of substitute products

On the construction sector along with company's business scope, it indicates that the threat of substitute products is not existing. Delivering industrial, civil and residential construction is the unique process differing site by site.

3.3.1.5 Threat of new entrants

New entrants have an option of the two possible modes of entry. First, a company or an individual can establish a brand-new company. Second, the entrance can be achieved via merger or acquisition of the existing business.

If the future entrepreneur decides for the first option, he/she is obliged to comply legal requirements, for example, the qualified trade. The requirements can be met without strains; however, the strain comes with difficulty to build a firm in the scale of XXX. The initial amount of investment, equivalent to XXX level, is prodigious for an arising competition. The even greater amount would be used in case of an acquisition. Small entrants would not cause any threat. The capital intensity is significant, and it makes the threat low. The sector does not require any special technology and materials in a production. Entrants should own heavy machinery and other necessary equipment needed on sites. The threat is moderate, and it is tightly connected to the capital intensity. Furthermore, each building site is different which lowers the intensity of new entry. The same size (medium) companies are known in the region; hence the threat is low. If a company in construction sector wants to achieve better profitability, it asks for the economy of scale, particularly in large projects, where XXX is involved. Hence, the threat is low. In short, the overall likelihood of new entrants is low.

The substantial advantage for XXX is the fact that operates on the market for decades and has the stable position.

3.3.1.6 Porter's five forces summary

To sum up Porter's analysis, XXX has a strong position on the market. Its dominant position is exemplified by the weak position of its suppliers, non-existence of substitutes, high entry barriers. Its competitors can threaten the strong position of XXX. The competition is severe. However, XXX uses all possible tactics in the process of competitive tenders and cooperate with the competition. In the case of large tenders, it tries to agree with the winning competition to participate as the leading supplier, although XXX does not win the tender. The reverse process is applied when XXX wins the tender.

The table 12 summarises Porter's Five Forces analysis. The detailed information regarding the analysis is described above.

Force	The industry and XXX's position in respect to the five forces
Threat of new entrants	Low
Threat of substitute products	–
Bargaining power of suppliers	Low
Bargaining power of buyers	Moderate to high
Rivalry among existing competitors	High

Table 11 Summary of Porter's Five Forces analysis

3.1 Internal Analysis

3.1.1 McKinsey 7-S Analysis

3.1.1.1 Strategy

XXX defined its strategy for following years. The company is planning to approach turnover around 450 million and reach 15 million of net profit in the next years.

The strategy counts with the previous investment in the municipal waste dump and biogas plant which is supposed to generate additional profit in the following years. The company counts with the full capacity utilization of the biogas plant for the electricity production from renewal sources.

The activity of the construction division is focused on reconstruction and construction of manufacturing and non-manufacturing objects. The management expects stagnation or the slight increase in its construction division due to the previous lack of investment from the public sector.

The development projects will be continually maintained. XXX is planning to invest in brownfields in Brno, especially in apartment construction and family houses. In 2016, XXX started the construction of its brownfield development project in Brno.

The company will continue to seek new tenders actively. It will strategically develop strong relationships with its customers, suppliers, and partners. Customers' satisfaction has the highest priority which involves the finest quality, reliability, the speed of construction process and others. Also, XXX does not consider any expansion in foreign markets. Additional strategic goal wants to motivate employees towards better performance and higher responsibility (Internal company resource, 2017).

3.1.1.2 Structure

The company's structure is presented above, at the beginning of the analytical part. It could be assumed that the company has three main levels. The first level, the management represented by the executive board where most members also participate in the general meeting. They participate in strategic decision making and coordinate the general director's activities. The second level, the general director delegates task to the heads of divisions. They meet on a regular basis and report the current situation. On the third level, the heads of divisions are responsible for all actions within the division. Down in the hierarchy are site managers and regular workers who are managed by them. Every project outcome within the division is presented to the general director, and he furtherly reports the outcome to the executive board. In short, the communication structure is deep-rooted in the company culture, as a result of long-time evolution. All employees are familiarized with the structure.

If any XXX's project is not by the project's plan, the head of that division should directly and promptly inform the general director. If the situation is critical, they both engage the project, backup the situation and decide about further steps collectively (Internal company resource, 2017).

3.1.1.3 Systems

XXX uses numerous processes and information systems in their production process. All it starts in the preparatory phase. When a tender is being announced, the budgeting team roughly estimates the planned costs regarding the project assignment. Consequently, the team prepares a bid. In the case of the winning offer, the production department starts to plan the schedule of the project, assign a responsible person and calculate the budget in detail with considering final prices of suppliers and others. They execute the process with the assistance of the professional software.

Due to the nature of production itself, construction has a common frame, which could be repeated. However, specific steps vary project by project. As mentioned above, the company comply with various ISO norms. This fact influences processes within the company (Internal company resource, 2017).

3.1.1.4 Style

Firstly, in the XXX company prevails the democratic decision-making approach with slight modification in certain cases. The modification refers to the proportional voting system in complex projects where a certain division is involved. The vote of the division director has slightly greater value than other division directors. The general director delegates major part of his task. In consequence, the division directors coach or support the lower management who direct all tasks. For instance, on sites. Secondly, the company applies the open-door policy. In other words, employees can come and discuss all issues and raise points of improvement. Furthermore, the company rewards its employees for successfully delivered and profitable construction project. Rewards in XXX has both financial and non-financial form. For example, XXX lets their employees use company cars for personal needs. Overall, the top management stands for the family approach in management (Internal company resource, 2017).

3.1.1.5 Staff

The staff is considered as a key factor in the XXX procedures. Hence, the company personalist puts on staffing process a high priority. The personalist has prepared a few staffing strategies respecting the level of the position and urgency. Normally, the job opportunity is announced on the XXX's website. Afterward, suitable candidates are invited for the interview where also the general director takes part. Except for the common questions, they ask professional questions related to the construction sector. The remarkable and unspoken requirement of the ideal future employee is his/her friendly personality and how will eventually suit into the company culture. The selected candidate is straightforward acquainted with internal processes.

In opposite, employees, who do underperform for a longer period, are discharged or demoted. At the beginning of their underperformance, they are informed about their shortcomings. Thus, they can use a support or additional training.

Regular employees and their managers are recommended to attend training and workshops strengthening their competitions. Additionally, XXX enforces the team spirit and communication regularly on team buildings two times per year. Regarding the promoting, XXX has not any strict system. All these actions are undertaken on spontaneous base reflecting the employee's long-term performance. An employee can

show its initiative and ask for a promotion. In such a case the head of the division and the general director solve the situation individually.

Regarding the staffing process, the author assumes that the company should interact more with the Faculty of Civil Engineering in Brno. The consequences can positively influence the future staffing process (Internal company resource, 2017).

3.1.1.6 Skills

The company highly benefits from the skilled management which has been evolved in recent decades. Some members of the executive board have worked in the company over three decades; hence, they have evolved into the company and have experienced many strains related to the construction business. The top management company has developed various valuable ties. Moreover, XXX offers distinct types of workshops and training with the aim at employee development. XXX strive for the employees training and their development. XXX focuses on the professional and time management skills. By these areas of development, the company enforces their shared values (Internal company resource, 2017).

3.1.1.7 Shared Values

XXX attempts to create a friendly and familiar corporate culture. Its fundamentals are represented with interpersonal relations among employees, departments and the top management. The relationship is strengthened on the mentioned team buildings. The atmosphere in the working environment and business related communication acts in favour of the corporate culture. Part of the culture values enforcing maximum possible quality of final the final construction project, the speed of the construction process and reliability in meeting all customer's needs. The similar approach is settled towards suppliers. Also, XXX requires the adherence to the strict work ethics and cleanliness on the construction site. All values are supposed to be respected by all employees (Internal company resource, 2017).

3.2 Financial analysis

3.2.1 Kralicek's Quick Test applied on XXX

The Kralicek's Quick Test evaluates the fundamental performance of XXX. The test can point to weak spots in the company performance. When a resulting value is critical in a

specific part of the test, management can focus only on the critical area. In other words, all financial indicators do not to be tested.

For XXX, the test was calculated for the period from 2013 to 2015. At the same time, the author calculated aggregated values for the construction sector in 2015. Therefore, the results could be compared with the industry benchmark. The construction sector is markedly specific, as aforementioned. The first indicator, shareholder equity ratio, has shown perfect results. For this reason, the test values the shareholder equity ratio as excellent. The trend was stable during the monitored period. Comparing to the industry benchmark in 2015, the industry indicator was slightly more aggressive, up to 40%. This indicator informs about the total equity structure; the resulting percentage represents that the XXX owners owned about 52% of the company. Liabilities financed the rest (48%). It influences the risk related to the business and the return of capital. At the same time, its value of the ratio (about 52%) allows the easier access to the credit, since the XXX's policy is not that aggressive. For instance, this favourable fact can be used for financing its future development activities. The second indicator, indebtedness, showed good performance. As a consequence, the test assigns a very good grade. The trend from 2013 to 2015 was stable without any significant variance. Although the grading metric in Kralicek's Quick Test indicates that the company has a space for improvement, the industry benchmark performed significantly worse. Hence, the XXX performed significantly above the industry standard. Also, it indicates that XXX is less indebted and generate income more efficiently, comparing to the industry benchmark. Indebtedness, a resulting number (time in years), states the minimum period for paying all its liabilities. Both financial indicators demonstrate that XXX is financially stable company and any adjustments are not necessary. Moving to the third indicator, financial efficiency, the test shows that the company's financial efficiency ranged from good to excellent. The trend little went worse in 2015. Although total revenues increased, the generated cash flow decreased in 2015, which lessens the effects. Taking a closer look at a number of the company's payables and receivables, a notable increase was spotted from 2014 to 2015 which caused the efficiency decrease. Comparing to the industry benchmark, the company performs less efficiently. In other words, the industry standard indicates that average construction company is able to generate more financial assets from certain revenues. Above all, it performs far better than is the Kralicek's boarder between

very good and Excellent. The last indicator, ROA or Return on Assets demonstrates that XXX is not able to generate sufficient earnings (EBIT) related to the number of assets used for doing business. The Kralicek's grade scale assigns XXX's performance average grade in 2013 and 2015. In 2014, the performance was poor, even though the percentage value was slightly below and equal the 8%. The industry ROA indicated notably lower number in 2015. It means that XXX runs better than the industry sector. The indicator ROA, also called Basic Earning Power, is the key measure for rentability. It presents the company's ability in generating earnings from all assets in the business. Table 13 presents all results and related grades. As results showed, the Kralicek's Quick Test serves perfectly for the basic insight; however, it is very generic. Hence, the excellent performance in the industry can differ from Kralicek's excellent performance.

		2015	2014	2013	Values for construction industry in 2015
Shareholder equity ratio	Value in %	52%	55%	50%	40%
	Grade	1	1	1	1
Indebtedness	Years	4,4	3,1	4,2	13 (+-4) *
	Grade	2	2	2	4
Financial efficiency	Value in %	8,1%	14,6%	15,2%	20%
	Grade	2	1	1	1
ROA	Value in %	8,1%	7,9%	8,7%	4,9%
	Grade	3	4	3	4

Table 12 Kralicek's Quick Test applied on XXX in 2013, 2014, 2015 and on aggregated industry values in 2015 (Source: Internal company resource, 2017; Ministerstvo průmyslu a obchodu, 2016)
* Approximated number. Ministerstvo průmyslu a obchodu (2016), and its industry statistic does not provide the total amortization and depreciation value.

The following step, after calculations and assigning grades, leads to the calculation of total grade. Hence, the weighted average of partial numbers, presented in Table 14, points on the outstanding financial stability of the company and very good revenues stability. It could be argued that the company can improve the grade of stability revenues. Nonetheless, the number and the average grade did not differ from the industry value. The total grade is two which is a sign of a very good performance.

	2015	2014	2013
Grade of financial stability	1,5	1,5	1,5
Grade of stability revenues	2,5	2,5	2
TOTAL Grade	2	2	1,75

Table 13 Aggregated Kralicek's Quick Test applied on XXX, 2013-2015 (Source: Internal company resource, 2017)

3.3 SWOT Analysis

SWOT analyses the overall company's performance, as was afore-described in detail above. Fundaments for the analysis are gathered from the previous analytical part of this assignment. The internal analysis includes strengths and weaknesses. The external environment relates to opportunities and threats. The author has identified following points. The order of points is not intentional.

3.3.1 Strengths

- Financial stability – The company has constantly shown stable financial performance. Also, the Kralicek's Quick test has shown that the company performed better than is the aggregated industry average in 2015. Moreover, it has steadily generated revenues without any significant drop-outs.
- ISO certification, security certificate and awards – All these elements enhance company's credibility on the market. Additionally, the company has been repeatedly successful in their obtention.
- Advantageous location within the region – The company profits from its location in the middle of the South Moravia Region. Also, the company uses the advantageous position of its leading supplier, located in Třebíč. This partnership helps to cover the regional activities. The main area where XXX operates and targets.
- Clear strategy – XXX has presented the clear strategy for following years in its annual report every year. Employees are familiar with the strategic activities.
- A diversified portfolio of business activities – XXX is not entirely centred on one business activity. If any company's branch outperforms in a period, other

activities reduce the severity of the lost income. This strength has helped to overcome the crisis period smoothly.

- Tradition and know-how – XXX can be presented as a company with the long and clear history. It has a tradition without any negative affair since its foundation. Furthermore, the top management has successfully experienced various strains.
- Strong ties with key customers – XXX has developed strong ties with its key customers.
- Processes and framework agreements – XXX is capable to negotiate advantageous contracts repeatedly. For instance, it buys material before the main construction season. Hence, they frontload for its future production for good prices.

3.3.2 Weaknesses

- Weak cooperation with universities and high schools – XXX do not devote much of its attention on developing relations with universities and colleges. There is a minimal evidence of any form of cooperation.
- Missing vision and mission – Although XXX has annually presented its strategy, the company has not created vision and mission. Technically, the XXX's employees are aware of its future activities; however, they miss a working overlap.
- Low self-reliance of employees in critical situation – When a critical situation comes, sometimes the mid and the low management ask for assistance.
- Open-door policy – The general director defends its open-door policy; however, it has a disturbing effect rather.
- Poor management of PR activities – Even though the company is very productive and successful, they are not visible enough to the general public. Also, the awareness about their projects is scarce.

3.3.3 Opportunities

- Aging population in the Czech Republic – The disproportionate distribution of age groups has resulted in the increase of the average age. The current situation is

offering the opportunity for development projects. The predicted the insufficient presence of free places at nursing homes and retirement homes offers a considerable investment opportunity.

- The amendment to the Building Act – If the Czech government approves the act, it will primarily accelerate the process of acquiring the building permit. In consequence, it can speed up the completion of the nuclear power plant in Dukovany.
- Economy on the Rise – The investment appetite is rising at present. Companies and individuals are ready to undertake an investment risk. The demand for real estate has risen recently. The demand pressures are supported by the low level of interest rates.
- Ministry of the Environment of the Czech Republic – The ministry actively supports and protects the environment, sustainable use of resources and others. It offers various grants for the projects enhancing its policy. For instance, it supports grants for industrial construction such as dams, ground treatment around rivers and so forth.
- Regional and local politics – Regional and local politics periodically prepare the programme for area development which offers a possible business opportunity. The programme includes the development of brownfields, suburban areas, uptowns and others. For illustration, the representatives of the city of Brno announced the development plan for the area in Brno-Bohunice, Brno-střed and Starý Lískovec.
- Construction 4.0 – This term represents the future technological and trend development in the construction sector. New technological improvements can help to achieve, or improve, the company's competitive advantage.
- Consulting engineering subsidiary – XXX can establish and build a consulting engineering subsidiary that can directly communicate with investors. Consequently, XXX can approach the investor directly and gains favourable position in the competitive tender.

- Accredited training centre – Own centre can be used fitfully for training workers with an aim to achieve the desired qualification. It can be used for internal employees, potential employees, and individuals registered at the employment office (the employment office pays for them).

3.3.4 Threats

- Aging top management – Although the top management is very skilled, their average age is 58 years. The company will deal with a management change.
- Educated workforce – The trend has shown that workforce in the region has got more educated. It influences the number of individuals with the secondary education with the leaving certificate. The number is decreasing. In consequence, it can cause the lack of skilled artisans.
- Low unemployment rate – This element along with the decreasing interest in the construction sector can create a challenge in the future staffing process.
- Trade marketing (corruption) – Unfair practices of the XXX's competition can negatively influence the competition for contracts.
- Restrictive monetary policy – Currently, the booming economy is giving hints for the Czech monetary authority to intervene. The aim is to prevent an eventual crisis. After the CNB exited from the exchange rate commitment, CNB can use interest rates or announce a recommendation, which results in the tightened spending spirit.
- Financial crisis – The booming economy or a weak economic situation in the European countries can establish a perfect ground for the financial crisis.
- The lack of public tenders and investments – This kind of threat forces the biggest players in the construction sector to compete for tenders designed for medium players. It makes severer competition in the sector.
- The Outdated Building Act – The legislation related to the Building Act is outdated and far below the European average.
- A non-existent united system for managing public investment – The public authority does not have a united system for managing investments. This fact prolongs all processes related to the public investment.

- Personal changes in the management of key customers – XXX has developed strong ties with the client's management recently. Any personal changes can affect the created relationship.
- Climate conditions – The location of the region makes climate unpredictable from the longer perspective. Extreme temperatures threaten the construction process. For instance, a construction company cannot predict how severe the winter will be. Consequently, it can influence the project's schedule.

The SWOT analysis provides clear hints for the company's future strategy. It is advisable to take advantage of presented strengths and opportunities and reduce its weaknesses and threats. In the light of the SWOT analysis, the author will propose several solutions emerging from the conducted analysis in the following part.

4 Proposals and contribution

XXX has created its stable position on the market. The stability is based on the solid roots rising from its financial stability, reputation, reference, know-how, tight business relations, and tradition. Also, a prosperous company of the XXX's size in the construction sector reacts to new impulses and changes rather lethargically. Therefore, it is widely accepted that any proposals suggested by the author will not bring the immediate business outcome. In other words, the proposal will have the strategic character and influence the long-term stability. The conducted analyses have pointed on technological and demographical trends, areas for the extension of business activities, attraction of talent and talent management.

It could be assumed that the company has been guided by the offensive strategy combining the strengths and opportunities. The author recommends following the offensive strategy, however with the slight adjustments. The offensive strategy implies from early mentioned TOWS matrix. The author proposes to implement following elements which have arisen from the previous analyses. This part of the assignment particularly reflects presented opportunities, strengths, and their combination. It aims to strengthen the company's performance.

The following proposal is divided into two parts. The first part concludes proposals and contribution directing to the XXX's external activities. The second part describes proposals and contribution for the performance improvement of the company's internal environment.

External activities

The recent trends in the construction sector have evolved into two main streams. The technological stream and the demographic stream. It is highly recommended for XXX to adapt to their progress and adjust or extend its business activities.

Starting with the technological stream, it is highly likely that XXX will catch the technological stream since the company deals with suppliers who deliver the most up-to-date solution. The pressure on the technology is caused by the lesser and lesser space for constructing buildings. Hence, investors and developers construct their projects on the lands surrounding big cities. Also, they will construct buildings in height or beneath the

earth's surface. For example, the world's leading metropolises have already presented parking lots with a mechanism which automatically park a car. The parking lots are constructed both in height and beneath the earth's surface. The main purpose is to save space. Moreover, investors often ask for the shorter delivery time. Thus, the upcoming technology, named construction 4.0, will bring more digitalization and progress in the project's designing technology which speeds up the processes. The presence of 3D printers enables higher level of personalisation. Additionally, studies considering the long-time perspective points asserts the lack of natural resources such as water. Therefore, it is advisable to develop future projects including water recycling or home water waste treatment plant. Also, the trend demands ecological solutions projected in low-energy houses. In the light of this implication, the common denominator will be the increasing effectivity in the construction sector. It will play the crucial role in the future constructing projects.

Moving to the demographical stream, this stream could not be very visible from the company perspective, because XXX is not in the direct contact with it. Nevertheless, the demographical studies point to the "aging" trend. The population in the Czech Republic is aging. This trend will slightly change the demand. The market will seek more retirement and nursing houses. The interior design will be modified for the wheelchair access. Spatial building solution can create a garden from all sides surrounded by buildings. In consequence, it creates the safe inside the garden. The similar spatial solution could be used for family houses. The inside garden can include playgrounds and provide a haven for children. Consequently, XXX can promote the combination of both solutions and realize the project at own expenses as an investment. XXX can create a unified construction project with afore-mentioned features; the spatial solution; the wheelchair access and so forth. The project can be realized in the Czech Republic and the foreign markets. It could serve as the product for expansion.

Apart from proposed trends, XXX can extend its business activities on the water industrial construction field. It can focus its activities on waterworks and a ground treatment around rivers. The actual policy of the Czech Ministry of the Environment establishes a ground for a considerable synergy. The authority stands for the protecting environment policy and a sustainable use of resources. It has drawn out various grants for this kind of the

industrial construction. This opportunity helps with a further extension of business activity.

Furthermore, XXX should evade to public tenders due to many strains related to them. These tenders are usually manipulated and associated with corruption. The outcome of these tenders is unpredictable. Hence, the energy put in the competing in public tenders could be saved for distinct business activities.

Additionally, it is recommended to conduct the foreign market research. If the research points on the adequate reasons for expansion, the company can consider the expansion into other markets with a product or its services. For instance, a niche market can serve as a solid step for entrance. Also, the aforementioned product could be used for expansion. On the other hand, XXX can design a luxurious housing and find for them a captivating destination anywhere across the European Union. For instance, the Bulgarian mountains. Foreign projects could be financed with own sources or with the participation of a foreign investor. It leverages the risk. Successful delivery of a construction project can lead to further expansion with increasing market commitment. For the expansion process, XXX can use the early Uppsala Internationalization Model.

Internal activities

Regarding the XXX's talent management, XXX should make the hiring process more attractive, since the statistic reports have presented the decreasing interest of graduate students in the construction sectors and the decreasing number of individuals with the vocational certificate. In other words, severer fight for talent could be expected. Thus, XXX should consider pursuing its HR strategy which will enforce potential employees to join its business and retain current employees. The importance is supported by the common business fact that skilled employees represent the fundamental element in the business.

In the case of graduate students, the author proposes to set-up closer relation with universities; offer internships in the company, and propose topics for the thesis. The XXX's main device is enough sources and facilities for further training of a graduate student. The Higher attractiveness of XXX attracts more candidates. At the same time,

the company will have an opportunity to select from a wider range of candidates. It results in the selection of the most suitable and perspective candidate.

Considering the group of individuals with the vocational certificate, their number has decreased in recent years. Therefore, the company should consider a platform for additional training. Uncertificated, however perspective, candidates will have the opportunity to complete the necessary education. The possible solution appears in the form of the training centre with accreditation. The company can establish its accredited training centre. Where XXX will train future employees. It enables to the incoming employees to complete a necessary certification for the job position. Moreover, the centre opens the opportunity to expand competence of the XXX's current employees. Additionally, the accredited training centre can provide education to individuals who have none related to the company, since the Employment office pays the training for them. Consequently, the financial participation of the Employment office leverage the overall costs of the centre.

Once the candidate is drafted, the XXX has all perquisites to raise an ideal employee. It has a long tradition, clear, understandable internal processes, skilled management and stable position on the market.

The current XXX's employees represent the group with the same importance. The company should provide a suitable environment for the further self-development and allow them to grow with the company. The XXX's management should enforce the employee motivation towards further development and training. It is recommended that the motivation is tightly linked with the transparent system of benefits which encourage their effort. Consequently, the self-development system aims to enhance the employee's loyalty and thus avoids fluctuation.

Moving to the upcoming challenge, the aging management represents the challenge with which the company will need to deal with in following years. Therefore, it is highly recommended to select potential and high performing employees from mid management who can responsibly continue in the stable management. The XXX's top management can gradually forward their responsibilities and provide assistance to them. At the end of the certain period, the rejuvenated management can take over and lead the company.

Conclusion

The main objective of this thesis targeted on the critical investigation of the company's, business performance from various perspectives. The author reviewed both the external environment and the internal environment with the aim of understanding the current situation. The conducted analysis pointed on possible proposals strengthening the XXX's position on the market. XXX s.r.o. is a construction company located in the South Moravian Region.

The thesis has the two main parts. The first, the theoretical part includes all necessary theoretical foundation for the following practical part. The second, the practical part has analysed the latest company's external, sectorial and internal position and the financial performance. The external analysis has used for the analysis of the SLEPTE analysis. Narrowing the analysis, the industry environment has been tackled through Porter's five forces. Subsequently, XXX's microenvironment has been investigated with the Kralicek's Quick test and the McKinsey 7-S analysis. The combination of all selected methods has provided the valuable input into the SWOT analysis which presents the actual list of strengths, weaknesses, opportunities, and threats.

In all, the proposals and recommendations have been presented in the final part of this thesis. After considering all given factors, the author has suggested several points to implement or to consider. The proposals have been divided into two section regarding their scope. The external and internal activities aim to strengthen the XXX's current position on the market. Also, they follow its offensive strategy which is focused on the combination of the company's strengths and opportunities.

Finally, the author assumes that the independent investigation of the company favours the validity of presented content. At the same time, it will be highly beneficial for the company's management. The objectives of the thesis can be considered as fulfilled. In any case, the author believes that the thesis will serve as a source of useful ideas.

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List of Figures

Figure: 1	Interested groups in the enterprise environment (Source: Synek, 2010)	13
Figure: 2	Parts of the company's external environment (Source: Synek, 2010).....	14
Figure: 3	Company's life cycle (Source: Synek, 2010; Levitt, 2017).....	16
Figure: 4	Porter's five forces diagram (Source: Porter, 2008).	19
Figure: 5	SWOT analysis (Source: En.wikipedia.org; 2017).....	24
Figure: 6	The intensity of company's business activity in last years (Source: Internal company resource, 2017).....	29
Figure: 7	'The organization structure of XXX s.r.o. (Internal company resource, 2017)	30
Figure: 8	The total number of the Czech citizens, yearly values, 2000-2015 (Source: Czso.cz, 2017a).....	33
Figure: 9	The total number of citizens in the South Moravian region, yearly values, 2005-2015 (Source: Czso.cz,2017b)	34
Figure: 10	Employed and unemployed individuals regarding their level of education. The 1 st group has only with the primary education. The 2 nd group has the secondary education without leaving certificate. The 3 rd group achieves the secondary education with leaving certificate. The 4 th group achieves the higher education. (Source: Český statistický úřad, 2016)	35
Figure: 11	The structure of households by apartment type in %, 2005-2015 (Source: Český statistický úřad, 2017).....	36
Figure: 12	Real GDP Growth (year on year, in %) 2010-2015 (Source: Česká Národní Banka, 2017a).....	39
Figure: 13	Consumer price inflation (average annual index growth, in %) (Source: Česká Národní Banka, 2017a).....	40
Figure: 14	GDP per capita (average annual index growth, in %) (Source: Česká Národní Banka, 2017b).....	40
Figure: 15	Total number of issued mortgages, annual values, 2002-2016 (Source: Ministerstvo pro místní rozvoj ČR, 2017).....	42
Figure: 16	Companies experienced practices of trade marketing (Source: Imaterialy.dumabyt.cz, 2017).....	44

Figure: 17	Total population increase/decrease from 2000 to 2015 (Source: Czso.cz, 2017a, and 2017b)	I
Figure: 18	Life expectancy at birth from 1950 to 2015 (Source: Czso.cz 2017c)	I
Figure: 19	Structure of households by apartment type, in 2005 and 2015 (Source: Český statistický úřad 2017).....	II
Figure: 20	Map of the brownfields selected for development (Source: Brno.cz, 2017b)	IV

List of Appendixes

A – 1 Total population increase/decrease	I
A – 2 Life expectancy at birth.....	I
A – 3 Structure of household by apartment type	II
A – 4 Number of issued mortgages)	III
A – 5 Selected indicators of selected companies in 2015	III
A – 6 Development of “suburban” area in Brno.....	IV
A – 7 Annual report 2015	V

Appendixes

A – 1 Total population increase/decrease

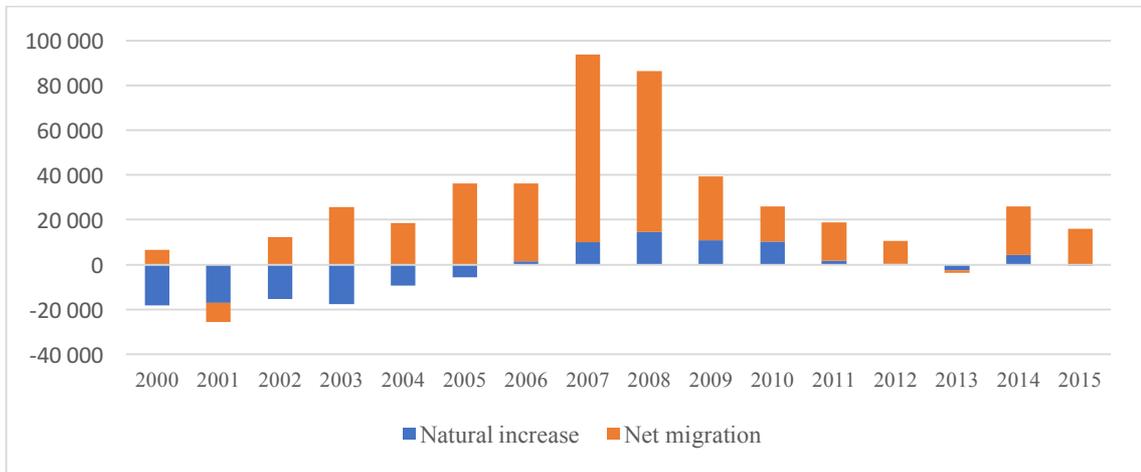


Figure: 17 Total population increase/decrease from 2000 to 2015 (Source: Czso.cz, 2017a, and 2017b)

A – 2 Life expectancy at birth

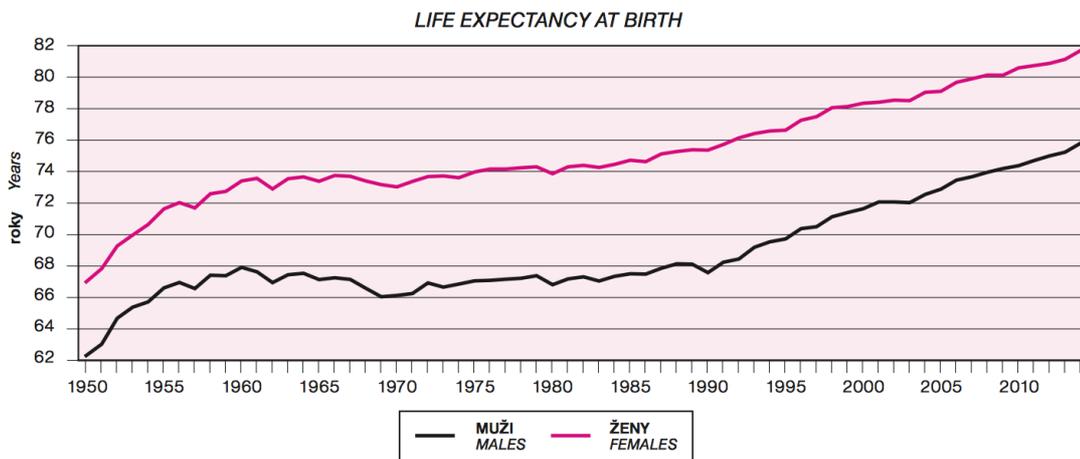


Figure: 18 Life expectancy at birth from 1950 to 2015 (Source: Czso.cz 2017c)

A – 3 Structure of household by apartment type

Structure of household by apartment type	2005	2006	2007	2008	2009	2010
In own house	39,0	38,9	39,4	39,0	39,2	39,4
Owner-occupier	17,8	19,8	20,5	21,6	23,8	26,2
Co-operative	13,8	12,8	12,3	12,4	11,1	11
Rented	22,0	23,3	22,6	22,3	21,7	20,2
Company	3,5	1,8	1,8	1,1	0,9	0,2
Relatives and friends	3,9	3,3	3,4	3,6	3,3	3

Structure of household by apartment type	2011	2012	2013	2014	2015
In own house	39	38,4	38,6	38,1	38
Owner-occupier	28,6	29,4	29,3	29,4	28
Co-operative	10,3	10,4	10	9	9
Rented	18,7	18,3	18,1	19,1	19,6
Company	0,1	0,1	0	0,1	-
Relatives and friends	3,3	3,4	3,9	4,3	5

Table 14 Structure of households by apartment type, 2005-2015 (Source: Český statistický úřad 2017)

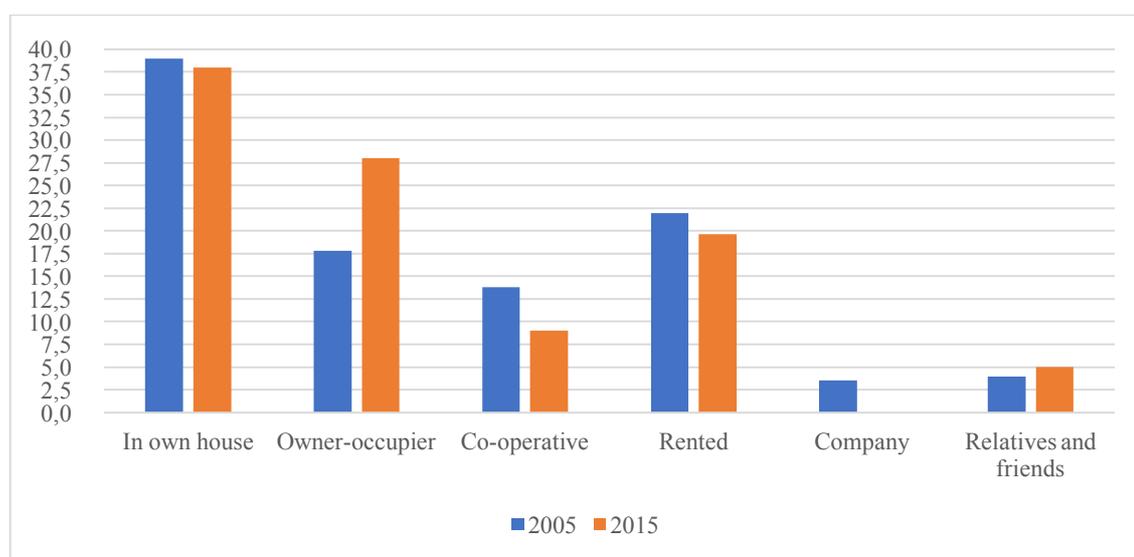


Figure: 19 Structure of households by apartment type, in 2005 and 2015 (Source: Český statistický úřad 2017)

A – 4 Number of issued mortgages)

Year	2002	2003	2004	2005	2006	2007	2008
Issued mortgages	21545	32165	41815	52388	69189	85757	69670

Year	2009	2010	2011	2012	2013	2014	2015	2016
Issued mortgages	45229	52048	72721	74745	94396	87917	104044	114044

Table 15 Number of issued mortgages, annually, 2002-2015 (Source: Ministerstvo pro místní rozvoj ČR, 2017)

A – 5 Selected indicators of selected companies in 2015

The presented numbers are imprecise and serves for rough illustration since the selected companies did not generate their turnover purely from construction income and accounted companies apply different accounting year.

2015			
	Total assets	Total turnover	Units
Kaláb	252	290	Czk millions
Esox	157	302	
Komfort	307	427	
XXX	460	576	
PS Brno	384	918	
Moravostav	787	1726	

Table 16 Total number of assets and total turnover of the selected companies in 2015 (Source: Financial statements of selected companies in 2015, available at Justice.cz)

A – 6 Development of “suburban” area in Brno

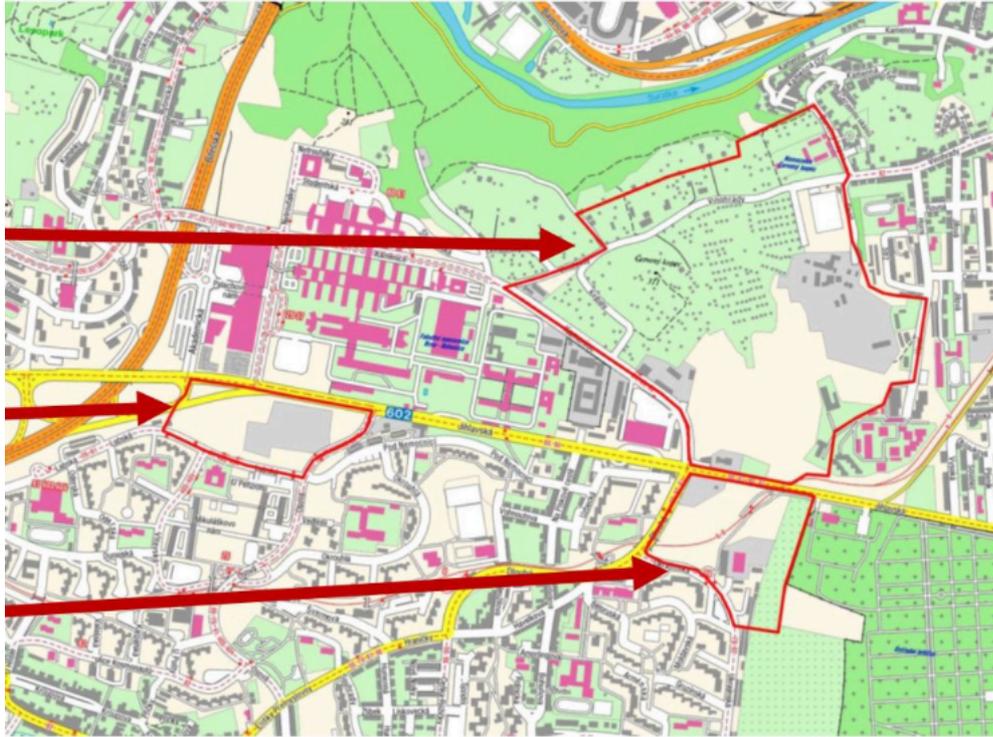


Figure: 20 Map of the brownfields selected for development (Source: Brno.cz, 2017b)

A – 7 Annual report 2015

3

Základní údaje:

Obchodní firma:

Sídlo:

Telefon:

E-mail:

IČ:

Rozhodující předmět činnosti: provádění staveb

Zápis do OR: 1.6.1996 Krajský soud Brno odd. B, vl. 1966

Základní kapitál: 92 500 000,- Kč

Statutární orgán - představenstvo:

Předseda představenstva:

Místopředseda představenstva:

Místopředseda představenstva:

Místopředseda představenstva:

Dozorčí rada:

Předseda:

Člen:

Člen:

Člen:

Člen:

Člen:

Výsledky společnosti za období 2013 – 2015 (v tis. Kč)

Rozvaha

Č. pol.	Položka	31. 12. 2015	31. 12. 2014	31. 12. 2013
	AKTIVA CELKEM	460 108	388 740	393 520
1	Dlouhodobý majetek	173 297	155 148	140 124
2	Dlouhodobý nehmotný majetek	19	54	5
3	Dlouhodobý hmotný majetek	159 700	155 005	139 914
4	Dlouhodobý finanční majetek	13 578	89	205
5	Oběžná aktiva	285 716	231 488	250 945
6	Zásoby	37 377	20 008	30 810
7	Dlouhodobé pohledávky	33 098	20 336	12 381
8	Krátkodobé pohledávky	168 411	113 811	138 814
9	Finanční majetek	46 832	77 333	68 940
10	Časové rozlišení	1 093	2 104	2 451
	PASIVA CELKEM	460 108	388 740	393 520
11	Vlastní kapitál	239 282	215 174	196 853
12	Základní kapitál	92 500	92 500	92 500
13	Kapitálové fondy	-143	-157	-146
14	Fondy ze zisku	0	15 324	13 987
15	Výsledek hospodaření minulých let	117 891	84 100	63 826
16	Hosp. výsledek běžného období	29 034	23 407	26 686
17	Cizí zdroje	220 580	173 337	196 520
18	Rezervy	10 609	8 323	9 439
19	Dlouhodobé závazky	25 191	21 024	16 334
20	Krátkodobé závazky	162 098	110 442	126 761
21	Bankovní úvěry a výpomoci	22 682	33 548	43 986
22	Časové rozlišení	246	229	147

Výkaz zisku a ztrát

Č. pol.	Polozka	2015	2014	2013
1	Tržby za prodej zboží	2 360	745	5367
2	Náklady na prodané zboží	3 090	731	4560
3	Obchodní marže	-730	14	807
4	Výkony	575 868	500 510	416 406
5	Výkonová spotřeba	483 866	420 094	356 863
5.1	Spotřeba materiálu a energie	71 359	68 173	72 194
5.2	Služby	412 507	351 921	284 669
6	Přidaná hodnota	91 272	80 430	60 350
7	Osobní náklady	56 370	57 116	55 923
8	Daně a poplatky	1 675	1 719	1 322
9	Odpisy nehmotného a hmotného investičního majetku	18 769	14 533	11 862
10	Tržby z prodeje dlouhodobého majetku a materiálu	3 576	2 129	3 915
11	Zůstatková cena prodaného invest. majetku a mat.	1 304	1 970	1 272
12	Změna stavu rezerv a oprav. položek v provozní oblasti a komplex. nákladů do příštích období	1 676	30	-18 711
13	Ostatní provozní výnosy	25 699	26 970	26 040
14	Ostatní provozní náklady	3 028	3 285	4 271
15	Provozní hospodářský výsledek	37 725	30 876	34 366
16	Tržby z prodeje cenných papírů a podílů	0	0	0
17	Prodané cenné papíry a podíly	0	0	0
18	Výnosy z přecenění cenných papírů a derivátů	107	0	0
19	Náklady z přecenění cenných papírů a derivátů	0	12	50
20	Výnosové úroky	197	339	377
21	Nákladové úroky	1 323	1 955	1 911
22	Ostatní finanční výnosy	17	158	322
23	Ostatní finanční náklady	594	611	586
24	Finanční výsledek hospodaření	-1 596	- 2081	-1 848
25	Daň z příjmu za běžnou činnost	7 095	5 388	5 832
26	Výsledek hospodaření za běžnou činnost	29 034	23 407	26 686
27	Mimořádné výnosy	0	0	0
28	Mimořádné náklady	0	0	0
29	Mimořádný výsledek hospodaření	0	0	0
30	Výsledek hospodaření za účetní období	29 034	23 407	26 686
31	Výsledek hospodaření před zdaněním (+/-)	34 129	28 795	32 518