

## Survive and thrive?

The journey to market leadership is rarely a straight one. But, regardless of the stage of growth or the industry, all growing companies face similar challenges. We can help. Our strategic growth markets professionals understand what it takes to drive sustainable growth. They can bring together the right team in the right place with the right services to make a difference. It's this difference that's helping growing companies all over the world achieve their potential.

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Exceptional Jul-Dec 2010

# Exceptional

July-December 2010

Entrepreneurship + Innovation = Growth

“There are half a billion professionals in the world. We'd love to connect them all”

Jeff Weiner on why nothing is too ambitious for professional networking site LinkedIn

### Trading up

ICAP's Michael Spencer, the new Ernst & Young World Entrepreneur Of The Year

### What language barrier?

David Yang of translation software developer ABBYY

### Need for speed

Under the hood with racecar designer Gian Paolo Dallara

Entrepreneurship + Innovation = Growth



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## Foundations laid?

A strong business needs to manage compliance, control risks and plan proactively to create solid foundations. With 22,000 tax professionals in over 130 countries, we help you build them. Our technical knowledge, business experience and consistent methodologies can help your business manage tax not only responsibly, but effectively. And, in turn, give your organization the strength to grow and achieve its potential.

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# Welcome

The global recession really shined a light on the interconnectivity of today's economy. For example, even if your business only operates in one market, your ability to find funding can depend on the vagaries of a banking system in another country entirely. On the other side, plummeting rents across the ocean can represent an opportunity to increase your geographic footprint.

This issue of *Exceptional* looks at how fast-growth businesses have created and implemented strategies to expand internationally. From franchises to M&A, joint ventures to organic growth, there are a variety of ways to go global.

One company with its eyes on faraway markets is professional networking site LinkedIn. Not content with adding a member per second, it aims to expand its physical presence abroad and target even more of the world's half a billion professionals. We speak to CEO Jeff Weiner about what it's going to take to deal with the pace of growth he foresees.

UK retailer Mothercare is also going global. From profit warnings to just plain profit, CEO Ben Gordon tells us why he's looking towards China and India: babies, and plenty of them.

Czech hospital bed manufacturer Linet has been an international growth winner. Not only has it captured 95% of its home market, it also has a presence in more than 70 countries. Founder Zbyněk Frolík explains how he's done it and why a 360-degree design process is so important.

We also speak to Shashi Kiran Shetty of Mumbai-based Allcargo Global Logistics, which takes our theme of "going global" literally. Allcargo figures out how to get freight from A to B, and we chart the company's course from startup to listed business.

Other companies we highlight include French travel agency Voyageurs du Monde, Danish hearing technology developer Widex and Russian translation software developer ABBYY. We also put the spotlight on Ernst & Young's recent Entrepreneur Of The Year Forum in Zurich, and look at how a new university is aiming to build up Saudi Arabia's science and technology knowledge base.

I hope you enjoy this issue of *Exceptional*.



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# A sense of wellbeing

Czech entrepreneur Zbyněk Frolík explains how Linet is making patients' lives more comfortable through its innovative hospital bed designs

A political system that quashed individuality and entrepreneurial spirit wasn't enough to discourage Zbyněk Frolík. In the late 1980s, he took the only legal way to earn extra income – growing flowers – and turned it into one of the largest private garden shops in Czechoslovakia. The next two decades brought enormous growth to the post-communist country, which is now the Czech Republic. Frolík has kept pace with his company, Linet, which manufactures hospital beds. After studying technical cybernetics and working for the Czech Academy of Sciences, Frolík became head of the technical department at Prague's largest hospital. There, he noticed how difficult it was to find good beds. "Hospitals in Czechoslovakia were poorly equipped and I saw great potential for launching a successful company," he says. And that he did, using an initial US\$10,000 investment and an old farmhouse that he converted into a manufacturing hall.

The odds were stacked in Linet's favor. "There is a long industrial tradition in the Czech Republic, a high level of education in the population, relatively cheap labor and the excellent Czech health system as our first customer," says Frolík.

In 2008-09, Linet posted consolidated

Photography: Dennison Bertram Words: Claire Compton





“Our corporate culture is a model to other companies: we’re obsessed with innovation and the technological process”

**Zbyněk Frolík** spotted a niche in the Czech market for well designed hospital beds.

revenues of €81m (US\$109m), up 4.6% from the previous year – a good result considering the global economic crisis and the fluctuations of the crown, the Czech currency. Exports account for 78% of sales, a situation typical of companies operating in the Czech economy, where exports account for 77% of GDP.

#### Worldwide recognition

The company has been showered with accolades in the past few years, a testament to its solid business reputation both at home and abroad. Frolík was Ernst & Young’s Czech Entrepreneur Of The Year 2003, Linet has been Czech Company of the Year and its products have received numerous design awards.

Recently, Linet was also placed fourth in the top 100 ranking of the most admired companies in the Czech Republic, an award based not just on financial performance but also on the company’s public image and how well it treats its employees – a practice that Frolík credits for his success. He says that Linet allows its employees “great freedom” but that it expects great responsibility in return.

“It’s like a jigsaw,” he explains. “A business is made up of hundreds of different skills, all of which have to fit together. So far, we’ve been able to piece the puzzle together.”

Freedom has laid the groundwork for continued innovation and a commitment to creating “comprehensive solutions.” Linet’s design team includes not only engineers but also end users, who know at first hand how the beds should function. The company has maintained a long-term and exhaustive collaboration with healthcare professionals to create the best product, and also relies on patient feedback. “For instance, handicapped patients, such as quadriplegics, think about what can be improved, and they’ve been our faithful advisors,” Frolík says.

That collaboration has resulted in a column unit for adjusting the beds that has become an international standard, automatic brakes and a range of motion devices that reduce nurses’ physical workload and maximize patients’ mobility and independence.

Twenty years after founding Linet, Frolík is still hands-on with the designs and spends as much time as he can coaching employees: two activities tied to his passions and business model.

“Looking for new ideas – that’s the umbilical cord between me and our technology department,” he says. “Our corporate culture is a model to other companies: we’re obsessed with innovation and the technological process and that’s why we’ve been able to go up against companies with traditions dating back 100 years.” Innovative designs and a successful business model have made Linet the top European hospital bed manufacturer, and have given it high hopes for success in other markets. Linet recently expanded into the US through a subsidiary, Linet Americas, which is competing with two other major players in the largest and most expensive healthcare system in the world.

“The economic crisis has resulted in 90% of hospitals in the US having to take costcutting measures,” says Frolík. “And now, more than at any other time, we feel the need to do things differently.”

The company has a good capital base and is even looking at potential acquisitions, but organic growth remains its preferred method of expansion. While it is aiming for a turnover of US\$300m within five years, Frolík remains committed to maintaining the positive work environment and product standards that have allowed such success.

“Our slogan was, and is, to be an object of desire, not merely of choice,” he says. “A customer who desires our products will always find a way to get them.”

## Viewpoint



Libor Fryzek,  
Head of Tax Services,  
Ernst & Young Czech Republic

## Taxation in the Czech Republic

The Czech Republic has enjoyed a successful few years since accession to EU membership in 2004. Along with Hungary, it has proved to be attractive to large multinationals – and not just for the tax benefits. The location is also good for central, western and eastern Europe. Inward investment has been boosted by the Czech Government’s incentives, of which multinationals engaged in R&D, manufacturing and so on have taken

advantage. The country’s skilled and well-educated workforce is also an attractive asset.

On the back of that corporate influx, the issues of transfer pricing and overall tax compliance has raised its head for any multinational requiring intra-group trading across a number of business units and repatriating profits. The Czech authorities, in common with tax authorities across the world, are stepping up their compliance regime in the wake of the financial crisis in order to ensure that every last penny of the correct tax take is collected.

In the case of the Czech Republic, the tax system is expected to undergo a series of changes, the most startling of which is the currently widely debated increase in the level of personal taxation. On the corporate side, the recent

elections, in which the ruling Social Democratic Party held on to power, have brought the level of corporate tax back under discussion.

The tax authorities believe that there is a need to improve the levels of both understanding and compliance in the area of tax generally, and transfer pricing in particular. Recently, they have expended a lot of time and energy on educating their inspectors and on communicating

with the corporate sector. They have also created special units that focus on transfer pricing.

The goal is to ensure that the Government can collect significant taxes from transfer pricing rather than spending days and days reviewing small items such as travel costs.

With the economic downturn and expected

increases in the overall tax burden, maintaining the Czech Republic’s competitiveness in attracting inward investment will certainly be a challenge for the Government.

And it’s not just that. The World Bank indicated in its recent report that the number of hours a company needs to log in to be corporate tax compliant in the Czech Republic is 130 hours. Compare this with Germany, for example, where it is 30 hours. That is a big difference.

“The issues of transfer pricing and overall tax compliance has raised its head for any multinational requiring intra-group trading across a number of business units”

### More information

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