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Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

CONTENTS

Karina Adonjeva, Baiba Savrina. Brand Image Influence on Customer Satisfaction on International Scale	9
Jan Christoph Albrecht, Konrad Spang. Towards an Understanding of the Relationship between Project Management Maturity and Project Success	10
Vilnis Ādamsons. Latvian Pension System Problems in Economic Difficulties	11
Sandis Babris. Transforming Intellectual Organizations into Learning Organizations	12
Ilze Balode, Inta Ciemiņa. Estimation of the Latvian Households Almost Ideal Demand System of Commodities	13
Anda Batraga, Ksenija Dmitrijeva. Non-Traditional Marketing Integration into Marketing Communications	14
Anda Batraga, Didzis Rūfītis. Corporate Identity Overview: Concept, Definition, Development	16
Markus Baur. On The Performance of Family Businesses: Suggestions for an Advanced Method of Evaluation	18
Irina Bausova. Design Branch Development in Latvia	19
Dana Behmane, Ērika Šumilo. The Impact of International Regulation on the Pharmaceutical Market in Latvia	20
Gundars Berzins. Strategic-Operational Management of the Creative Industries in Organizations	21
Veronika Bikse. The Role of Government Management Policy for Promotion of Self-Employment and Entrepreneurship in Latvia	22
Inese Brante. Globalization and Inequality	23
Ieva Braukša. Political Aspects of Economic and Social Development: Theory and Inhabitant Survey Analysis	24
Hans-Jürgen Brenninger. Company Value and Employee Satisfaction: Development of Theoretical Framework	25
Janis Brizga, Dzintra Atstaja, Dzineta Dimante. Analysis of Economic Policy and Crisis Management in Latvia from Perspective of Green Economics	26
Galina V. Chernova. Methodological Aspects of Anti-Recessionary Management Simulation	28
Zane Cunska. Gender Differences in Tertiary Education Student Profiles in Latvia	29
Mārtiņš Danusēvičs. Retail Trade Tendencies in Europe	30
Rasa Daugēlienė. Lithuania's Economy in the Presence of Global Financial Crisis: Globalisation and Competitiveness Aspect	31
Contents	3



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

Justs Dimants, Biruta Sloka, Jānis Kleperis, Ilze Klepere. Tendencies of the Hydrogen Market Development: Expert View	32
Ilona Dubra. Innovation as a New Business Philosophy	33
Meinhard Friedl. The E-Substitution as a Significant Threat for Postal Operators	34
Malcolm Gammisch. Compliance Management as Holistic Approach in Business Management ...	36
Christian Geiling. Environment Management in Poland Concerning Electricity Supply	37
Irina Genriha. Application Scoring Vs Behavior Scoring: Predictive Power on the Expiry of Time	39
Andreas Michael Giesa. Laboratory Case Study in Behavior Change: Is It Possible to Train Behavior and Trigger a Sustainable Change?	40
Ludwig Gold. The Influence of Organizational Culture Patterns on the Efficient Strategy Implementation	41
Ansis Grantins, Biruta Sloka, Julija Vladimirova, Inara Kantane, Inga Jekabsone, Agnese Vaivade. Well – Being: Analysis of Different Approaches – Salaspils District Case	43
Arturs Graudins, Biruta Sloka, Inesa Vorončuka, Ilze Brante, Elita Lauciņa. Professional Education for Mechanical Engineering and Metalworking Industries in Latvia: Recent Development Trends	44
Gabriele Hahne. The Impact of the European Commission’s “Green-Paper” on the European Auditor Market	45
Sandra Heiden. Implications of Web 2.0 Consumer Behaviour for Distribution and Reputation Management in the Hotel Industry	46
Hilmar Þór Hilmarsson. Small States and International Development Cooperation. What Lessons Can Iceland and the Baltic States Learn from the Scandinavian Countries?	47
Edīte Igaune, Oļģerts Krastiņš. Possibilities of Quantitative Research on Social Capital in Administrative Territories	48
Ksenija Ijevļeva. The Forecast of Home Loan Market Shares in Latvia	49
Norman Jablonski. Legal and Taxation Aspects for Closed Funds in Austria and Germany	51
Ginta Jakobsonė. Decision Theory Principles and Problem-Solving Process at the State Level	52
Inga Jansone, Irina Voronova. Latvian Trade Sector External and Internal Risks Assessment	53
Andrejs Jaunzems, Lilita Ābele. Circulation of Air Pollution Quota – An Example of Rational Individuals’ Dissociable Behavior	55
Anzela Jotkute, Daina Šķiltere. Analysis of Inflation and Economic Growth	57
Lada Kalinina. Impact of Cultural Diversities on Effectiveness of International Management	58



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

Henrijs Kalkis. Ergonomics Relationship to Company's Operations Management	60
Juris Roberts Kalniņš, Ieva Vizule. Tapping on Tacit Knowledge in Organisation's Knowledge System in Competitive Environment: A Case Study into Management Education in Latvia ...	61
Qeis Kamran. Management by Deception (MBD): The Need for Designing a Viable Strategy	63
Ivars Kassalis. Clustering in the Freeport of Riga	65
Jochen Katz. A Trust Marketing Framework for Risk Intense Products	66
Gundars Kaupins. Role of Statistics in Management Decision Making	68
Gundars Kaupins. New Media Usage and Privacy Policies in Baltic States' Newspaper Websites	73
Valters Kaže, Andrejs Strateičuks, Roberts Škapars. Consumer Values and Consumption Patterns Driving Latvian Strong Alcoholic Beverages Market	74
Laura Kersule, Biruta Sloka, Iluta Skrūžkalne. Work Conditions Influence on Employee Motivation in Telecommunication Industry in Latvia	76
Vladimir G. Khalin. The Patterns of Higher Education Funding In Russia: Analysis and Evaluation	78
Margarita V. Kolodiy. Current Problems of Tourism in the EU (Legal Aspect)	80
Nadežda Kņiga. Models for Marketing Research of Nanoproducts and Nanotechnologies	81
Arvi Kuura. Project Management and Entrepreneurship: A Link through Competences	82
Jekaterina Kuzmina. Use of Lower Partial Moments in Portfolio Management	84
Natalia P. Kuznetsova. Financial Conglomerates Risk Management	85
Arnis Lagzdins. Compliance Risk Management in Latvia's Banking Sector	87
Moritz Lang. Additional Cost Arrangement – A New Strategic option in Product Lifecycle Management for Thepharmaceutical Industry in Germany	88
Ludmila Lastovska. Systemic Criteria for a Competitiveness Evaluation of Educational Services of a Private Higher Education Institution	89
Dagnija Lāce – Ate. State Export Promotion in the Light of Global Economic Crisis. An Example of Latvia	91
Mariya Lebedeva. The Notion of Uncertainty and Its Influence on Investment Decisions in Emerging Markets	92
Marija Lindemane. Latvian Commercial Banks' Term Deposit Services Export	93
Marija Lindemane, Ilmars Purins, Didzis Rutītis. Key Factors of Financial Services Export Growth	94
Eriks Lingeberzins. Impact of Globalization on International Tourism Business Environment	95



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

Knut Linke. Why Germany Can Be for Europe What China is for the United States of America ..	97
Laura Lismente. Demand Elasticity Analysis Application for Demand Forecasting	98
Katrin Löhrr, Rao Aamir Khan, Peter J.A. Reusch. On Standards for Processes Regarding Finance in Project and Program Management	100
Olga Lukashina, Valentina Djakona. Intellectual Property Management Issues at the Enterprises of Latvia	102
Anton Mandl. Analysis of the Varying Side Effects of Public Corporate Culture in Today's Technical Services on the Employee Typology	104
Hermann Maschl. Corporate Finance – Interest Rate Risk Management with Standard Over-The-Counter Derivatives	106
Margareth Elisabeth Mayr. Consciousness and Leadership	107
Marta Meženiece. Impact of European Structural Funds Financial Contribution on the Development of the Scientific Activity in Latvia, Estonia and Lithuania	108
Maria Minichmayr. Economic Analyses of Job Search Processes and Decision Support in Austria	109
Hans-Peter Oehl. Approach to an Unifying Framework for Company Life Cycle Models	111
Alda Ozola. Limiting Environmentally Harmful Economic Activities: The Role of Environmental NGOs and Activist Groups	112
Ilona Ozoliņa, Ināra Kantāne. Role of Business Communication in Effective Entrepreneurship Management	113
Andris Ozols. Non-Market Methods in Open Market Economy: South Korean Experience	114
Robert Popovits. Digitalization of Services in the Public Sector – Tackling the Digital Divide	116
Kristīna Puksta. Electronic Documents and E-Signatures Solutions in Latvia	117
Ilmars Purinsh. Household Solvency Assessment Methodology and Its' Implementation Quality in Latvian Banks	118
Emīls Pūlmanis, Silvija Bruņa. Project Initiation Process – Key Constituent of the Construction Project Management Model	119
Peter J. A. Reusch (Opening Speech). Issues on Leadership	120
Peter J.A. Reusch. New Standards for Project Audit and Project and Program Management	123
Peter J. A. Reusch, Muhammad Khushnood, Sergio Vasquez Kaufmann. New Issues on Competences in Project Management	125
Sylvie Reusch. Project Thesaurus 2020	127
Viktorija Rjashchenko. Implementation of Business Process Reengineering in Business Organisations	128



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

Hermanis Rullis, Biruta Sloka. Possibilities for Marketing Communications within Internet Bank	129
Ramona Rupeika-Apoga, Irina Solovjova. Globalisation and Its Impact on Banking Sector: The Case of the Baltic States	130
Jean-Michel Sahun. Sustainable Tourism and Economic Development	131
Svetlana Saksonova. The Analysis of Asset and Loan Portfolios of Latvian Commercial Banks under the Circumstances of the Crisis of 2008 and After the Crisis	132
Günter Salchner. Innovation Management in Rural Tourism Development	133
James Samuel. International Accounting Standards in the E.U. and the U.S.A. Differences and Similarities	135
Oliver Scheffert. A Changing Paradigm in Marketing	137
Henrique Schneider. The Different Character of SME: A Research Outline	138
Marcel J. Schön. The Influence of Organizational Culture on the Risk Management Processes in Organizations: Current Issues and Model Development	139
Christin Schwiering. Risk Culture in Financial Organizations	140
Marija Simonova. The Investment in Human Capital in Public Administration in Latvia	142
Lauma Štka. Creativity and Innovation – A Catalyst for Recovery of Regions in Latvia	143
Biruta Sloka, Ieva Brence, Ināra Kantāne. Statistical Analysis of Survey Results on Possibilities of Involvement in Labor Market and Entrepreneurship Long Term Unemployed in Latvia	144
Jurijs Spiridonovs. EU Cohesion Policy: Measuring the Impact on Environmental Infrastructure	145
Markus Priestersbach. Mediation and Business Ethics: Model Development and Implications	146
Māris Sprīngis. The Impact of the Host Country Corruption on Inward FDI	147
Jiří Souček, Dana Kubičková. Management of Receivables in Czech Firms	148
Sergejs Stacenko, Ilze Gude. World Models of Trade Unionism Movement: A Comparison of Trade Unions in the EU and Labor Congress in Canada	149
Rimantas Stašys. E. Health Services in Lithuania	151
Aija van der Steina. Evaluation of Latvian Tourism Development Agency (LTDA) Marketing Activities from the Perspective of Latvian Tourism Entrepreneurs	152
Andrejs Strateičuks, Valters Kaže, Roberts Škapars. Influence of the Increase in Strong Alcohol Excise Tax on the State Revenues in Latvia	154
Deniss Ščeulovs, Elīna Gaile-Sarkane. Social Networks for Business: Tool for Enterprise Competitiveness Increase	156



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

Ligita Šimanskienė, Erika Župerkienė. The Research of Managers Motives for Career Development: A Case of Lithuania	158
Dita Štefenhagena. Current Development Issues in University Governance	159
Alekss Tiltiņš. The Cooperation between Defence and Private Sector within the Framework of Defence Procurement (Contracting)	161
Maria Tissen, Ruta Sneidere. Cost Optimisation Opportunities in an Economic Crisis	162
Nellija Titova. An Empirical Study of the Impact of Intellectual Capital Efficiency on Business Performance on Latvian Banks	163
Michael Toedt. Psychological Reactance in the After-Sales-Phase of Hotels Bookings	164
Boldizsár Tóth. The Leadership and Organisational Culture: Empirical Evidence from the Hungarian SME Sector	165
Wolfgang Tysiak. Risk Management in Projects: The Monte Carlo Approach	166
Juris Uzulāns. Project Management Maturity Models and Risk Management Documentation Maturity	167
Irēna Vaivode. Evaluation of Factors Influencing the Competitiveness of Semiconductor Industry due to the Context of the Different Economic Systems	168
Klaus Venus. Supply Chain Management and the Impact on the Competitiveness of Firms	169
Ilze Vilka, Baiba Zvirbule. Corporate Income Tax as Incentive for Business Stimulation and Investment Promotion	171
Claudia van der Vorst. Selecting an ERP Software at Mid-Size Companies. An Investigation of the Decision Making Process	173
Agate Zaķe. The Development of Gender Equality Policy in Latvia	175
Kristīne Zaksa. Entrepreneurialism in Universities: Risks and Opportunities	176
Anna Zasova. Labour Market Institutions in Latvia Vs. Other European Countries from Labour Market Flexibility Perspective	177
Yuliya Zavodnik. Creative Approach to Determining Economic Development	178
Xiaosong Zheng. Toward an Integrative Framework of International Joint Venture Performance in China	180
Marga Živitere, Viktors Člaidze. Legal Environment, National Strategies and Policies for Employment of People with Disabilities	181
Jens Wingenfeld. The Challenge to Cope with New Communication Media in a Business Organization	183



BRAND IMAGE INFLUENCE ON CUSTOMER SATISFACTION ON INTERNATIONAL SCALE

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Keywords: brand image, overall satisfaction, loyalty, cosmetic products.

Since the world is a global marketing now it's getting more difficult for the companies to compete. In order to win the leader position in the marketplace marketing specialists work out different kind of strategies to achieve long lasting success. One of the most significant among these strategies is customer satisfaction with the brand.

One of the most important factors that contribute to the formation of customer loyalty is customer satisfaction. Consumer satisfaction has been widely accepted as an important issue for many marketing managers. It is commonly used as a benchmark of a company's success.

The primary purpose of this study is to examine the effect of brand image on overall customer satisfaction in the context of cosmetic products. In this study, brand image is conceptualized as a multidimensional construct which consists of eight dimensions of image and four dimensions of image benefits).



**TOWARDS AN UNDERSTANDING OF THE RELATIONSHIP
BETWEEN PROJECT MANAGEMENT MATURITY
AND PROJECT SUCCESS**

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Keywords: project management maturity models, project success, theoretical framework.

Maturity models emerged in project management in the late 1990's. While the idea of assigning a certain degree of maturity to an organisation's management structures originally stems from quality/process management, project management maturity models also have a proximity to knowledge management, benchmarking approaches, standards and best practices. In general, they are to be classified into the field of organisational learning and improvement [1]. Empirical research regarding project management maturity models firstly focused on comparisons of average degrees of maturity of different industries. On the other side, the research on the consequences that a certain level of maturity has for an organisation is still to be considered at a stage of infancy. Several authors particularly point at the necessity to investigate the relationship between project management maturity and project success [e.g. 2]. This paper introduces a research project that aims at contributing to close this research gap. After providing an overview of the relevant literature, the main characteristics of this research project are outlined. Subsequently, the research project's theoretical framework and its underlying basic principles are presented and discussed.

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Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

LATVIAN PENSION SYSTEM PROBLEMS IN ECONOMIC DIFFICULTIES

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Keywords: social budget, the national core budget, deficits, financial crisis, pensions, fiscal indicators.

Latvian social system is on the verge of serious financial problems. The article analyzes the causes of this crisis and the beginnings, in the context of looking at 1st budget level of social systems in relation to national budget, as well as the state budget of the negative impact on the social security budget for the financial future. Governments also discussed the measures taken by the social system of financial regulation and the 1st-level and 2nd-level and their impact on society's social environment. Made in the conclusions and recommendations developed separately to improve the situation a crisis.



TRANSFORMING INTELLECTUAL ORGANIZATIONS INTO LEARNING ORGANIZATIONS

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Keywords: intellectual organizations, learning organizations, knowledge workers, productivity.

It's already decade since one of the most influential management thinkers P. Drucker stressed the need to increase knowledge workers productivity and raised it as top priority for the 21st century management scientists and practitioners. Following the trend the Author of the paper developed and tested several concepts and in 2007 summarized them in dissertation. One of the major conclusions was that if organizations want to increase knowledge workers productivity the knowledge workers job content, responsibilities, reward system etc. should be redesigned to become as close to the sole entrepreneur as possible thus motivating knowledge workers themselves to find and implement initiatives improving their own productivity. Many of the factors were taken into account that need to be changed to make it happen – the role of the leader of intellectual organization, the organizational culture, etc.

Since 2007 the Author has conducted several transformations in the banking industry to boost the productivity of knowledge workers in three Baltic countries, as well as faced similar challenges in even more intellectual organization – University of Latvia. From the practical experience the Author concludes there are several cornerstones to turn intellectual organizations into truly learning organizations: transparency and openness, leadership and culture, and teamwork. These conclusions in some extent contradict the previous hypothesis that each knowledge worker can think of his/her own productivity. On one hand it is true – usually before starting any transformation of any kind of unit employees can advise a long list of activities that could improve their productivity. The problem is that usually it is not possible to change the way one person works by not changing the job content or process performed by others. Another problem – one person in isolation can't find the best practice or ready-made solutions created by others. This leads us to the need to implement more team-work than knowledge workers are used to, and adjust the leadership style and culture of organization to facilitate collective problem solving and knowledge sharing, two most valuable assets individualistic knowledge workers are not ready to accept from the first sight.

Another issue in this area is the difficulty to define how productivity in knowledge intensive jobs can be measured. As a result Author defines the major root-cause of low productivity of knowledge workers – it is time spent on finding solutions or resolving problems someone else has already solved. If so the major point to improve the productivity of knowledge workers is to ensure transparency, openness, accessibility to knowledge and knowledge sharing within organization and other organizations.



ESTIMATION OF THE LATVIAN HOUSEHOLDS ALMOST IDEAL DEMAND SYSTEM OF COMMODITIES

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Keywords: Almost Ideal Demand System, household demand, household expenditure, expenditure elasticity of demand, price elasticity of demand.

The given research work exploits Household Budget Survey data and price indices of Central Statistical Bureau of Latvia made on 12 commodity groups according to COICOP (Classification of Individual Consumption According to Purpose) for the period 1997-2008. There is estimated Almost Ideal Demand System for 5 integrated commodity groups: “Food and non-alcoholic beverages”, “Clothing and footwear”, “Transport”, “Recreation and culture”, and “Consolidated commodity group”. For the given commodity groups expenditure elasticities of demand and price elasticities of demand are calculated. The calculated expenditure elasticities of demand allow all commodities classify as normal commodities. Elasticities calculated by the help of Almost Ideal Demand System show that by increase of welfare the expenditure elasticity of demand decreases for all commodity groups. Hereto, the expenditure elasticity of demand for food is less than 1 in all quintiles, however, the expenditure elasticity of demand for the other groups is more than 1. The expenditure elasticities of demand for the given commodity groups are compared to analogue indices of other countries also calculated by the help of Almost Ideal Demand System.



NON-TRADITIONAL MARKETING INTEGRATION INTO MARKETING COMMUNICATIONS

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Keywords: non-traditional & traditional marketing, guerilla, communications.

The Latvian market of marketing communications, especially advertisement, is saturated, cluttered with different types and contents of reports. It seems traditional approaches have exhausted themselves and traditional instruments are becoming less effective. That is why new forms of communication are appearing. Recently such new trends as convergence – fusion of media, transgression of social norms, successful mix of 3 factors – place, time, conditions, etc have appeared. As a result there are a lot of new concepts – *Guerilla Marketing, Alternative Marketing, Hooligans methods, Radical Marketing etc.*

Hypothesis: A key condition for the existence of non-traditional marketing is the use of traditional marketing communications in the snapshot point of time for communication, which involves the highest degree of creativity.

- Communications timing of the implementation. Object or activity was non-traditional for a few years ago now are accepted as traditional and usual.
- Creativity is one of the components of marketing and communications building, which is being implemented at different levels or stages. Object or activity known as non-traditional marketing at this moment is often characterized by a higher degree of creativity.

The aim of the research: to explore solutions of non-traditional marketing substantiation.

The tasks of the research:

1. To analyze basic research and literary in the term of traditional/classical marketing, marketing tools and instruments. The information analysis of non-traditional approaches. The determination of non-traditional approaches criterion and the comparison between them.
2. To analyze market examples of marketing communications depending on non-traditional marketing communications.



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

3. To accomplish an expert survey according to the aim – to explore specialists' views on marketing nature and content of justification in practice; tasks – to identify non-traditional marketing promotional factors, to evaluate the traditional/non-traditional marketing characterized criteria, to compare traditional and non-traditional marketing examples. Specialists describe traditional and non-traditional marketing, to provide general guidelines, similarity and difference between traditional/classical and non-traditional approaches.

The temporary results of the research (approbation) are as follows: According to the survey obtained information it is clear that experts agree with the author's hypothesis that non-traditional marketing is not a new type of marketing, but traditional/classical marketing is used according to the specific/defined time, situation and circumstances, including all the criteria of the traditional/classical interpretation.

For example: Experts' valuation about factors affects the occurrence/development/popularity of non-traditional approaches in context of marketing in the Latvian market indicates following positions – traditional solutions are not effective enough, low-quality advertising, the price of traditional solutions (high, non-compliant), fierce competition in some areas or industries. Also, experts agree with the statements, that all the factors characterizing non-traditional approaches don't go against traditional/classical marketing interpretation. In terms of comparison between market examples (traditional and non-traditional outdoor advertising) experts indicate following differences – original & creative; mass media additional interest about; non-traditional location; permitted (the legislative point of view). All the above mentioned conditions don't indicate that a new type of marketing is appeared.

In conclusion, the studying hypothesis tends to be adopted.



CORPORATE IDENTITY OVERVIEW: CONCEPT, DEFINITION, DEVELOPMENT

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Keywords: corporate identity, marketing management, brand management.

Rapid evolution of the Internet communications by the beginning of the 21st century has resulted in almost instant information availability and has substantially changed the role of traditional mass media in developing the relationships between companies and consumers. It has also facilitated development of much closer connection and interaction between companies and their consumers, both private and businesses, consequently influencing the applicability and novelty of the actual marketing management practices.

Hypothesis: Corporate identity management has become much more difficult to manage along with appearance of the Internet network and social networks.

- Stakeholders influencing formation and management of the corporate identity. Before appearance of the Internet product companies or service providers had wider influence over own image building through traditional media, thus, having more power over corporate identity management.
- Appearance of social networks like Twitter and Facebook has highlighted the need to serve each and every customer as VIP customer disregarding their business volume.

Aim of the research: to explore corporate identity concept and perception by marketing experts.

Tasks of the research:

1. Do basic research and literature analysis on the corporate identity. Various definitions of corporate identity concept and their comparison from both, the product and services marketing perspectives.
2. Research corporate identity concept within the Internet era - comparison of the frameworks developed by Melewar and Jenkins [1] and I-Dimension concept by Bouchikhi and Kimberly [2].
3. To accomplish expert survey in order to explore marketing communications manager opinions on corporate identity concept and future development; tasks – provide up-to-



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

date definition of the corporate identity and its related terms – visual identity and reputation; suggest the likely directions for the corporate identity concept development in the nearest future taking into account the actual socio-economic trends; highlight the corporate identity formation in the Internet environment.

Temporary results of research (results of approbation): survey data reflect expert agreement with author's hypothesis that corporate identity and reputation management has become more difficult along with evolution of consumer communication over the Internet and social networks.

Likely conclusion – the study hypothesis tends to approval.

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**ON THE PERFORMANCE OF FAMILY BUSINESSES:
SUGGESTIONS FOR AN ADVANCED
METHOD OF EVALUATION**

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Keywords: family business, owner manager performance.

Family businesses constitute a majority in developed economies. Although they distinguish from diffusely owned publicly firms, research of family business is still a young discipline. The core element of a family business is the systemic interconnection and interdependency of the systems *family, ownership, business and personality*. From a resource-based view, the business family is the family businesses biggest chance and risk at the same time. This leads to question traditional methods of business performance evaluation. Traditional valuation methods have limited the view to financial (quantitative) measures. However, eliding the high impact of family influence means to ignore a force with high amplitude. As the family business is depending on the attitudes and decisions of the business family, measuring its performance without including the quality of the interconnection and interdependency provides an incomplete picture. The working paper will consequently promote the integration of the maturity-level of the family strategy to the business performance evaluation in order to establish an advanced and more comprehensive method of family business owner manager performance evaluation. It will further provide suggestions for concepts that help to define the family strategy maturity-level. The purpose of this theoretical reflection will be to contribute to family business research in general and particularly to advance methods that assess owner managers of family businesses.

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DESIGN BRANCH DEVELOPMENT IN LATVIA

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Keywords: design management; design policy, design cluster in Latvia.

Usually, talking about design we mean the way of improving convenience in use and consumption. We mean approach that could be economic in production and attractive in promotion as well as for the goods and services. Design branch in Latvia in its history saw the periods of prosperity and decline starting with the days of the First Republic and till our times. If talking about the pre-wars time we could name bright and innovative developments in the field of industrial design, e.g. famous design Minox photo camera, graphical fonts by J. Madernieks and many others. Soviet period could be described by the constant demand in Latvian design (interior, fashion, exterior) on the whole area of the Soviet Union. The question arises, how could we characterize current state of design branch, as one of the significant branches in Latvia? The paper deals with historical aspects of the design development as a branch in Latvia and the problems of it, discusses the possibilities of creating a design cluster in Latvia, analyses the current situation of the branch and the problems of the management in the post-crisis period.



THE IMPACT OF INTERNATIONAL REGULATION ON THE PHARMACEUTICAL MARKET IN LATVIA

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Keywords: TRIPS agreement, accessibility of pharmaceuticals, patent system flexibilities, generics, patents.

The focus of the paper is to analyse the impact of international regulation on the pharmaceutical market in Latvia. As supply of pharmaceuticals forms at international level where intellectual property rights system shapes the main regulatory framework for pharmaceutical market, we explore how this system influences the accessibility of pharmaceuticals in Latvia. Among intellectual property rights we focus on patent rights, as they by creating a monopoly for pharmaceuticals has the greatest influence on the market.

Firstly, we investigate the mechanisms at the international and regional level that can be used to influence the accessibility of pharmaceuticals. TRIPS (Trade Intellectual Property Rights Agreement) agreement of the World Trade Organization at international level and European patent system at regional level determines key issues that influence both trade and enforcement of patents. As demand of pharmaceuticals forms at national level, we also look at the general structure of the market which also influences the possible use of patent system flexibilities.

We argue that by the patent system flexibilities – compulsory licences, parallel import and Bolar provision which allows for earlier introduction of generics in the market, it is possible to promote accessibility of pharmaceuticals in Latvia. By using statistical data and calculations authors show that considerable savings for the state expenses for reimbursed pharmaceuticals, as well for society can be created by the use of patent system flexibilities.



STRATEGIC-OPERATIONAL MANAGEMENT OF THE CREATIVE INDUSTRIES IN ORGANIZATIONS

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Keywords: strategy, strategic management, creative industries, operational management.

Problems that faced by modern organization, significantly different from the problems which affected the activities of the organizations in the past. For this reason, a gradual change in organization design and change it according to the organization of management techniques. Organizations as open systems nowadays a significant impact on the external environment. Scientific and technical developments are changing the products and their manufacturing job content. Product manufacturing labor intensity is increasing the share of intellectual work. As a result, the competitiveness of the organization is employee creativity potential and knowledge. The work content changes and the subsequent public division of labor have led to new industries set up the cluster, which is indicated by the title – the creative industries. Although the content generated by the product differs substantially from the material benefits-producing industries, the management uses classical management theory methods. As a result, these industries will not increase the competitiveness of enterprises at a pace that would ensure long-term existence of the organization. To resolve the problem the article has offered creative sector organizations new strategic management system. One of the major new strategic management system elements can be considered a strategic operational management, which is based on the ideology of the organization changes, or "necessity" approach, which interacts with a new decision-making and the management decision evaluation system as key elements of strategic operational management. Such a management model is especially suitable for the creative management of the organization, confirmed the author's study. The survey was to identify key creative decision-making organization specific characteristics with which it was developed for strategic management development, as well as the approved strategic operational management systems are appropriate creative sector organizations.

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THE ROLE OF GOVERNMENT MANAGEMENT POLICY FOR PROMOTION OF SELF-EMPLOYMENT AND ENTREPRENEURSHIP IN LATVIA

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Keywords: government management policy, self-employment, entrepreneurship, entrepreneurship education.

The main focus of the paper is to perform the analysis of the government management policy for promoting self-employment and identify its role in the facilitation of starting entrepreneurship in Latvia on the basis of aggregated experience and research.

Necessity of promoting of self-employment is determined by the current economic crisis, that in Latvia unemployment rates (14.5%) are currently significantly above the European average. There is an accepted fact that self-employment, micro enterprises and social economy enterprises (co-operative and other similar forms) constitute a business form that can often survive economic crisis situations, because they promote stable employment and the production of wealth. Another significant fact is that in periods of crisis, these kind of enterprises creation is often increased, indicating that they are an option of special interest, and which often attract unemployed people as they are owned and managed by entrepreneurs and businessmen.

To promote self-employment and entrepreneurship is recognized in several EU as well as in Latvia's government programs and policy documents. In March 2009, the Cabinet of Ministers approved regulations establishing the procedure of implementation of the programme *Support to Starting Self-employment and entrepreneurship* (co-financed by the European Social Fund), which provides complete support, including consultations, training, financial loans and grants for starting a business.

The most important factor for the creation of a knowledge economy is the effective government management policy. The *aim* of the paper is to show the role of the government management policy in the support of starting self-employment and entrepreneurship, to find out the problems that exist in the implementation of the various support instruments.

The research methods are theoretical analyses of research and scientific works, government programs and policy documents in this field and to carry out of the self-employment survey.



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GLOBALIZATION AND INEQUALITY

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Keywords: international and global inequality, globalization, Gini coefficient.

The development of globalization has entailed both potentialities and a threat. Some countries have successfully taken advantage of the boundaries elimination and free labour force and capital flows. However, some countries have met with difficulties and a threat created by globalization. Globalization has distinctively affected different fields, as a result it caused different changes in the economic indicators. One of them is the economic inequality.

Literature review shows different results: some studies prove that globalization increases inequality some that there is inverted U-shape relationship between globalization and inequality.

The aim of the report is to analyze international and global inequality in the light of globalization. Gini coefficient is used to determine economic inequality as the most widely used indicator of inequality. Both international (between-country) and global inequality have increased in the last quarter of the century. These changes are mostly expounded by economists as the result of globalization.



**POLITICAL ASPECTS OF ECONOMIC
AND SOCIAL DEVELOPMENT: THEORY
AND INHABITANT SURVEY ANALYSIS**

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Keywords: political effects, society development, economic development, European Values Study.

This research “Political aspects of economic and social development: theory and inhabitant survey analysis” focuses on political factors influencing economic and social changes. It both discusses theory about channels that could be used for changing economic and social development as well as takes a deeper look at values and attitude toward these topics expressed by people. This is an integrated study giving an insight not only how this could work according to theory but also at how the situation is evaluated.

This paper analyses data of European Values Study, which is a cross-national longitudinal survey with an aim to understand values and opinions of people across Europe. This survey provides a deep insight into topics concerning such topics like beliefs, preferences and evaluation of different political, social and economic questions. Survey is done in several waves; data for this analysis are taken from two waves of questionnaires – in 1999 and 2008. That is a good opportunity to compare situation some time before and some after Latvia joined European Union. This paper mainly focuses on data about Latvia, though also some comparison with other Baltic countries is included to see what the common or different trends in these countries are.

Over recent decades Latvia has experienced important changes – political, social and economical. Being a post-soviet state it still has some heritage that influence values and opinion of inhabitants, though there have been important refocus of aims and also values. Latvia had to build its new political and economical, as well as social system in the same time and now there is an opportunity to look back and check what the results of these changes are. Latvia, defining and later also fulfilling its goal to enter European Union, has in the same time showed what the focus of this country is. It is also why it is interesting to look not only at a state level but also at values of citizens. Data from European Values Study is an important data source that can be used for such an aim.

Combining data from these surveys about inhabitant attitude to political parties and government as well as some other topics connected with politics and overall economic and social state, this paper gives an insight how this situation has changed recently compared with period before Latvia had joined European Union. It helps to understand what the tendencies of changing values and opinions are.

This paper discusses how the decisions and work of politicians have influenced these changes in trust and attitude to them. It shows what are their possibilities to continue their work and in such a way influence economic and social development.



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COMPANY VALUE AND EMPLOYEE SATISFACTION: DEVELOPMENT OF THEORETICAL FRAMEWORK

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Keywords: employee satisfaction, customer value, innovation power, financial results.

Numerous studies and authors support the idea that there is a link between employee satisfaction and customer satisfaction, leadership, productivity, and financial results. The main hypothesis of the underlying research paper is that the increase of company value can be influenced by employee satisfaction. The main subject is employee satisfaction in the company they work for. The investigation of working circumstances and conditions and their influence on innovation power and customer satisfaction is the core topic. Thus, the current research aims to investigate these interactions by using a secondary data analysis based on the relevant sources of information (development of theoretical framework based on literature review).



**ANALYSIS OF ECONOMIC POLICY
AND CRISIS MANAGEMENT IN LATVIA
FROM PERSPECTIVE OF GREEN ECONOMICS**

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Keywords: economic policy, green economics, crisis management, policy instruments.

Permanent economic growth have resulted in natural resource depletion, increasing pollution, biodiversity loss and many other environmental and social problems, but have not solved issues of poverty, inequality and injustice. Therefore mainstream economics based on neoclassical model of economic theory lately has been challenged by emerging new economics discipline – Green economics. Green economics combines economics with knowledge from natural sciences, brings very long-term perspective, and considers widest range of values, including sustainability, a sense of community, appreciation of social and environmental values [1].

Latvia has experienced rapid economic growth during 1996-2007, when GDP in prices of 2000 growth rate in average was 7.5 per cent [2]. Global economic crisis of 2008 has hit Latvia hard – there has been sharpest decrease of GDP in the European Union. It creates many problems in providing sustainability. Recent Eurostat data about poverty risk and material deprivation shows that Latvia's indicators are amongst the worst in EU [3]. Environmental quality indicators, like Environmental Performance index and ecological footprint, in which Latvia usually had good rankings also are becoming worse. Problems in all three sustainability spheres – economy, social and environment, give reason to doubt sustainability of the country. This paper will analyse Latvia's economic policy and economic recovery programme from a sustainability and Green economics perspective. Authors have studied different policy instruments applied in economic policy, such as plans, standards, taxes, fees,



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

subsidies, regulations, emission trading systems, development of infrastructure and analysed their impact on sustainable development. Particular attention is paid to the economic recovery program and how it can affect sustainability preconditions and important principles set in Green economics.

The aim of the paper is to evaluate current Latvian economic policy and economic recovery plan in respect to their impact on sustainability and Green economics principles.

Research methods: regulatory and planning document analysis, data statistical analysis.

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METHODOLOGICAL ASPECTS OF ANTI-RECESSIONARY MANAGEMENT SIMULATION

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Keywords: Parameters of economic system – the indicator of economic system content, factors and displays of economic crisis, local crisis, an index (starting-up) point of the economic system crisis display, the precondition of the world economy crisis expansion; stages of anti-recessionary management simulation.

The paper is devoted to the methodological questions of anti-recessionary management simulation (the “world economy” is considered as an economic system). System parameters connecting two concepts – “economic system” and “economic crisis” – are observed: the indicator of the economic system maintenance; economic crisis factors; economic crisis displays; local crisis; an index (starting-up) point of crisis; preconditions of the world economy crisis fast expansion. The content of each of them for “world economy crisis” situation is analyzed.

The main indicator of the world economy maintenance is argued to be supply and demand equilibrium.

Economic crisis factors are: excessive liberalization of financial sector; possibilities of material over virtual income gain; strengthening of a speculative factors role; increasing disproportion between cost of financial assets and gross national product; speculative monetary and price tools for real economic resources estimate implementation; transformation of money into unlimited self-increasing value, etc. Economic crisis factors become its concrete reasons and displays causing such infringement of the content and structure of economic system which doesn't leave chances for realization of the goal of economic system any more.

Alongside with the concept of a general crisis the concept of the local crisis is used. The index (starting-up) point of crisis display is a point of a local crisis reflection which has led to a development of economic system general crisis. World economy globalization is considered as the main precondition of crisis fast expansion.

Anti-recessionary management simulation is to be carried out via a set of stages, each of then going through a sequence of steps. As the analysis has shown, the effective model of anti-crisis management assuming certain modification of existing functioning model of the economy is the model oriented to the preservation of the world economy goal (short-term profit gain, mainly in financial sector) and basic proportions between system elements. This model works out and introduces the regulators directed on blocking off factors transforming the economic crisis into its real reasons and displays. Thus change of the goal of the functioning economy (refusal from a short-term financial sector profit gain mainly and orientation to the real sector profit gain), will mean transition to a new mode of the economy functioning.



GENDER DIFFERENCES IN TERTIARY EDUCATION STUDENT PROFILES IN LATVIA

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Keywords: tertiary education, gender, student socio-economic profile.

Education statistics show increasing female/male ratio in education participation and graduation all through the world, resulting in higher education attainment level for females than for males. Research suggests that the difference in gender education paths start already in secondary school: females to an increasing extent study in academically oriented secondary school programmes that prepare them for education whereas males to a larger extent already get their professional education at secondary level. Accordingly, there is a fear that skills and education acquired by males limit their access to higher education.

The current research seeks to understand the reasons behind different representation of genders in higher education by analysing and comparing university graduates earlier school history, socioeconomic and demographic characteristics for both gender groups. The research makes use of a representative survey of Latvian higher and professional education graduates in 2006.

In this paper the author will use statistical comparison of gender groups and logit analysis to determine if there exist statistically significant gender differences in education paths and socio-economic characteristics. Prevailing differences is an indicator of potential source of limited access by males to the tertiary education. The paper will suggest possible policy actions.



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RETAIL TRADE TENDENCIES IN EUROPE

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Keywords: retail trade, rural development, store location, retail chain expansion.

Since a part of the European Union is the single market concept, cross-border development of retail has made the EU a place with low barriers for retail chain expansion. Author analysis current tendencies in retail trade development in EU by several aspects. One of the aspects of analysis is the development of retail trade by different retail types and categories. Author compares retail in different countries and illustrates the use of such comparison in management decision making of retail chains. Comparison is made in different dimensions – using relative retail market development, structural changes, convergence on EU level. Another part of the analysis is based on competition – how deep is brand penetration and can it be used as an indicator in country selection for retail chain expansion. Different types of retail trade tendencies in EU are used as an example of possible integration of used analysis in a broader framework for retail store location methods.



LITHUANIA'S ECONOMY IN THE PRESENCE OF GLOBAL FINANCIAL CRISIS: GLOBALISATION AND COMPETITIVENESS ASPECT

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Keywords: global financial crisis, globalisation phenomenon, global competitiveness index, Lithuania's economic situation.

As it was stressed in the latest report of European Commission on the issue of *Economic crisis in Europe* (2009) the depth and breath of the current global financial crisis is unprecedented in post-war economic history. Considering that statement (in order to prove or reject this hypothesis) the article analyses three main aspects. *The first one*, phenomenon of globalisation as the concept of management of international system as well as possible precondition (mostly negative) for a latest changes in the scope of world's economy. It was stressed that the imperfection in the economies of the most countries could be called as perfect storm which enforces scientists and practitioners to relook the limits and leverage of globalisation. *The second aspect* analysed in the article is the specificity of economic crisis from historical perspectives, where the lessons how to manage the deviations of the economy scope are conceptualised. *The third aspect stressed in the article* – considering theoretical statements the situation of Lithuania's economy state is evaluated analysing Maastricht Globalisation Index (MGI) as well as Global Competitiveness Index (GCI). The aim of practical investigation was to asses the expression of Lithuania's economy competitiveness in order to highlight the main weaknesses and advantages of Lithuania's economy. Theoretical considerations are supplemented by statistical data in order to emphasise Lithuania's economic position in the presence of global financial crisis. Economic consequences of Global Crisis on Lithuania's Economy were presented analysing the dynamics of main macroeconomic indicators. The article concludes the prognoses for the growth of Lithuania's economy. The hypothetical recipe for the recovery of Lithuania's economy was presented as well.

The *research problem* being solved in the article is: how to prove the interrelation between globalisation phenomenon and economic state of the country? How to systemise weaknesses and notable competitive advantages of Lithuania economy on the basis of Global Competitiveness Index? How to identify Lithuania's economy situation in the presence of global financial crisis? *The object of research* is the Lithuania's economy in the presence of global economic crisis. *The aim of the article* is – in the coverage of theoretical analysis of globalisation phenomenon as the preconditions of economic crisis to highlight the situation of Lithuania's economy in the presence of global financial crisis. *The research methods*: analysis of scientific literature, synthesis; comparative analysis of statistical date.

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TENDENCIES OF THE HYDROGEN MARKET DEVELOPMENT: EXPERT VIEW

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Keywords: marketing research, expert survey, hydrogen energy, hydrogen economy, renewable energy.

A large number with governments, agencies, companies around the world are involved in hydrogen research. Many great scientific discoveries have been made during last decade and research findings have been implemented in real life as well as advanced technologies usage is developing. How big benefit hydrogen technologies can offer for consumer – end user? When it will be possible to use renewable hydrogen energy daily? Electricity has been delivered from conventional power grid and it is currently unstable system. We are totally dependent on foreign fuel suppliers. Prices of electricity and fuel have become more expensive. Are there any alternatives? Latvian Hydrogen Association in cooperation with Faculty of Economics and Management of University of Latvia examined the energy experts of Latvia as well as selected hydrogen experts from different countries to complete a scientific survey on hydrogen technologies and renewable energy programs. In order to better organize decision making for the future of the energy market development scenarios in Latvia. Results related to hydropower, wind turbines, solar technologies, nuclear energy and sustainable vehicles were considered and review of actions and announcements of main actors analyzed. Regarding hydrogen issues, it shows that technology readiness and the absence of infrastructure are the major justifications to delay investments. Some measures are discussed, which could be deployed in order to reduce uncertainties, such as regulation of carbon emissions from cars, technological subvention, and partnerships for infrastructure implementation.



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INNOVATION AS A NEW BUSINESS PHILOSOPHY

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Keywords: innovation strategy, human capital, economic growth, sustainable development, business philosophy.

Innovation has been a major driver of rising living standards [2]. Innovation contributes to the creation of new jobs and industries. In the context of global economic downturn and social challenges the implementation of the effective innovation strategy would lead to the creation of the firm competitive advantages, development of the wealth of nations. The increase of the innovation capacity is the main source of the future economic growth and sustainable development. Innovation is a critical part of the solution when tackling important societal challenges, whether at the global or local level [1]. In the context of the paper there were applied such economic science quantitative and qualitative research methods as monographic, grouping, reference, generalization, graphical analysis and content analysis. The purpose of the paper – to investigate the importance of the innovation strategy implementation in the context of European Union. The main tasks of the paper are stated as following:

- to investigate the key theoretical aspects of innovation paradigm;
- to analyse the content of OECD innovation strategy in terms of new business philosophy;
- to explore the innovation strategy implementation opportunities in EU.

In the context of the first part of the paper the main attention was driven to the analysis of the term of the innovation paradigm in theoretical aspect. The second part of the paper highlighted the OECD innovation strategy principles for promotion of innovation in 21st century. The third part revealed the nature of the innovation strategy implementation opportunities in European Union.

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THE E-SUBSTITUTION AS A SIGNIFICANT THREAT FOR POSTAL OPERATORS

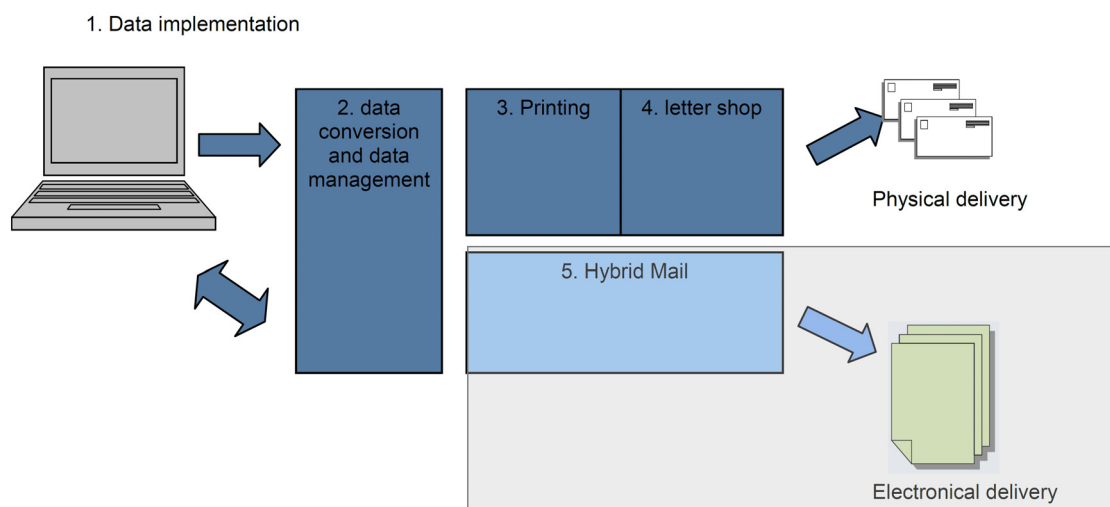
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Keywords: electronically substitution of physical mail, new product; decreasing mail volume; business development; threat for postal operators; hybrid mail; financial and telecommunication market.

Any postal operator is facing dramatic changes in the next years arising on the one hand from the upcoming liberalization of the postal market starting in many European countries in the Year 2011, and on the other hand on the increasing impact of a new product endangering the core business of postal operators. This new product is called electronic Mail (Hybrid Mail).

Especially customers' interest in, and the demand on this product, out of the financial and telecommunication sector, is increasing over the last years. The demand within this business sector is desperately seeking for new solutions helping to decrease their costs regarding delivery of physical mail. One of the costs saving factor is the printing part that can be deleted without replacement by using Hybrid Mail. But the hugest impact is created by leaving the postal charges out. For the customer the effective costs of Hybrid Mail are significantly lower than the ones of classic physical mail. The following figure shows both, classical and electronically processes in a strongly shortened picture.



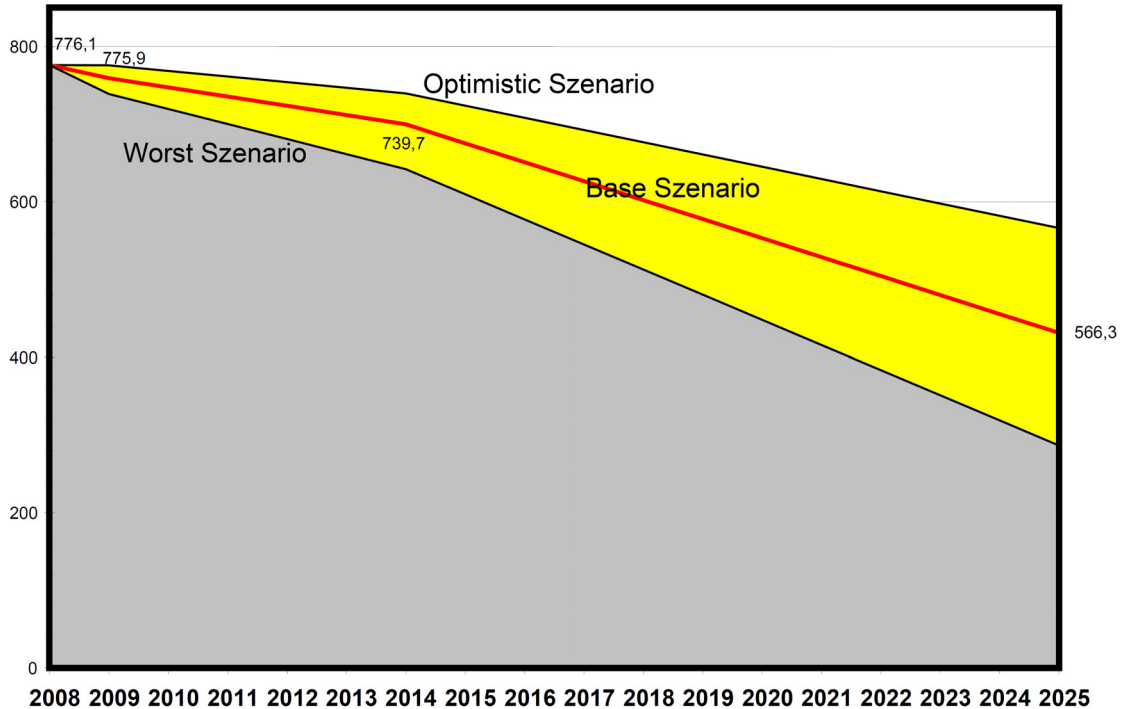


As a logical reaction of transforming significant volumes of physical sending into the “new” electronic delivery stream, a huge number of employees involved in the process of physical delivery, will lose their employment.

The majority of workers involved in that delivery process are so called civil servants, owning special contracts offering them dismissals protection. The organizational structure of the Austrian Post is, by paying attention on their core competence, of course totally driven by the necessity of keeping a delivery network alive, delivering mail five days a week, covering 100% of Austria.

Tremendous decreases in physical volume and high employment cost, with little possibilities to reorganize the structure, in combination with the fall of the postal monopoly is creating a huge potential threat for any postal operator in Europe.

Turnover mail



This figure is based on the internal analysis of turnover within the mail division. In combination with interviews of top 50 clients in Austria three scenarios have been calculated. The worst case scenario highlights the dramatic influence of electronically substitution in the Year 2025 where we can see that the mail volume decreases more than 50%. This is a real threat for any postal operator in Europe.

Other best practice models like the e-ticket example out of the airline industry or the development in the telecommunication sector, of converting special target groups of existing customers and almost all new customers into online billing systems, show that there are similar trends visible.



COMPLIANCE MANAGEMENT AS HOLISTIC APPROACH IN BUSINESS MANAGEMENT

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Keywords: Compliance Management, Corporate Governance, Integrity.

Compliance Management has become a function in most blue chip companies and many middle sized companies. The call for Compliance Management was initiated by scandals of business companies and the reactions of regulatory authorities. The corporate governance function is important, but a reduction to it would be limiting. Compliance Management has been described by critics as temporary fashion. But it is likely that also in the future the topic will be relevant [1]. The paper shows how Compliance Management can be integrated into business and deals with the question whether activities should be singled out or bundled to reach the aim of clean business. It contradicts the opinion that in a few countries business is only possible with bribing activities. In this regard it gives suggestion for managers and their superiors to use compliance to their advantage in order to reach their business targets and have a return on investment in their action [2]. Furthermore the Compliance Management epitomizes integrity and values which are seen as base in almost all businesses, but which in turbulent reality are often missing [3]. The Compliance Management can give guidance if it is understood as an enabling function and not a hindering factor.

To establish a successful, lasting business a comprehensive approach is needed which embraces business activities from different functions.

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ENVIRONMENT MANAGEMENT IN POLAND CONCERNING ELECTRICITY SUPPLY

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1. Overview of Electricity Supply

The business environment in the Republic of Poland is generally good. The Polish power generation system is the largest in Central and Eastern Europe in terms of capacity. The power system is very fragmented, with nearly 400 power plants. Poland is currently working toward privatizing their energy sector. So far, the process has produced four energy groups: Enea, Tauron, Energa, and PGE Polska Grupa Energetyczna. The PGE Polska Grupa Energetyczna is the largest energy group, accounting for almost 40 percent of the total energy production. The privatization process takes place from 2008-2011 (Warsaw Voice, 2009).

2. Energy Policy, Barriers and Incentives

As Poland is part of the European Union, they are to comply with the renewable energy targets set by the Heads of State or Governments. Poland's renewable energy target is 15 percent renewable energy consumption by 2020. A majority of the renewable energy production will likely come from biomass resources.

3. Wind

Due to excellent wind conditions and legal regulations, Poland is one of the most promising wind energy markets in Europe.

4. Biomass

Biomass is the most promising source of renewable energy in Poland. The technical potential of biomass amounts to 755 PJ/year, and the greatest opportunities for biomass technology implementation has been recognized in forestry, wood processing and agriculture sectors. In 2007 2.8 billion kWh of electricity were produced using biomass and waste (EIA, 2007).

5. Solar

Solar radiation intensity in Poland heavily favors the spring and summer months, with around 80 percent of the annual insolation occurring during this period. There is virtually no



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

installed solar photovoltaic capacity. Despite the lack of solar installations and programs, Poland has two different sales branches for solar PV located in the country: Siemens and System PV.

6. Geothermal

Poland has a sizable reserve of geothermal energy that is rich in low enthalpy resources, although there is little in the form of naturally occurring thermal springs or outflows. The country is characterized by large-scale low enthalpy resources which are contained in three sedimentary provinces which cover approximately 80 percent of the total land area.

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APPLICATION SCORING VS BEHAVIOR SCORING: PREDICTIVE POWER ON THE EXPIRY OF TIME

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Keywords: application scoring, behavior scoring, probability of default, predictive power.

Since 2008 in banking sector capital requirements are set by “Basel II” approach. The internal rating models (IRB) capital calculation approach is based on probability of default (PD) models, which in turns meant by a scoring model.

To develop the scoring model (statistical model) the modeling data set from 2004 till 2010 and default history was used. The indicators such as age, education, working experience, working place, debt to income, loan to value and others were explored.

By Logistic Regression analysis Scoring models were developed and the optimal number of risk factors was established. The greatest predictive power was achieved by using various statistical tests: Kolmogorov-Smirnov, Hosmer-Lemeshow test.

Following the Basel II default definition, if the borrower reaches 90 overdue days he is considered as a borrower who can not perform his financial obligations (default). Probability of Default (PD) within IRB framework regarded as a one year PD that shows and predicts borrower probability during one year.

As the expiration time of the initial information (factors) may change (for example if the borrower changes the place of work or if his income is reduced), the prediction accuracy will decrease due to no information about the borrower’s estate.

Therefore, in practice, application of the so-called Behavior Scoring is based on the current borrower’s credit history. But where this boundary will be, when the Application Scoring would no longer be applicable for evaluation and credit history would be enough to use Behavior Scoring that would most accurately determine the probability of default.



**LABORATORY CASE STUDY IN BEHAVIOR CHANGE:
IS IT POSSIBLE TO TRAIN BEHAVIOR
AND TRIGGER A SUSTAINABLE CHANGE?**

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Keywords: Human Resources Business Partner, Human Resources Consultant, behavior, training.

Purpose – Human Resources in organizations is facing dramatic changes. The change into the Human Resource Business Partner Role has started and let companies change their Human Resources Department into purely administrative roles, into center of competences and into the model of business partners. In conclusion, people have to change their behavior, their actions. Behavior Economics, behavioral change and training of behavior is becoming a key question and a strong discussion in the Human Resource community. Can we change the Human Resource consultant behavior and other roles into the new approach of the Human Resource Business Partner model? The paper discusses this question and describes an implemented behavioral training in a laboratory environment with its results and triggers implications for research.

Design/methodology/approach – This paper is based on the development that Behavioral Economics is entering the economic business area. The paper discusses the training approaches, the change in Human Resources and the field experiment in a laboratory environment of training behavior in Human Resource environment.

Findings – First, the Human Resource community gains interesting aspects of the ongoing change between the Human Resource Consultant role into the Human Resource Business Partner role. Second, the analysis of the field project with Human Resource Experts will show feedback and expectations of participants and Human Resource professionals of behavior training. Third, the results will trigger a conclusion and might influence decisions in investment of trainings or replacement of people.

Originality/value – The paper examines the importance of behavior and evaluates the question of training in this behavioral environment.

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THE INFLUENCE OF ORGANIZATIONAL CULTURE PATTERNS ON THE EFFICIENT STRATEGY IMPLEMENTATION

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Keywords: organizational culture, strategy implementation, change process, culture patterns, competing values model.

The influence of organizational culture on strategy implementation is mentioned in many articles and books e.g. [1] or [2] Hutzschenreuter and Kleindienst mentioned in their analysis that “As a system of shared meaning, organizational culture is a critical variable for effective strategy processes”. [3]

When trying to understand why it is difficult to become an effective manager in implementing a strategy the following description from Thompson could be part of an answer:

“Implementing strategy is an action oriented, make-things-happen task that tests a manager’s ability to direct organizational change, motivate people, develop core competencies, build valuable organizational capabilities, achieve continuous improvement in business processes, create strategy supportive culture, and meet or beat performance targets.” [4]

Based on a literature review on the factors influencing strategy implementation there are several concepts and studies, some by using an analysis of the literature and others using empirical studies. [5] Several studies from Alexander, Al-Ghamdi and Steinle/Thiem/Lange analyzed problems arising in the strategy implementation phase and they are primarily resources related (e.g. lack of time, coordination, workload, expertise of employees) as well as related to communication and leadership. The factor of organizational culture and the influence on the implementation has not been discovered in those studies.

Newer studies and concepts have taken into account also soft facts and therefore support the evidence of those factors. Of importance especially for applied sciences in this field is the 7-S Model from McKinsey published by Peters & Waterman [6] and a following concept published by Higgins “The Eight ‘S’s of Successful Strategy Execution” [7]. In both models it is described that not only hard facts but also soft facts play a vital role in the strategy implementation.

The implementation itself is seen as a task orientated job, with the following aspects: [8]

- Organizational structure aligned with strategy (competences, resources, authorities)
- Strategy aligned budgeting and resources allocation
- Alignment of policies and rules with strategy
- Initiating a continuous change process
- Establishing of proper communication and information systems
- Strategy focused bonus and reward systems
- Establishing a supportive organizational culture
- Establishing of leadership competence



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

In a further statement Welge and Al-Laham also mention that organizational culture is a key factor in successfully implementing a strategy. In this regard we will have to distinguish between strategy implementation processes whereas a change of culture is necessary or where a change is not needed. Similar to that Raps defines that strategy implementation as:

- a) specific for a company and its situation i.e. the general environment and the strategic goal defined and
- b) a complex task in a multi-stages change process.

Hofstede concluded in one of his books that “Corporate culture (or organizational culture) is a soft, holistic concept with, however, presumed hard consequences. I once called it ‘the psychological assets of an organization, which can be used to predict what will happen to its financial assets in five years’ time” [9]. Marcoulides says that organizational culture has been defined as patterns of shared values and beliefs over time which produces behavioural norms that are adopted in solving problems. [10] He concludes that an organization’s collective culture influences both the attitudes and subsequent behaviors of its employees as well as the level of performance the organization achieves.

According to Schein the levels of organizational culture could be split into several levels: explains 3 levels: Artifacts, Espoused Beliefs and Values, Basic Underlying [11]

The author will describe in his paper where organizational culture patterns in the strategy process appear, how they can be measured (e.g. with the competing values model [12] and [13]) and what influencing opportunities can occur. This analysis is part of the dissertation paper of the author.

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**WELL – BEING: ANALYSIS OF DIFFERENT
APPROACHES – SALASPILS DISTRICT CASE**

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Keywords: well – being, municipality, welfare indicators, interest groups.

Well – being is an ancient issue: all societies are trying to find the best possible solution for community well – being. The current research is devoted for clarification and update of opinions of different social and interest groups in Salaspils municipality (Latvia) to develop development plan of the municipality. The methodology of the research is worked out in Council of Europe and applied as pilot research in nine municipalities across Europe. Research methods used: scientific literature studies, statistical data analysis, focus group discussions. The research was organised in 25 interest groups and have been organised three meetings/discussions of each interest groups – so called homogenous groups. The main findings are updated and worked out well – being indicators to be discussed in municipality and realise public involvement in decision making.

The research is conducted in research group involving also Sandra Vaivade, Hermanis Rullis, Justs Dimants, Ksenija Ijevļeva, Evija Rusite, Iluta Skruzkalne, Anete Pujate, Agate Zake and Kristina Galihanova.

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**PROFESSIONAL EDUCATION FOR MECHANICAL
ENGINEERING AND METALWORKING INDUSTRIES
IN LATVIA: RECENT DEVELOPMENT TRENDS**

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Keywords: professional education; metalworking industry; education quality.

Metalworking industry is one of the most important industry branches in Latvia it is among leaders of Latvia export already for many years. Education of next employees in metalworking industry is on great importance in case of education expenses reduction, emigration of specialists, unemployment and structural changes in professional education organisation. In 2010 authors have participated in extensive survey of all professional schools for metalworking industry and have asked evaluations and views of students and teachers, as well as employers. There were asked questions influencing education quality, professionalism, gained knowledge skills, as well as attitudes and values. In general survey questions were constructed to give evaluations in scale 1 – 10 to make deeper multivariate analysis of responses. In survey participated 39 professional education establishments where students get their professional education for metalworking industries. According data of Ministry of Education and Science, Republic of Latvia in 2009/2010 academic year had 6145 students. In total 1555 questionnaires were received and 150 questionnaires from teachers, 54 questionnaires from employers. The results of the surveys showed the strengths of the metalworking industry professional education, as well as narrow places, risks and needs for immediate actions to keep competitive professional education in metalworking industry in Latvia also for future. Thanks to active work of the Association of Mechanical Engineering and Metalworking Industries of Latvia, enthusiasts of metalworking industries and regular approaches to policy makers and politicians it is some hope to keep competitive professional education for the metalworking industry in Latvia also in future.



THE IMPACT OF THE EUROPEAN COMMISSION'S “GREEN-PAPER” ON THE EUROPEAN AUDITOR MARKET¹

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Keywords: Green Paper of the European Commission, Stronger Regulation, Independence of the Audit Market.

The European Commission has published its Green Paper “Audit Policy: Lessons from the crisis” on October 13th 2010. [1]. This Green Paper discusses a lot of topics concerning the business environment of the European audit market [2], for example:

- Market distortion by the “Big Four” Audit Companies and possibilities to destroy them [3];
- Independence of Audit Firms;
- Governmental allocation of the annual audits;
- Governmental regulation of auditor’s fees [4];
- Measures to enhance the value of audits.

In my paper I will discuss the impacts of the suggested stronger regulations in the Green Paper for the small and medium-sized auditor market in the European Market by special view on the audit market in Latvia, Germany and Austria.

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¹ By special consideration of the Auditor Market in Latvia, Germany and Austria.



IMPLICATIONS OF WEB 2.0 CONSUMER BEHAVIOUR FOR DISTRIBUTION AND REPUTATION MANAGEMENT IN THE HOTEL INDUSTRY

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Keywords: hotel distribution, web 2.0 consumer, online reputation management.

A paradigm shift in consumer behaviour in the Internet has been accomplished. An internet user is no longer an information consumer only, but an active and outgoing information source. Information about companies, products and services spread much faster than before and reach much more people nearly in real time. Via a web 2.0 site, consumers are able to communicate, interact and create content in social media dialogues.

The hotel industry is in general a very conservative industry. Due to the changes in the social media world and the implications of Web 2.0., a comprehensive change in the distribution of hotels and the management of hotels' reputation took place. Hotels are heavily influenced by social platforms such as Facebook, by microblogs such as Twitter, and also very heavily influenced in terms of distribution as well as reputation management-wise, by review platforms such as Tripadvisor or HolidayCheck.

In this paper, the status quo in German hotel groups regarding the above mentioned media channels should be analysed and implications for the distribution and reputation management strategy should be examined.



**SMALL STATES AND INTERNATIONAL
DEVELOPMENT COOPERATION.
WHAT LESSONS CAN ICELAND AND THE BALTIC STATES
LEARN FROM THE SCANDINAVIAN COUNTRIES?**

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Keywords: international development cooperation, small states, project approach, budget support and good economic policy.

Iceland initiated its international development cooperation in 1971. Its development program has always been small, not only because of the small size of the economy, but also because Iceland's contributions has remained small as a portion of its GDP and well below the United Nation targets of 0.7 percent of GDP. In recent years (2006 to 2009) its contributions have increased and ranged between 0.25 to 0.36 percent of GDP¹. This is a sizable amount of money for a small country and in 2009 Iceland contributed 4.2 billion ISK to international development cooperation. Iceland's contribution is likely to be reduced during the current economic crisis and it needs to be well spend to maximize its development impact and effectiveness. Like in the case of other donors Iceland's contributions are divided between bilateral and multilateral contributions. The bilateral development coopeartion is mainly conducted by the Icelandic International Development Agency (ICEIDA) and the multilateral development cooperation is mostly done by the Ministry for Foreign Affairs (MFA). ICEIDA's development programs are mainly small projects in African countries that are to a large extent administered by Icelanders and coordination with other donors remains limited. The multilateral development cooperation conducted by MFA remains fragmented with small contributions to a large number of institutions and programs. The overall policy and vision seems to be missing. This research will take stock of this situation and compare it with Scandinavian countries. Three of the Scandinavian countries: Denmark, Norway and Sweden have large development programs and are among the 5 countries in the world to meet the UN target of contributing 0.7 percent of their GDP to international development cooperation. The paper will analyse and assess what lessons Iceland can learn from those countries. The paper will also analyse and assess what lessons the Baltic States who have recently initiated their development cooperation can draw from the Scandinavian experience as well as the Icelandic experience in international development cooperation.

¹ The member countries of OECD's Development Assistance Committee (DAC) contributed on average 0.31 percent of GNI to net official development assistance in 2009.



POSSIBILITIES OF QUANTITATIVE RESEARCH ON SOCIAL CAPITAL IN ADMINISTRATIVE TERRITORIES

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Keywords: social capital, municipality, subindexes of social capital, social capital index.

The scientific paper was elaborated by applying the monographic, calculation, and constructive methods. The authors of the present paper researched and calculated quantitative and qualitative indicators, their subindexes, and a total index of social capital (TISC) for the municipalities of Pierīga region and made respective conclusions on these indicators. The authors processed the gained data and quantified the qualitative indicators. The present research showed that the size of social capital can be expressed quantitatively.



THE FORECAST OF HOME LOAN MARKET SHARES IN LATVIA

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Keywords: home loans, banks, forecasting of the market shares, indices of market concentration, expertmethods.

Competition does not occur in a vacuum and in establishing the relevant market it is necessary to delineate the boundaries of the market. Such boundaries occur in terms of the good or service under consideration, the geographic dimension of the market, the functional level at which the good or service is supplied, and the period of time over which new substitute products may develop.

In Latvia there are economies of scope such that firms compete in terms of a group of goods or services rather than a single good or service. In the banking industry there is typically a range of banking services that are provided by a branch network and these services are provided as a package or cluster. [1]

In developing countries, the development of the banking and financial system may reflect the extent of importance given by the country to this vital sector, which can be largely relied upon to achieve the desired growth in the national economy. The performance of financial institutions is crucial for the well-being of the whole economy and has attracted the attention of many researchers. [2]

In the early 2000s, many foreign banks had entered the Latvia banking system, attracted by the opportunities brought about by the boom in the economy resulting from the increased real estate market.

The required marketing policies formulation and implementation should be based on accurate information as the decisions based on inferior data might increase costs and reduce both the quality and quantity of banks' home loan products. [3]

The paper provides the implement of the forecasting of market shares distribution with using expertmethods. The changes of the home loan market shares distribution can characterize market concentration indices.

In the paper described the following indices of market concentration – CR-n concentration coefficient, Herfindal-Hirshman index, dispersion of market shares and dispersion of logarithm, absolute and relative coefficient of entropy, Lerner coefficient etc. [4]

Purpose – The purpose of this paper is to investigate whether any deviations in Latvian commercial banks' marketing policies can be attributed to market concentration after controlling for exogenous environmental influences.



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

Methodology – A field survey of commercial banks' in Latvia was conducted using a questionnaire and expert methods. A quantitative study drawing data from qualified experts in the field. The data were analysed with CR-n concentration coefficient and Herfindal-Hirshman index to forecast the market concentration. Also data were gathered from statistics of Association of Latvian Commercial Banks. Those data were analysed with CR-n concentration coefficient and Herfindal-Hirshman index to determine the market concentration in last three years.

Findings – The findings suggest that no significant deviations in banks' marketing policies can be attributed to market concentration. The results show that Latvia has a moderately concentrated home loan market and is moving to a more concentrated position. Both the concentration indices indicate that the country is moving toward a better position in terms of the market concentration. CR-n concentration coefficient and Herfindal-Hirshman index suggests that banks in Latvia operate under monopolistic competition.

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Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

LEGAL AND TAXATION ASPECTS FOR CLOSED FUNDS IN AUSTRIA AND GERMANY

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Keywords: taxation, double taxation agreement, legal, closed funds.

Closed funds are offered as public funds and private placements. Public funds are offered especially by banks and savings banks, as well as free financial service providers to the public. In contrast private placements are offered to a very small circle of major investors. As a result of this, the investments are accordingly higher [1]. Taking this special position in account, the prospectus duty can be cancelled. The important exceptions are to be found if the public offer is accepted by less than 100 people and if the amount of capital invested reaches more than 50,000.00 EUR [2].

Regarding the content the prospect has to include all information which enables the investor to form a solid and overall judgment about the financial and profit situation of the emitter including the developing views.

The prospect has to be checked by a prospect controller in order to guarantee the validity of content and its integrity [3]. A prospect exception is only possible if a German prospect includes an Austria appendix highlighting the specific features for Austrian investors, in particular tax conditions and drawing obligations.

The profit-tax issue of German non-incorporated firms, treated in Germany and Austria is handled in a transparent way. Income is defeated to the taxation with the single companion, hence, by investor [4].

The participation form can be initiated immediately or indirectly in form of a trust relationship. The regulation of the taxation of the addition is based on the world income principle and double taxation agreement [5].



DECISION THEORY PRINCIPLES AND PROBLEM-SOLVING PROCESS AT THE STATE LEVEL

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Keywords: decision theory, government's decisions, optimisation methodology.

Government's decisions of different sector policies are complex and they usually have multi-dimensional character. Basically, the same policy implications may be reflected in several sectors, one sector policy decisions can affect other sectors. The government has to take decisions with a certain degree of uncertainty. Looking at the policy making processes and decision theory elements we conclude that the government's decision making process has the same elements, which are common for problems of the decision theory. In policy making process government has to address important questions - what allocation of funds or what set of actions would be optimal? The paper discusses the role of traditional statistical methods in governmental decision making process, devoting attention to possibility to apply the decision theory for optimisation of government's decision. A concept of integrated decision is introduced via optimising the government's decisions that could be used in decision making at the sector level. By analyzing a vast range of literature concerning decision theory methods and testing the decision theory to address applied policy problems the paper explores the possibilities of decision theory implementation to optimise government's decisions. The proposed methodology of the government's decisions optimisation presents key principles of a rational decision making process to the policy makers, which may be used for policy planning and evaluation of long-term or medium-term decisions.



LATVIAN TRADE SECTOR EXTERNAL AND INTERNAL RISKS ASSESSMENT

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Keywords: external and internal risks, classification of risks, special coefficient method, the risk ranking method, algorithms of classification and assessment of risks.

Target of the work is to study the Latvian trade sector external and internal risks, perform risk identification, classification and assessment. In the work are used scientific research methods – analysis and synthesis methods, economic analysis method of enterprises, a special coefficient method and the risk ranking method.

The authors had studied the Latvian trade sector in the period from 2004 to 2010 [4], [6], [7]. In Latvian trade sector from 2004 to 2006 was observed increment of turnover, but from 2007 was observed decline of turnover. In Latvian trade sector is monopolistic competition. Many enterprises offer a market differentiated trade services. Small and medium companies are merging into trade cooperation and store systems.

The authors had studied average financial indexes of the Latvian trade sector enterprises [5]. Average financial risk coefficient of Latvian trade sector enterprises had increased during the period from 2006 to 2009. Consequently, risk of the trade sector financial instability had also increased. Commercial liquidity ratios for this period of time had decreased and wherewith the level of liquidity risk had increased.

The authors have created classification of Latvian trade sector economic and financial risks [2] and classification of the trade technological process risks [3].

The economic risks are the risk of the country's economic slowdown, the risk of increment of taxes, the risk of reduction in consumer's solvency, the risk of demand's instability and the risk of insufficiency of credit resources. The financial risks are the risk of unpaid credit, the risk of financial instability, the risk of insufficiency of own capital, the risk of liquidity and the risk of debtors. The trade technological process risks are the risk of organization of selling



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

goods, the risk of accounting, the risk of ordering goods, the risk of acceptance of goods and the risk of transportation of goods.

The authors have created the algorithms of classification and assessment of risks of trade sector enterprises, including:

1. trade sector SWOT analysis, the main risk survey in the world [8] trade technological process flow card,
2. classification of economic and financial risks and classification of the trade technological process risks,
3. risk assessment by using the risk matrices and the special coefficient method, external and internal risk ranking by their effect on trade sector enterprises' development [1].

Because of the economic slowdown and reduction of consumer's solvency, it is important for Latvian trade sector enterprises to make the profit and loss account. So, enterprises can operatively follow the ratio of income and expenses. By decrease in trade revenue, enterprises should review their expenses. Regularly following the trade financial stability indicators, enterprises can quickly solve the financial stability problems.

In order to develop their business strategies, enterprises need to identify, classify and assess the Latvian trade sector risks. Enterprises can use the authors created algorithms of classification and assessment of the risks to produce their own risk management systems.

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CIRCULATION OF AIR POLLUTION QUOTA – AN EXAMPLE OF RATIONAL INDIVIDUALS' DISSOCIABLE BEHAVIOR

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Keywords: environmental issues, air pollution quota, game theory, Nash-Stackelberg balance, decision-making.

The environmental monitoring shows that a Garrett James Hardin (1915-2003) article “The Tragedy of the commons” [1] actuality of the concerns is increasing. Therefore, the study authors added to experience “the tragedy of the commune” with an environmental problem. Commons tragedy actualized in environmental problems now, mainly air and water pollution, it is impossible to demarcate. G. Hardin showed the tragedy of commons in the absence of private property and when each individual rights are unlimited. G. Hardin setting is private property. The owner always acts rationally – in the best way – he is not his own enemy. It could be endorsed, however, if every individual or a group of individuals is acting in the best way for oneself, thus rationally, commons can be degraded and it will be noticed when the environmental capacity limits will be exceeded. The total use of resources is now less urgent, because the semi-structured question of land and other resources have owners either private or public. The topicality is now the pollution entering the environment. Air pollution is so global, the consequences are felt even by those who do not or hardly ever pollute. Air could not be privatized.

Human behavior in the use of environmental benefits are accounted for given by James M. Buchanan by rational individuals' dissociable behavior in socio-economic games, emphasizing the benefits in the book *The Reason of Rules: Constitutional Political Economy* [2]. The research identified Stackelberg -Nash equilibrium [3], and offered a balance adjustment tools.

Rules or laws of the group create a framework for social games and in these games, which we play every moment; the situation becomes an objective balance between the individual players as well as the groups. Society balance situation is characterized by the fact that in the situation where none of the agents has no incentive to change their behavior in a strategy while the other players keep their strategies. Unless otherwise external force acting on the social changes and individual preferences or rules of the game, the equilibrium is stable.



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

The research analyzes the situation of air emissions quotas, their trading and investment in CO₂ reduction in the Latvian enterprises 2009-2010. As well as there is analyzed business antisocial behavior not investing revenues from the sales of quotas into technological improvements to reduce CO₂ emissions in the future. It shows the possible consequences of the quota reduction in Latvia after 2012 and its impact on the competitiveness of firms and the price level.



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ANALYSIS OF INFLATION AND ECONOMIC GROWTH

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Keywords: inflation, economic growth.

One of the most fundamental objectives of macroeconomic policies in the world is to sustain high economic growth alongside with low inflation. However, in the literature, there are some different points of view about the nature of the inflation and growth relationship. Here exist many economic growth theories including inflation in the model. The main point in this paper is not to discuss these theories deeply, but to show which statistical and time series methods are useful to analyse the empirical data for concrete countries. The goals of the paper are:

- 1) to give a short overview of several different economic theories describing the relationship between inflation and economical growth;
- 2) to show the different approaches based on Neoclassical and Endogenous Growth theories;
- 3) to show which statistical and time series methods are empirically used;
- 4) to deliver insight into some results according to empirical literature.



IMPACT OF CULTURAL DIVERSITIES ON EFFECTIVENESS OF INTERNATIONAL MANAGEMENT

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Keywords: cross-cultural management, cultural diversity, national cultures, transnational corporations, globalization.

Effective management is a key factor to an equal success of transnational corporations in all markets of presence. However, many organizations become less effective as soon as borders of their home country are crossed. The reason is that processes and solutions, which work well in the country of origin, might be useless or even harmful in foreign countries. One of major obstacles remains cross-cultural conflicts or misunderstandings. This article is tended to research how diversities in national cultures impact international management.

As mentioned by Eeva Kohonen, “the future success of all multinational companies depends on the availability of globally competent managers.” [1] Being globally competent means an ability to analyze and understand cultural diversities, which are not directly visible and kind of „hiding” underneath globalization process like a bottom part of iceberg, and to adapt management style accordingly.

We are facing cultural differences not only in countries, which are fare away – like Canada and China, but also on the same continent – like Europe when comparing e.g. Germany and Spain. Also small neighbor countries can be very different – like common mistake made with 3 Baltic countries taken as the Baltic’s. Even in one tiny country we can observe significant cultural differences – like between Latvians and Russians in Latvia. Reasons for such diversity are coming not only from ethnic background, but also from religious and historical origin. All of them shape the “cultural context” in the country or region. Most of discussions about unification of Europe are lead about legal or formal matters, but without the cultural context even legal issues lose their importance. One of EU founders Jean Monnet once resumed: “If I were again facing the challenge to integrate Europe, I would probably start with culture” [2].

On the other side, cultural diversities may become an additional success factor in companies where cross-cultural management is effective. E.g. Nancy Adler declares that “cultural diversity provides the biggest asset for teams with difficult, discretionary tasks requiring innovation” [3].

An executive team can not always find the best common solution for local problems. One way of organizing might be perfect for one part of transnational company and frustrating for another. Instead of living one mental model of behavior international managers shall clarify how the foreign culture would affect processes in the organization and then support creating an



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

intercompany culture, which smoothes national cultural diversities and encourages every employee to do his/her best for the company in the country of presence.

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ERGONOMICS RELATIONSHIP TO COMPANY'S OPERATIONS MANAGEMENT

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Keywords: ergonomics, operations management, improvement.

Introduction. Ergonomics science discipline and operations management science both have a separate evolution history. In closer comparison, there are number of similarities, but many differences are also noted. Contemporary managers frequently use term of ergonomics in connection with occupational health and safety, but rarely associate it with business operations performance. Ergonomics field has been subjected to significant changes over half a century. New field like participatory ergonomics have been developed [1] and also ergonomics interacts in the area of quality performance [2] and organizational design [3]. Hence ergonomics can be seen as business tool at a company-wide level and improve organization operations management.

Aim of the research: By studying theoretical aspects to analyze ergonomics relationship to operations management performance.

Methods. The monographic research method, statistical, graphical and comparison methods were used to analyze various theoretical aspects of ergonomics contributions in organization operations and quality management improvement.

Results and discussion. Investigation studies and explains ergonomics relevance in organization operations. Accordingly to International Ergonomics Association (IEA) definition of ergonomics, it involves social goal as wellbeing and managerial goal as overall system performance. Macroergonomics is analyzed as the area in ergonomics that can be linked with overall organization management. Customers and their satisfaction is the main factor for measuring business results in organizations. Relevantly is to separate organizations internal (employees) and external (end-users) customers. In that way ergonomics can be used for designing products that fit the needs of end users and also for the design of manufacturing products that are easy to produce [4].

Ergonomics solutions for employees results in improving safety, reducing fatigue and stress, increasing comfort of working and job satisfaction and improving quality of life a.o. Consequently ergonomics provides also employee satisfaction that is included in modern management science as criteria for employee potential development.

Conclusions. Integration of ergonomics and organization operations management leads to improved business performance, at the same time assures safety, wellbeing and productivity at work.

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**TAPPING ON TACIT KNOWLEDGE IN ORGANISATION'S
KNOWLEDGE SYSTEM IN COMPETITIVE ENVIRONMENT:
A CASE STUDY INTO MANAGEMENT EDUCATION IN LATVIA**

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Keywords: organisation, knowledge creation, tacit knowledge, manager education, system thinking.

Knowledge is being increasingly recognized as the main source in enabling the organization to gain a competitive advantage. In knowledge management, organisation is viewed as a knowledge system that has a number of levels and dimensions: organizational and personal, internal and external, explicit and tacit, etc. The competitiveness of an organisation is highly dependent on its ability to tap on the most crucial knowledge resources in this system. However, there is a certain ambiguity concerning which knowledge in the organization is the most competitive or the most crucial – open recognition of human resources being the key resource in any organisation does not necessarily translate into organisation policies and/or processes; soft variables have a tendency to be weak. Knowledge management and creation literature brings soft – tacit – knowledge possessed by any individual into the focus of attention in manager education, training and professional evolvement. The process of acquiring tacit knowledge, both internal and external, is very complex: tacit knowledge is hard to identify, capture, and measure, it includes beliefs, perceptions, values; it is deep and intuitive. But this is what makes it unique, and ‘to remain competitive the organisation must create knowledge that is hard to imitate’ [1, 12]. Education and training of managers able to promote organizational growth must be based on development of corresponding tacit knowledge. It does include acquisition of theoretical knowledge, but not through learning separate data and factual information, or through instruction acquisition. The key theoretical elements as well as ethical and moral norms must be *internalised* [2] through management subjects and also organizational processes, which requires a longer time than memorisation of the study material. In this paper, we try to look into attempts to capture internal and external tacit knowledge in a tertiary education institution that is engaged in management education. We suggest a number of serious problems in management education in Latvia caused by the deep-seated epistemological assumptions the academic environment tends to hold about knowledge and knowledge creation. Coupled with the cultural context, which in the western world is more individual-



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

oriented, this makes the traditional organizational environment little conducive to deep, voluntary and committed processes of tacit knowledge sharing and creation at an organizational level. This is why a determined and focused effort is required to first change our own understanding and mental models, and then to replace the ‘here-and-now’ approach in management education with the one based on system thinking.

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**MANAGEMENT BY DECEPTION (MBD):
THE NEED FOR DESIGNING A VIABLE STRATEGY**

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Keywords: organization, cybernetics, reality, strategy.

Calling organisational effectiveness a strategy is just as much a scientific flaw as navigating organisations in accordance with so called “strategies”, based solely on military minded-, shareholder oriented-, and financially reduced tactics and surgical measures. [5, p. 1] Dysfunctional organisations per se are not the only problem moreover; we severely violate our perception of organisational and environmental reality. In this state of chaos we not only do not understand *what* we are doing but most importantly *why* we are doing it. We ignore the “main duty of business”, namely “survival” [2, p. 46], and additionally we observe the reality of the world as we can see it, via „reduction ad absurdum“ [5, p. 4] of mere tactics and measures. Additionally we violate our perception of reality by limiting our awareness of the problems to be defined and the action taken to solve them. These actions regarding the managerial problems we have observed are largely dependent on the view that we as individuals or as groups who have encountered them have of “the system and perception of reality” to which they refer. [6, p. 199] The doctrine of today’s management, its value and strategy is viciously directed towards the mass¹ to underscore its effectiveness as the one and only embodiment of truth to be observed for the mass² not by mass and not by its real meaning but by its deceptive certitude. [3, p. 83-84] This distorted perception of reality played a vital role in Orwellian Newspeak [4, p. 3], a ubiquitous application of indoctrinated managerial truth. Our Business Schools may not become “The Ministry of Truth” [4, p. 3], but as the reader might observe, this has already been successfully manifested by a discipline called business administration.

We as management scientists must be aware of this and not violate the most fundamental principle of scientific discourse, which has always demanded the separation of the observer from the observed as the principle of objectivity required for a scientific discipline. [6, p. 4] Actions according to the principles or ethics cannot be articulated, as Wittgenstein rightfully observed as they always reside in the action itself. [7, p. 5-6] Then morals cannot be separated from facts [1, p. 1], since facts, truths and actions based upon the empirical perception of reality and the preconditions created by organisations in the interests of claiming organisational viability and achieving its objectives are the embodiment of viable strategic management. This

¹ The author is referring to stakeholders

² The author is underpinning the created falsification of an untruth



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

paper intends to foster awareness of the points mentioned above via a cybernetics lens in its creative circularity.

Purpose – This paper attempts to underpin the theoretical and practical³ claim that we need to change our perception of our environmental reality and our perception and model of organizational structure, its identity and strategy as the necessary and sufficient preconditions and measure of organizations viability.

Findings – The evidence documented in the paper both examines the current problems and provides sufficient evidence for a vital need in changing our perception of organisational management, the model and its strategy.

Originality/value – The problems shown exemplify the unparalleled loss of direction, identity and strategy in management. Managers are today dangerous agents of the society. This misdirection and misperception must be corrected. Management is the most vital, most essential and most rewarding vocation of the society, but it has been reduced to obscuring the society by clouding the perception of reality. This paper examines this misdirection and claims that a radical change in management strategy is much overdue.

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³ As the examples will prove and describes through-out the paper



CLUSTERING IN THE FREEPORT OF RIGA

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Keywords: cluster, competition, company, development, Freeport.

Clustering of firms in a region can be observed in many countries. Clusters as a unit of analysis is still less common than national economies, industries or firms. The cluster-based approach offers a new way of dividing and understanding an economy and competitiveness. Cluster environment stimulates competitiveness and competition inside the cluster and the industry. Some explanation of Latvia's competitiveness current problems is pure level of business entities co-operation and business integration in the national economy of Latvia and Freeport of Riga particularly. Companies are isolated into their approaches to increase their competitiveness and enter in global market. In many cases it is to hard task for a single company. Business entities co-operation and integration is a gateway to integrated development and higher competitiveness in the global markets. Cluster environment is stimulating integrated development of all the business entities within the cluster. Cluster structure and governance are key factors for successful cluster performance. Port activities are geographically concentrated in a limited number of regions, mainly because of favorable geographic conditions. These regions attract substantial number of port related firms. Seaports are naturally born clusters. In this paper cluster concept is applied to seaports, to enhance the understanding of performance of seaport clusters. The main objective of the presented paper is to find out the cluster influence to Freeport's of Riga business competitiveness and integrated development.



A TRUST MARKETING FRAMEWORK FOR RISK INTENSE PRODUCTS

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Keywords: marketing, trust, sales.

Many products involve such a significant risk to customers that the possible damage can be greater than the advantage (e.g. a cosmetic surgery contains the risk of numbness; a nuclear power plant contains the risk of losing human life, a cryptographic device contains the risk of getting hacked and exposing critical data). Thus potential customers of risk-intense products are very concerned and corresponding vendors suffer from severe issues in their sales process (e.g. longer sales cycle, lower conversion rates, image issues) resulting in higher costs and lower revenues.

Luhmann [1] proposes trust as a solution for such situations “where the possible damage may be greater than the advantage” someone seeks. Thus if marketing would be able to build-up customer trust in risk-intense products a significant problem for corresponding companies would be solved.

In this paper the author proposes a trust marketing framework to build up customer trust in risk intense products. The marketing framework builds upon the interdisciplinary trust model from McKnight and Chervany [2] and their findings on trusting beliefs. Trusting beliefs are the beliefs of an individual that “...the other person has one or more traits desirable to one in a situation in which negative consequences are possible” and therefore make it easier for the trustor to trust the trustee. This paper proposes a marketing approach to build up trusting beliefs in customers for a risk intense product and/or company. Therefore the trust marketing framework consists of four strategies:

- 1) Reframing Strategy: Building up the trusting beliefs benevolence, competence, integrity and predictability via sharing information about the company and the product or information from trusted third parties about the company.
- 2) Experiencing Strategy: Building up the trusting beliefs benevolence, competence, integrity and predictability via the customer experiencing the company or the product.
- 3) Involving: Building up the trusting beliefs benevolence, integrity, and predictability via publicly involving customer groups or trusted third parties into product design or business decisions.
- 4) Mitigating Strategy: Building up the trusting beliefs benevolence and predictability experience by mitigating the possible damage.

Each of the four strategies consists of 3 sub-strategies, so that the framework proposes 12 marketing approaches to build up customer trust for risk intense products. In an upcoming research project the marketing framework will get empirically tested.



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

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Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

ROLE OF STATISTICS IN MANAGEMENT DECISION MAKING

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The Diana Ross 1970's hit "Do You Know Where You're Going To?" from the movie Mahogany begs the question, how would know that you finally made it? Many organizations go through their paces not knowing where their employees are going to – are they going to succeed or fail? Assessment statistics help organizations measure success or failure of employees and organizations.

According to the Aberdeen Group (2010), several pressures drive assessments statistics. Competition helps put focus on productivity and performance. A shortage of leadership skills leads to a weak succession pipeline. Customer demand demands more insight into the present and future workforce.

Assessment statistics can provide information on unique aspects of employees and organizations. For example, accountants might suggest that a program costs money based on their financial analysis. Assessment statistics can conclude that employees and the organization can gain from the program because it motivates employees. This theme runs throughout many of the examples in the following chapters. The benefits from motivation might far exceed the costs.

Assessment statistics of employees and organizations are often considered a pain. They seem to take away from the most important things managers want to do such as produce the product and provide a service for a profit. But how are managers going to give customers a product or service if they don't know if their employees are doing the job right and their customers are satisfied? What if employees are so irritated by the work environment that their performance drops?

Purpose

Many assessment statistics are the financial kind – the stuff accountants and financial managers love such as profits, sales, return on investment, turnover cost, cost per hire, break even analysis, compensation divided by operating expense, and net present value. The financial measures are important for employees and organizations but they don't provide the whole picture.

Some nonfinancial assessment statistics include results from selection tests, performance appraisals, employee surveys, work samples and many others. These statistics do not perfectly translate into dollars and cents. But they make sense for organizations because their conclusions may be more significant than financial assessment statistics for the future of employees and organizations.

The purpose of this work is to provide the motivation for managers to assess employees throughout their complete employment cycle – from recruiting, selection, training, compensation and down to their exit interview and retirement. It also provides managers with some basic terminology and tools to use nonfinancial assessment statistics.



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

Your Turn

The “Your Turn” segment features activities that you can do to help change your workplace based on your mission, vision, and objectives. The segment may have food for thought questions, surveys, case studies, and games to fit the context of each chapter.

Food for Thought Questions

1. What instances have there been in your organization in which in which assessment statistics (financial or nonfinancial) have been incorrect?
2. What instances have there been in your organization in which assessment statistics (financial or nonfinancial) should have been done but weren't?
3. Who is in charge of any financial or nonfinancial assessments of employees or the organization?
4. Mission statements summarize the basic reason for your organization's existence. They provide a structural basis for which assessments are developed. Does your organization have a mission statement? Whether it does or not, what would be in such a mission?

Application – Recruiting

Recruiting involves finding the right marketing techniques to find the person who fits the organization's needs. Traditionally, recruiting has involved recruiters who focus on screening out applicants. The recruiting job is a stepping stone to becoming a human resource generalist. Hence the main measures to recruiting success involve cost per hire and time to fill. Cost per hire is the most common measurement that focuses on the initial cost of hiring (travel costs, recruiter time, paperwork, etc.). Time to fill involves the cost associated with the positions that remain unfilled. These measures ignore long term costs and the quality of hire (Lowisz, 2008). Recruiters would be best advised to see what recruiting methods work best for their organization based on the organization's overall mission and objectives.

Metrics. To measure recruiting success, you need metrics – ways to measure the success. Whatever metrics you use, they should have the following characteristics:

1. Reliability – are your measures consistent?
2. Accuracy – do your measures state what is really happening with the candidate?
3. Validity – are your measures related to what you want to accomplish with the organization?
4. Predictive – can your measures predict future behavior?
5. Usable – can your measures be used to help narrow down the job candidates for a possible hire?
6. Timely – can the measures be obtained in a reasonable time to fit recruiting and selection purposes?
7. Quantitative and qualitative – can your measures success using numerical comparisons and more subjective comparisons?



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

Below are some metrics beyond the traditional cost per hire and time to fill that you can use to measure success in your recruiting efforts. One metric by itself will not do but a mix that fits your organizational objectives and captures all of what you want to accomplish would be the best.

Yield Ratios. One measure of recruiting success is to calculate yield ratios from each recruiting source. Let's say your recruiting efforts involve attending a finance conference, posting jobs on a finance job website, and advertising in the local newspaper. You have a list of 20 candidates from each source. After reviewing resumes, you whittle the candidates down to ten. Eight of ten come from the finance conference and two of ten come from the local newspaper. Eight out of twenty from the conference is good. Two out of twenty from the newspaper is marginal. Nothing from the Web indicates that the source might not be good for your company.

You can continue to calculate how much you yield from each recruiting source after the next step – the job interview – when you whittle candidates down to three. Though the local newspaper did not do well in the resume step, both job candidates from that source survived the interview round. Only one of eight conference folks survived the interview round. Doesn't it feel like American Idol where we see who from what city survived the final rounds?

Recruiting Step	Finance Conference	Finance Job Site	Local Newspaper
Application	20	20	20
Resume Review	8	0	2
Interview	1	0	2
Offer	0	0	1
Hire	0	0	1
Resume Review/Application Yield Ratio	8/20 = 40%	0/20 = 0%	2/20 = 10%
Hire/Application Yield Ratio	0/20 = 0%	0/20 = 0%	1/20 = 5%

Measure longevity and long-term performance. Through a survey of recruits, you find out that twenty job candidates applied because of your ad in the national conference. Ten job candidates from that ad made it through the first cut. Two of those candidates received job interviews and one was selected for the job. Conclusion: The ad was successful. Enough said. Case closed.

Upon further review, you discover something nasty. What if that job candidate you hired leaves in less than a year? This sometimes happens with accounting firms. They recruit from a Certified Public Accountant (CPA) mill---a university that focuses only on CPA's. The new hire knows accounting but gets burned out quickly and does not take leadership positions. When hiring a CPA from a liberal arts university, the new hire might not know accounting as much but would have the breadth and depth of managerial classes and experience to stay at the firm for the long-term.

Successful recruiting efforts are more than how many candidates you yield from each step in the recruiting process and the cost per hire. You must find out how good those candidates are not only in how long they stay, but how they perform, how they work with others, and how they move up in the organization or their career. Consider using performance appraisals to track long



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

term performance. The appraisals should be linked to the mission and measure mission-related issues such as productivity and ability to work with others. Long-term performance and longevity are important measures that are often missed in recruiting measures.

Measure legal and ethical traits. Again through traditional measures, you select your top candidate. He or she has the perfect background and starts with the company every successfully with high performance ratings. The high ratings continue over the year. Conclusion: The recruiting was successful. Enough said. Case closed.

Upon further review, the new employee becomes a publicity nightmare for your company. You have an Internet monitoring policy that authorizes you to identify business-related activities that your employees have done. You discover that your new employee is known to rant and rave on Facebook about his spouse, his friends, and your company. This anger turns into threats of violence. After a year, he gets into the newspaper about domestic violence and ends up in jail for one month.

Successful recruiting efforts should also measure ethical and legal behavior of employees. Are there sources of recruits that are more associated with unethical or illegal behavior? Companies need to protect themselves from negligent hiring practices and at least do background checks on employees. Further checks of the Internet should be done to investigate inappropriate or illegal behavior. But be careful to collect data for business purposes only, try to ensure the accuracy of the information through backups with multiple sources, and protect the data collected from the Internet. Legal and ethical behavior before and after hiring also are important measures

Measure Recruiting Satisfaction. Your recruiting efforts may lead to outstanding candidates hired who perform well in the long term. But the recruiting process itself might be abysmal.

Another measure you can use to enhance your recruiting efforts is to measure managerial satisfaction with the efforts. Through such surveys you can find amazing discoveries. For example, managers are irate that many of them are invited to the interview process but no one asks them for their opinion of the job candidates. Managers dislike being asked to attend interviews of candidates from other departments in which they will have no future contact. Last minute changes in interview schedules are an irritant.

Along with asking for managerial opinions of the recruiting process, you also might ask the interviewees about how well the process went for them – after hiring has occurred in order to improve the process. You might find out that a tour of the local community was done in an interviewer's car that was smoke ridden and should have been sent to a junkyard ten years ago. You can especially find out why candidates declined your offers.

Be careful with the satisfaction measure. This stand alone metric should be used in concert with other recruiting metrics such as long term performance and cost per hire.

Your Turn

When it comes to recruiting metrics, a checklist of what is available might be helpful. Below is a table of what recruiting methods you use and the common and not-so common metrics that can be used to measure the quality of the recruiting methods and effort.



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

Question 1

What recruiting methods do you use in your organization? Examples: application form, resume, interviews, job search website, newspapers, point of contact (via leaflets, posters), headhunter, Job Service, hire internally?

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.

Question 2

Check Off how you plan to measure the success of your recruiting efforts?	Mark with an (X) if you do it now. Mark with a (P) if you plan to do it.
Cost Per Hire	
Yield Ratios	
Longevity	
Performance Appraisals	
Monitoring Employee Behavior on the Web	
Criminal Background Checks	
Survey of Managerial Satisfaction with the Recruiting Effort	
Survey of Candidate Satisfaction with the Recruiting Effort	
Other	

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Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

NEW MEDIA USAGE AND PRIVACY POLICIES IN BALTIC STATES' NEWSPAPER WEBSITES

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Keywords: newspapers, Facebook, Twitter, new media, privacy.

This report summarizes how the new media has penetrated of the top twelve online newspaper websites in Estonia, Latvia, and Lithuanian. New media involves new communication techniques such as social networks, mobile apps, blogs, and forums. Results show that the top twelve Estonian newspaper Websites have the most new media features such as links to social networking sites such as Facebook and Twitter, RSS feeds, blogs, and search engines. Privacy policies related to new media tend to be inconsistent across newspapers.



CONSUMER VALUES AND CONSUMPTION PATTERNS DRIVING LATVIAN STRONG ALCOHOLIC BEVERAGES MARKET

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Keywords: human values, consumer life styles, consumer segmentation, purchasing behaviour, alcohol market.

The paper explores the influence of consumer social values on consumption patterns and preferences in Latvian strong alcoholic beverages market.

Alcoholic beverages represent a complex market characterized by a high impact of consumer on market development. Alcoholic beverages represent fast moving consumer goods (FMCG) with high turnover rate, hence the market is very competitive and new product propositions are developed and launched instantly following the changes in demand. Strong alcoholic drinks are distinct from other types of beverages due to relatively much higher importance of brand attributes and category specific consumption patterns, consequentially representing a higher importance of consumer in setting the rules for the market development. The industry and market players all have a challenge to meet ever-changing consumer demands to support a sustainable development. This requires proper, up to date and in-depth understanding of factors driving the demand for certain categories and products in the market in order to build the winning strategies.

Human social values are among the key factors driving consumer behaviour and preference for certain products, particularly in FMCG industries. However measuring the impact of values on consumption is a complex issue which has not received a required attention



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

in academic research and has been approached superficially by marketing practitioners, thus resulting in a lack of consistent assessment methodologies.

The objective of the paper is to analyse consumption patterns and consumer behaviour in Latvian strong alcoholic beverages market applying innovative behavioural consumer segmentation model based on their social values which (i) enables to link values to consumption patterns and (ii) offers an easy hands-on tool to gain competitive advantages via better forecasting of these patterns.

To achieve the objective, the paper (i) provides review of human value research models; (ii) suggests a proprietary model; (iii) tests the application of this model on core product categories in Latvian strong alcoholic beverages market; (iv) suggests market players the priorities for successful development.

The study is based on sociological data from value survey representatively sampling general population of Latvia and consumption survey for most popular strong alcoholic beverages categories conducted in fall 2010.

Statistical methods are used to reveal the relationship between values and purchasing behaviour in order to identify the drivers and attitudes of the population supporting the developments of the industry.

The analysis reveals and allows explaining the existence of significant differences in preference for different beverages in consumers representing different social values segments. In depth analysis explains the core motivators and human values driving their preferences and thus allows to forecast expect changes in demand for certain products. The identified differences have a significant influence on anticipated future consumption trends thus suggesting market players to focus on particular winning strategies in order to grow the market in future.

The paper explores the impact what a homogeneous behaviour of large social groups might have on the industry development thus being interesting both from academic angle and empirical application for marketers.



**WORK CONDITIONS INFLUENCE ON EMPLOYEE
MOTIVATION IN TELECOMMUNICATION
INDUSTRY IN LATVIA**

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Keywords: personnel motivation; human resource management; change management.

The rapid development of modern information technology has led to fierce competition in today's telecommunication industry. Telecommunication firms' accountability demands that operating efficiency be measured, maximized, and benchmarked. The largest and fastest growing part of the labour force is "the office", that most labour intensive of telecommunication industry, therefore measurement of productivity is becoming the number one concern of the industry. As motivation is the key to the success of obtaining the benefit of skilled employees' performance there have been continuing efforts among researchers in distinguishing the influential drivers of motivation and performance. The purpose of the study was to explore relationships between motivational factors and self-rated job performance and to examine factors that are associated with likelihood that employees will engage in effective and efficient business performance. Authors compared findings on factors associated with likelihood that employees will engage in effective and efficient business performance and analyzed what are the relationships among – motivation and self-efficacy and self-rated productivity in telecommunication and other industries in Latvia. Research methods used: scientific literature review, survey of employees. The following measures were used to: 1) list of motivators; 2) list of statements on skills, engagement and resources available in company; 3) perceptual performance; 4) demographic profile of sample (age, gender, occupational type and detailed information on position, education, income, and industry). The respondents were asked to use 7-point scale ranging from 1 - inapplicable to 7 – applicable in higher extent to indicate which motivational instruments are applied in current working place. Skills were



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

evaluated in 7-point scale ranging 1 – strongly disagree to 7 – strongly agree to statements like “I feel fully confident on my skills to perform this job according to highest expectations”; “this is the best job to do”, “I help my coworkers with my expertise and knowledge”, “I am fully confident on ability to solve problems in my daily work”. Resources were evaluated in 7-point scale ranging 1 – strongly disagree to 7 – strongly agree to statements like “In my job I am provided with technologies for job content”, “In my job I am provided with technical, and other support necessary for job content”, “All necessary management and quality systems are provided in my job”. Engagement was evaluated in 7-point scale ranging 1 – strongly disagree to 7 – strongly agree to statements like “this company inspires to do the best I can”, “I am ready to go the extra mile to make my company successful”, “the future success of my company means a lot to me”, “I am ready to recommend my company where to work”. For data analysis descriptive statistics (mean, mode, median, indicators of variability) and multivariate analysis (factor analysis, and variance analysis) are used.



THE PATTERNS OF HIGHER EDUCATION FUNDING IN RUSSIA: ANALYSIS AND EVALUATION

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Keywords: higher education financing; modernization of higher education in Russia; patterns and models of higher education funding; per-capita funding for higher education.

The report focuses on the contemporary problems of financing of higher education in Russia. Special analysis is given to existing and emerging models of higher education funding, such as the model of personal scholarship grants for students, the pattern of per capita financing of universities according to their category, etc.

The implementation of the per capita financing in Russian universities is planned for 2011-2012. And in future higher education funding in Russia is supposed to be executed according to the per-capita funding pattern worked out by the experts from the Higher School of Economics (Moscow).

According to this model, budget funds should be directly transferred to state universities in the form of tuition subsidies for students with high Unified State Exam (EGE) results in Russian language and mathematics. Transparency is one of the undoubted merits of this model. Besides, a large enough funding will ensure competition between universities, and eventually should help to improve quality of Russian higher education.

At the same time, the general implementation of this funding pattern in all universities of Russia has some evident drawbacks. First of all, there is a serious situation of chronic underfunding in Russian universities. However this pattern does not increase budgetary funding, but only assumes rearrangement and further reduction of existing state budgetary resources. In the second place, there is no uniform approach to the calculation of subsidies for bachelors and masters in this funding pattern. And furthermore, all the calculations are based on statistical data of 2009 only.

Federal Law 83 from the 8th of May 2010 envisages considerable changes in the legal status of existing budgetary institutions in Russia. Starting from 2011 all state budgetary institutions will be divided into three types: self-contained (autonomous), so-called new budgetary and state-owned. At present, with this Law adopted, the implementation of the HSE funding pattern does not seem reasonable for all universities in Russia. Because the implementation of the HSE pattern will lead to an actual decrease in budget funding for about a half of state universities, and eventually there will not be free higher education for students in Russia any more.



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

The most agreeable per-capita funding model should reflect recent institutional changes in Russian higher education. This funding model should take into consideration different types of universities that emerged in the last few years: national universities and backbone universities (system-forming universities). Implementing such an improved model will help national and backbone universities to take leading positions in national higher education.

Thus, taking into account the institutional changes in Russian higher school, the per-capita funding pattern worked out by the experts from the Higher School of Economics is reasonable to apply only to self-contained and new budgetary universities. But, as for the financing of state-owned and backbone universities, the most appropriate models are funding estimates or per-capita funding in accordance with the type of university.



CURRENT PROBLEMS OF TOURISM IN THE EU (LEGAL ASPECT)

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Keywords: tourism, European law, common tourist space, plan and common strategy for tourism development.

The article deals with the problems in the European law concerning tourism as significant constraint factors for the development of European tourism and the process of “common tourist space”. The special attention is paid to the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions “Europe, the world’s No 1 tourist destination – a new political framework for tourism in Europe” signed in 2010 and the Common Strategy for tourism development in the EU projected on its basis.

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MODELS FOR MARKETING RESEARCH OF NANOPRODUCTS AND NANOTECHNOLOGIES

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Keywords: nanomaterials, nanotechnologies, nanothinking, nanoeducation, nanorisks, marketing research.

Since applications of nanotechnology will quickly penetrate all sectors of life and affect our social, economical, ethical and ecological activities, the general public's acceptance is compulsory for further developments of in the field of nanotechnology and its applications. This acceptance will be influenced by the low level of public awareness of many innovations in science, and especially, in nanotechnology. This is mainly due to the unpredictability of their properties at the nanoscale and the fragile public confidence in technological innovation and regulatory systems. Consequently, it is of the utmost importance to educate the public, and to disseminate the results of nanotechnology development in an accurate and open way so that the general public will eventually accept nanotechnology [1].

Marketing research should be based on the objective data of a market, characteristics of groups of the goods and their manufacturers.

The model of marketing research is necessary for its successful carrying out. It details the methods which are required for the information acquisition with which help it is necessary to structure or solve a marketing research problem.

The complexity of the marketing research model in the nanotechnologies is a following: at first it is necessary to develop the uniform criteria for the characterizing manufacture and application of nanoproducts and nanotechnologies. Besides, a rapid development of nanotechnologies advances working out of risk estimation methods, that causes consumers mistrust to nanoproducts and can have catastrophic consequences for their providers and manufacturers.

Risk management of nanotechnology is further challenged by the broad range of technology and products encompassed within the term "nanotechnology". Risk management of nanotechnology must take into account public perception about the potential risks and benefits of nanotechnology and the growing public demands for regulatory oversight.

Currently, the lack of reliable and accurate technical data on the topic provides fertile ground for both nanotechnology proponents and sceptics to make contradictory and sweeping conclusions about the safety of engineered particles for human health and ecosystems. It is therefore imperative to carry out investigations devoted to the development of a comprehensive understanding of the properties, interaction, and fate of natural and anthropogenic nanoscale and nanoengineered materials in human health and environment.

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PROJECT MANAGEMENT AND ENTREPRENEURSHIP: A LINK THROUGH COMPETENCES

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Keywords: project management, entrepreneurship, competences.

Project management and entrepreneurship are both ‘ancient’ phenomena and professions (or just occupations for some people), but both corresponding academic disciplines are comparatively young, not yet well established and – perhaps surprisingly – have developed quite separately.

Project management is a ‘standardised’ field. Since common competences are expected almost everywhere, the world-leading professional associations like IPMA¹ and PMI² have developed competence standards, used for training and assessing of required competences of different project-related personnel, starting from certified associates and finishing with project directors (as IPMA Level A, what is actually a qualification of programme or project portfolio manager). In addition to the aforementioned there are more similar concepts, elaborated and used by (bigger) national professional associations. Although (at least up to now) there is no global competence baseline, the existing proven concepts will continuously develop and will be used continually.

The field of entrepreneurship is much less ‘standardised’ and there are no generally accepted competence baselines or ‘bodies of knowledge’. There is a particular reason: the professional standard cannot fill one of its common functions – to help employers recruiting employees, because an entrepreneur has no employer. But nevertheless, there are some examples. For instance, the Consortium for Entrepreneurship Education (in US) has elaborated a National Standards for Entrepreneurship Education [1]. This document denotes quite a comprehensive set of competences for a prospective entrepreneur. In addition, Fastre and Van Gils [2] provide a more compact, but also blanket set (or classification) of entrepreneurial competences.

Competences of project management and entrepreneurship seem to have very little in common, but even simple verbal analysis gives some results. For instance, in the field of entrepreneurship [1] denotes a competence like “M.05 Develop project plans” and [2] two

¹ International Project Management Association (www.ipma.ch), its competence standard is named International **Competence Baseline**, the current version 3.0 was issued in 2006.

² Project Management Institute (www.pmi.org), its competence standard is named **Project Management Body of Knowledge** (PMBOK), the current 4th version was issued in 2008.



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

(related) competences: “time management, project management”, classified as “Strategic competences”. In the field of project management, the IPMA ICB mentions entrepreneurship – in competence element “2.08 Results orientation” (among topics like communication, delegation, etc.), which belongs to the group of behavioural competences. In this competence element, “Behaves like an entrepreneur” is considered adequate behaviour but “Is merely following orders” is a behaviour which requires improvement. The paper will provide a more in-depth analysis and try to show that there are several constitutive links and overlaps and potentials for synergies.

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Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

USE OF LOWER PARTIAL MOMENTS IN PORTFOLIO MANAGEMENT

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Keywords: Portfolio Management, Developed and Emerging Equity Markets.

Over the past years before the world financial and economic turbulences, the Baltic States have been the fastest developing economies in Europe. The Baltic insurance industry was a direct beneficiary of this economic miracle. After the booming years insurance business suffered from the economic downturn as the income from main business operations did not show sustainable growth and companies were forced to gain extra income from investing activities. So the relevance of asset allocation problem gained extra attention in the particular industry.

The main purpose of the current paper is to provide the foundation for the development of the internal portfolio model for insurance companies. The reader is going to be instructed on the essential aspects of the (μ, LPM) -portfolio model which, on the one side, enables its critical review, and on the other side, provides a platform for its later application in the practice of portfolio management. The research is concerned with the portfolio selection based on the downside risk and mean, which utilizes risk measure corresponding with the risk understanding of the prevailing number of investors. The paper analyses the impact of two portfolio models representing two basic approaches in the modern portfolio theory. The first model is well known Markowitz's portfolio model with the asset allocation based on mean and variance; the second one, mean-downside risk portfolio model, differs in the risk understanding.

The asset universe covers several emerging equity capital markets and the developed equity capital markets. The examination period is set from 2007 to 2009.



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

FINANCIAL CONGLOMERATES RISK MANAGEMENT

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Keywords: financial convergence, financial conglomerate, risk management.

Processes of globalisation, liberalisation and concentration of the financial capital, have generated new outlines of a world economy. The financial convergence as a new phenomena of contemporary financial system presupposes assimilation of banks, insurance, investment, pension funds, etc. and allows three basic forms of financial conglomerates coexistence: bankassurance, assurfinance, allfinance, meaning transition from product-oriented to client-oriented strategy of the integrated financial products sales. Financial conglomerates create specific risk management strategy which regulates: consumption market risk, potential conflict of partners' interests, informational technologies risk, deregulation risk.

Risk – is a central element both bank and insurance business. The financial companies differ essentially from other commercial enterprises as they accept risk, cover risk, mediate and raise profit from risk. The liaison between several different functions' partners in financial conglomerate cause the interaction of risks accepted by them. As financial conglomerates are considered to be big shots in the capital market influencing on the general economic situation, the state shows a particular interest to these organizations. The prior attention is given to the regulation of those risks which are accepted by financial conglomerates.

There exist basic risks connected with convergence of products and services in financial conglomerates and change of systems of the state, regional and international governance: deregulation risk, consumption market risk, potential conflict of partners' interests, informational technologies risk.

The first risk of deregulation is connected with the governance of financial conglomerates activity. Considering different variants and scenarios of financial conglomerates governance, it is possible to consider a first variant at which the basic object under control and supervision in the consolidated form is the central operating nucleus. However this model faces the following obstacles: the legislation conflict, the conflict of the goals, the conflict of interests.

The second variant of governance system engineering deals with the introduction of regional structure of regulation. Its basic advantages are a relative simplicity and cheapness. So far as in many countries the supervision bodies regulating financial intermediaries activity already exist, it is possible to ascertain that, at least, the base for development of this scheme is available.

Creation of the international system of the institutes supervising financial activity of the private companies can be the alternative to the regionally-oriented approach. The development of supranational institutes of control also bears its complexities and possible dangers.



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

The second financial conglomerates risk management concerns the negative influence of financial groups activities on the consumer market.

The third risk – potential conflict of interests.

Potential conflict of interests – is an endemic problem for a financial complex. The conflict of interests necessarily arises and develops in a financial conglomerate if it does not operate for the sake of clients interests. The basic classes of the conflict of interests are:

- Salesperson's stake.
- Stuffing fiduciary account.
- Bankruptcy risk transfer.
- Tie-in sales.

The fourth risk – information technology implementation.

Nowadays the international financial system is becoming a global information-financial complex. Therefore functioning of financial conglomerates depends on risky changes occurring in WWW. business environment.

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COMPLIANCE RISK MANAGEMENT IN LATVIA'S BANKING SECTOR

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Keywords: banks, compliance, compliance management, risk management, Latvia.

Compliance risk, always known in the banking sector, assumes now an autonomous dignity and shares the management methods with the other risks. At the same time, the supervisory arrangement specifies the requirements for an effective and efficient management of compliance risk, among which the establishment of an independent compliance function and requirements to a senior manager responsible for compliance risk (head of compliance). In practice the compliance risk for banks and their employees consists of the fact that violations of regulations are identified and sanctioned. The probability of such a risk has increased to the extent that the regulatory density has become intensified and more complicated. The framework of compliance function in banks was established by Basel committee in 2004 and this stimulated a large number of studies and supervisory regulations on compliance matters. There are no such studies in Latvia or other Baltic countries. This gives an impulse to organize a research to show developments and trends in compliance practices followed by banks in Latvia. Since foreign regulators have generally begun to pay attention to this issue earlier than the local ones, there is concern that banks in Latvia are behind the global compliance development. The objectives of research are to identify possible gaps and to contribute to the debate on the compliance risk management in Latvia's banks especially to qualification of the compliance senior manager. They should be so called T managers with deep (vertical) knowledge in different areas¹ and specific compliance management skills (horizontal). Different training and certification systems should address the first part, but there is very little discussion and training regarding second. In Latvia currently this is just a self learning process. The complexity of compliance function urges practitioners to use the concepts of "systems" and "systemic approach," the bases of the new management culture of the twenty-first century and therefore research will offer a thorough outlook of the compliance management system.²

The planned research focuses on the following issues: general information on the definition and framework of compliance risk, organizational structure, reporting, compliance culture, purpose and tasks of the compliance staff, assessment of the compliance staff performance and of the risk.

¹ In EU the Selected Directives are making compliance landscape; the Capital Requirements Directives (the CRDs); the Transparency Directive; the Markets in Financial Instruments Directive (MiFID); the Third Anti-Money Laundering Directive (3AMLD); the Prospectus Directive and the Financial Conglomerates Directive.

² A method by which the bank manages the entire compliance process.



ADDITIONAL COST ARRANGEMENT – A NEW STRATEGIC OPTION IN PRODUCT LIFECYCLE MANAGEMENT FOR THE PHARMACEUTICAL INDUSTRY IN GERMANY

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Keywords: prescription drugs (Rx), compulsory health insurance funds (CHI), medicine rebate contracts (“ArzneimittelRabattverträge”), active pharmaceutical ingredient (API), additional cost arrangement (“Mehrkostenregelung”).

The revenues of the pharmaceutical industry in Germany are mostly generated with prescription drugs (Rx). Simultaneously it should be considered that hardly any incident is as relevant for the success of a researched-based pharmaceutical company as the expiry of a patent, of a strong-selling product. Therefore it is a strategically significant issue to integrate all Product Lifecycle Management (PLM) options systematically in the company's strategy. Due to the medicine rebate contracts (“ArzneimittelRabattverträge”) the patent expiry became increasingly important while many generic PLM strategies lost their effectiveness. On January the 1st 2011 the additional cost arrangement (Mehrkostenregelung) was established which gives customers the possibility to buy a branded pharmaceutical instead of the generic substitute, which is contracted by their compulsory health insurance fund (CHI), if they accept to pay a priori and disclaim the refunding of the additional costs of the branded pharmaceutical. This way a pharmaceutical company could generate revenues in the CHI segment after patent expired. This paper presents the analysis of the questionnaire based interviews of pharmacist researching their opinions after one month experience with the additional cost arrangement.



SYSTEMIC CRITERIA FOR A COMPETITIVENESS EVALUATION OF EDUCATIONAL SERVICES OF A PRIVATE HIGHER EDUCATION INSTITUTION

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Keywords: system theory, system approach to human resources management, theory of organizations, optimization of management structure of a private higher education institution.

Defining a strategy to improve the competitiveness of a higher educational institution requires the evaluation of this strategy. The importance of conducting such an evaluation is due to several reasons. Among the main reasons are: developing measures to improve the competitiveness of a higher educational institution, the development of programs to enter new markets, the formation of the assortment and price policies. The aim of the evaluation is to determine the competitive position of the institution on the market. Achieving this aim is only possible when there is a timely and objective methodology for assessing the competitiveness. This methodology makes it possible not only to evaluate the competitiveness of the higher educational institution but also to offer concrete measures to improve its competitiveness.

Competition on the market of educational services is a rivalry between educational institutions to attract customers to the desired institution. Competition between universities offering similar educational services takes place on the market.

Each higher educational institution strives to offer services better than the competitors do, to provide additional terms and benefits. The competitiveness of a higher educational institution depends on its ability to stand out among other universities by virtue of the best socio-economic indicators, such as the quality of education, tuition fee, forms and methods of training, terms, location, prestige, advertising and many others [1].

To solve the problems of adaptation and development in the market conditions higher education institutions face the need for the expanded analysis of their activities, as well as for the analysis of the market of educational services, and for the assessment of the market positions of higher educational institutions.

The key matters of this research are: systemic approach to human resource management in a private higher educational institution, comparison of the criteria of competitiveness of higher educational institutions and study programs, and the application of the method of sociometric matrices to complex ratings in a higher educational institution.

A higher educational institution is an open system and its development requires the coordination of internal capabilities with the needs and changes of external



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

environment. Also a lot depends on the processes occurring in the external environment which significantly influences the internal environment of a higher educational institution.

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Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

STATE EXPORT PROMOTION IN THE LIGHT OF GLOBAL ECONOMIC CRISIS. AN EXAMPLE OF LATVIA

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Keywords: export promoting, exports, foreign trade agencies, Latvia.

Nowadays the economic challenges influenced by the global economic crisis have made export increasingly important for entrepreneurs and countries overall.

With the aim to assist companies within their internationalization development processes and to contribute the economic development of the State, public administrations do create export promotion policies. Over the years a number of articles have discussed the concept of state export promotion policy and its organizational aspects. With reference to the surveys of World Bank there is a common understanding about main instruments and goals of export promotion organizations.

The world economic crisis hit the economy of the Republic of Latvia particularly hard shrinking the GDP by 18.0% in 2009. But there are first signs of economic recovery showed by increasing share of export in state foreign trade balance. Export growth has been on rise for the last three quarters of 2009 and in December 2009 the export growth record was positive for the first time in annual terms. In the first half of 2010 Latvian goods export in nominal terms grew by 22.9% year-on-year, suggesting a notable advance on competitiveness.

According to the Global Investment Promotion Benchmarking published by the World Bank Investment and Development Agency of Latvia (LIAA) has been announced one of the top 10 performing national Investment Promotion Intermediaries (IPI's) in the World. During the last years LIAA has structured their activities to anticipate the rapidly changing needs of businesses and markets by offering the appropriate services.

The purpose of this article is to look closer and analyze export promotion instruments used by LIAA during the last three years and to compare them with common understanding about functioning of export promotion organizations. In conclusion the suggestions for further research in the field of efficiency of state export promotion organizations are displayed.



THE NOTION OF UNCERTAINTY AND ITS INFLUENCE ON INVESTMENT DECISIONS IN EMERGING MARKETS

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Keywords: investment decision-making, uncertainty, dynamic environment, Russia.

Nowadays organizations operate in complex, uncertain, and often contradictory situations. Nevertheless, a myriad of decisions are made under certain circumstances or constraints. The field of this contribution is internationalization processes and dynamic environments of emerging markets (the market of Russia as an example for empirical investigation). However, in spite of high risks many companies do make investments in emerging markets and expand their business. The underlying research aims to investigate the influence of different kinds of uncertainty on the foreign direct investment (FDI) decisions. For this purpose, the research design based on secondary data analysis and expert interviews was developed. The contribution of this paper is two-fold. First, it explains the different types of uncertainty in regard to the emerging market of Russia and their influence on FDI decisions (based on research papers published in peer-reviewed journals in the pre-crisis period). Second, it provides the results of the empirical investigation (semi-structured expert interviews carried out in August 2010 in Moscow) in order to prove the main statements from the first part, to compare those and to find out the differences in pre-crisis and crisis times. In closing the paper suggests directions for further academic research and presents practical managerial applications.



LATVIAN COMMERCIAL BANKS' TERM DEPOSIT SERVICES EXPORT

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Keywords: deposit, banking, export of financial services.

The given article is devoted to the problem of term deposit funds rising by commercial banks under affordable prices. The topicality of this problem has grown particularly due to the financial crisis in Latvia and the high competition among Latvian banks in the domestic market, which generally requires banks to export term deposit services. The aim of this article is to explore the Latvian commercial banks' term deposit services export opportunities. To achieve this aim, three main tasks have been set:

- to find out reasons due to which customers (individuals) are ready to switch to another bank;
- to analyze term deposit service export methods;
- to cognize foreign depositors' willingness to import Latvian banks' term deposit services.

For solving of mentioned tasks following research have been carried out:

- there were analyzed the advanced research on customers' preference for banking services, legislation and Latvian commercial banks' experience in export of term deposit services;
- there was made a survey of the European Union residents on their willingness to import term deposit services.

In the result one has find main reasons due to which clients switch banks, the most effective (in matter of time and cost) way of term deposit services export, as well as one has brought to the light European Union residents readiness to import banking financial services under the scheme "Remote internet deposit".



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

KEY FACTORS OF FINANCIAL SERVICES EXPORT GROWTH

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Keywords: export of financial services, key factors, financial services, international trade.

Almost all countries in the world are involved in the world trade of financial services. However, if for most countries the export of financial services is only a side result of their foreign economic activities, for some countries it composes their constitutive source of income. The purpose of current research is to determine the factors that influence the export of financial services thereby explaining differences in geographic allocation of financial services export through the world. For achieving this purpose such research methodology as analysis of selected literature on financial services, an expert survey, as well as mathematical processing of the obtained research data was used. In the result of the research one has reflected common factors, which according to the financial experts' opinion have the most significant influence on any country's export of financial services.



IMPACT OF GLOBALIZATION ON INTERNATIONAL TOURISM BUSINESS ENVIRONMENT

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Keywords: international tourism, globalization, westernization, emerging markets.

Massive market liberalization, initially commenced by privatization as a part of Thatcherism in the United Kingdom and Reaganism in the USA, is regarded as a start for the third wave of globalization. It is known as a period, started more than 30 years ago, which remarkably has changed global order. Contemporary world order and global integration is referred to discourses of globalization which are structuring modern societies [1]. International economical and political relations, intercultural communication and international business are most linked and influenced issues by globalization. States and international organizations are among key participants of the system while international trade is among most important contemporary challenges. Service trade, particularly in the form of international tourism, is ensuring its position as global economic sector, while various aspects of globalization and their presence is also increasing.

Issues of international tourism business management are sharply changing, as the content of international tourism business environment is being changed by the market. Development of globalization and especially third wave of globalization is closely related to development of contemporary international tourism business. Due to increasing political democratization, economical liberalization, international trade and technological progress international tourism has been able to experience stable growth since early 1950ties of 20th century reaching number of international travellers of almost 1 billion in 2010. It is also expected that number of international travellers will double within next 10 years [2]. These remarkable changes have been possible due to decreasing costs of travelling, facilitated costs of communication and generally increasing welfare of societies and they have had substantial impact both on local communities as well as global society. International tourism having its origins in Western European societies has been able to benefit significantly from results, stimulated by discourses of globalization: market liberalization, democratization, increase of wealth, free capital flow.

On the other hand, further globalization of world societies sets a list of new challenges for the management of international tourism. Changing structure of international tourism and profile of international travellers, in the context of new emerging markets, requires formulation of new business strategies respecting core principles of intercultural business communication. In the framework of globalization, Europe, as international tourism destination is loosing its market shares and recovery of Europe's outbound tourism is also slower than in emerging markets of international tourism, reports current tourism statistics [3]. Having new business



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

opportunities thanks to increasing wealth of various nations, international tourism business is requiring strategies and managers with appropriate knowledge on general concept of globalization as well specifics of cultural importance in business communication. European tourism should be able to transform business concepts adjusting them to expectations of emerging markets to keep its competitiveness.

The aim of this article is analytic literature review illustrating the linkage of globalization and its discourses in the international tourism and to define areas of challenges in the context of changing market situation through issues of intercultural communication.

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WHY GERMANY CAN BE FOR EUROPE WHAT CHINA IS FOR THE UNITED STATES OF AMERICA

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Keywords: Financial crisis, Global Economy, Trade Balance Deficit, Conversion of a Debt, Bretton Woods II, Current issues.

The article contains the comparison between the economic situation of European Union and Germany as state of the European community and the situation in business, based on the focus on export into the EU market and third markets in the world and China. In this case, China with his strategy in support the consume orientation from the internal market from the United States of America. The article will display the current situation and the EU and that the situation of Germany is similar to the current situation of China in supporting foreign countries to support the own export oriented business and society. In the section about the current situation it will be displayed, that the worth from the Chinese currency and their fixed exchange rate allows China to support the United States of America in a way to stabilize consumption in which also Germany can act based on the similar currency in the European Community and the fixed exchange rate in the community.

Out of this situation it can be discussed, if this system can be a reason for the fast recovery from Germany and China out of the financial crisis in comparison to the United States of America and part of Europe. It will describe shortly what are the reasons and the future perspective for the countries in the European Union, as also for the United States of America, facing the debts from Germany and China.

Overall this situation is one of the current issues in our society and as one of the outcome from the financial crisis 2007 – 2011 an important topic for global economy and the ongoing discussion about trade deficit in the European Union and the United States of America. The situation with the trade balance deficit and the support of banks and countries brings up again the discussion about a world currency or often called Bretton Woods II, which is also displayed and discusses at the end of this paper.



DEMAND ELASTICITY ANALYSIS APPLICATION FOR DEMAND FORECASTING

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Keywords: demand elasticity, empirical elasticity coefficient, theoretical elasticity coefficient, demand forecasting.

Today in most markets there is information asymmetry problem that indicates that a company should plan present and future action on the basis of reasoned decisions. For a company it is important to assume quality marketing decisions, what makes a permanent link between businesses and markets.

By analyzing demand elasticity, it is possible to obtain important information to create a different strategies and future plans in the market. One of the valuable ways to do this is by using the forecasting demand elasticities. In assessing the factors that affect the demand, may increase competitiveness and maximize profit. For example, can realize adequately settled pricing policy, which is oriented at the company target market; the assessment of the consumers will give those aspects whose determine their behavior in the market, etc. In the result, the promotion of the quality elevation and structural improvement is gained. Elasticity of demand is an important factor in forecasting demand and its changes in the future.

Projections in the development process is to reduce uncertainty in decision-making, to produce information for decision-making, to consider the potential consequences of implementing the decision. In performing demand forecasting, using the demand elasticity coefficients may get various forecasts, depending on the surrounding factor (empirical elasticity coefficient forecasts) and factors combine (theoretical elasticity coefficient forecasts). Elasticities are useful because they are unit free, i.e. their values are independent of the units in which the variables measured. In demand forecasting often uses regression models. Multifactor regression models analyses fruitful variable changes.

The aim of the research is to analyse and estimate demand elasticity coefficient usability for service enterprise demand forecasting. The following tasks are stated to achieve the defined aim: empirical and theoretical elasticity coefficient determination; demand forecasting with elasticity coefficients and gained results assessment. The research object was telecommunication enterprise net turnover and its forecasts for 2011 year. The research focuses on modelling and forecasting of telecommunication enterprise demand with two demand direct influencing factors – an average service price and a marketing/project costs.

In assessing the forecast results, the author concludes that, using the empirical elasticity coefficients, the forecast closer corresponds with the last known net sales value. On the other hand, using the theoretical elasticity coefficients, the forecasts are based on several factors, what is closer to the realities of the market in which on demand very rarely affects only one factor.



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

For the theoretical elasticity coefficient forecast models need to evaluate the quality of the statistical model that allows increasing the results objectivity and quality. The research results with the most accurate forecasts by months was gained with dynamic row improvement method – time series discounting semi-logarithmic curve method, and by quarter – with time series discounting weight ratio coefficient linear trend function calculation method.



ON STANDARDS FOR PROCESSES REGARDING FINANCE IN PROJECT AND PROGRAM MANAGEMENT

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Keywords: project finance, program management, project management.

Project management has well established standards like PMBOK® [1], where 42 processes are described and assigned to 9 knowledge areas and 5 process groups. Processes to manage programs are described in an additional PMI standard [2]. PMBOK does not include processes on project finance. A full knowledge area on finance is missing as discussed by Rao Aamir Khan [3]. The PMI standard on program management now includes processes on finance in programs [2].

Rao Aamir Khan introduced the following processes for project finance in his thesis [3]:

1. Identify Existing Finance Management Strategies
2. Identify Financial Needs
3. Develop Financial Schedule
4. Mitigate Financial Issues & Risks
5. Monitor and Control Cash Flows
6. Review Finance Management & Lesson Learned

These processes were designed according to PMBOK standards.

The last edition of the PMI standard for program management includes the following processes which are defined in a special knowledge area on finance:

1. Establish Program Financial Background
2. Develop Program Financial Plan
3. Estimate Program Costs
4. Budget Program Costs
5. Monitor and Control Program Financials

The approaches will be explained and compared. Proposals to fill the gap in project management and program management regarding financial issues within PMI standards will be presented.



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

Peter Reusch initiated this research, Rao Aamir Khan delivered the proposal for processes in project management, Kartin Löhr applies the results collected so far for a redesign of the course on project finance within the European Master in Project Management. Together we will continue our research in this field.

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INTELLECTUAL PROPERTY MANAGEMENT ISSUES AT THE ENTERPRISES OF LATVIA

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Keywords: non-resident, royalties, intellectual property, income tax, capital gain.

The role of stimulating and active use of intellectual skills of employees currently trends to increase radically at private enterprises of Latvia.

It may be explained by attempts made by the enterprises to survive in the conditions of economical crisis and the lingering depression: the Gross Domestic Product of the State has decreased by 18% in 2009 and by 0.4% in 2010. [1]

There is a number of problems hindering the implementation of intellectual potential of the employees. Such problems include establishing of effective continued training system; identification of efficient forms of remuneration; organization of reliable protection of the resulting intellectual product, and legislative shortcomings in the field of regulation of entrepreneurial activity. [2]

The last mentioned problem, in particular concerning the norms of taxation reforms during the most recent two years, not only prevent development of intellectual activity of human resources but also pose active obstacles to such process. Tax-related risks trend to represent the most urgent ones in Latvia, The income gained by proprietors of intellectual property from transfer of such property into the use or possession of another party may be subject to taxation in Latvia according to five different schemes. The involved tax burden may range from 0% and 15% to 60%. It depends on proper allocation of the remuneration to a certain group of income, such as income gained from sale of personal property; income from capital gain; income from professional creative activities; royalty, or wages.

The core of the problem is lack of criteria to be used by manager of the enterprise acquiring a subject of intellectual property to allocation of the remuneration payable to a natural entity to a certain category of income.

The authors of the Article propose to proceed with development of such criteria pursuant to the norms of the International tax legislation in the field of double taxation. Each of the five groups of income present in Latvia (from transfer of intellectual property of a natural person



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

into use or possession of another person) is identified in the Article on the basis of such criteria. It is proposed to introduce appropriate explanations into the regulatory acts of Latvia.

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ANALYSIS OF THE VARYING SIDE EFFECTS OF PUBLIC CORPORATE CULTURE IN TODAY'S TECHNICAL SERVICES ON THE EMPLOYEE TYPOLOGY

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Keywords: corporate culture, technical services, employee typology, leadership, management.

In times of the growing globalization and the change to knowledge based services professions together with a change of social values, companies and their employees have to face different demands than before. The pressure on employees rises, because they need higher qualifications, always needing to learn and adapt to the quickly changing structures. Corporate Culture is a very important instrument in this transformation process. It guide employees through but it can on the other hand evoke frustration. This permanent frustration can lead to occupational diseases as there are for example physiological symptoms as lung and skin diseases or even worse mental diseases as the well known burn-out syndrome. In technical based services firms, corporate culture is mainly focused on the zero tolerance solution of a technical problem, as this is the main mission of these services firms. Employees are humans and will not be able to function without any tolerance as they are supposed to. Negative side effects can be varying as mentioned before from lack of motivation to the beginning of a serious disease. In public technical services there are also positive side effects as the public sector is not focused on maximizing the profit, but to perform well within the borders of public necessity. Employees can be categorized in 4 different main types of employee profiles. This simple model of profiling people points out the different behavior schemes of people. So does every type of employee react in the same negative situation derived from corporate culture like his college, his supervisor or the whole team? Is there a relation between the reaction of the type of employee and the type of situation, in this case a negative side effect of the corporate culture? For example, if the management says, that the working days from now on end at 8 pm, does every employee starts to rebel against it, as the longer working times are a negative side effect, or is it at first the icebergs and problem child's. But on the other hand are these two the first, who are likely to get ill from this new directive or is it the stars and backbones that always get the short end of the stick. The practical benefit I want gain is to find out, what type of employee is more likely to be affected from the negative side effects by corporate culture and how this negative side effect is compensated by finding the right team composition. If teams are composed correctly, we can let our working day end at 8 pm without facing unmotivated fellows and in the worst case upcoming occupational diseases. To bring the formulated



problem statement to a success, I need to describe, what types of corporate culture in technical based services firms exist and focus on their positive and negative side effects.

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**CORPORATE FINANCE –
INTEREST RATE RISK MANAGEMENT WITH
STANDARD OVER-THE-COUNTER DERIVATIVES**

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Keywords: Interest Rate Risk, Forward Rates, Interest Rate Derivatives, Corporate Finance.

Purpose – Interest rate risk is one of the external risks every company is faced with. With a thematic priority on the management of the liability side, the paper aims to give an academically profound overview over plain vanilla over-the-counter derivatives which allow the pro-active management of this market risk.

Design/methodology/approach – The paper introduces possibilities of corporate finance in combination with derivative instruments. In doing so, it provides an overview which distinguishes between money market and capital market maturities on the one hand, and between premium free solutions and instruments subject to premium payment on the other hand.

Findings – The pro-active management of interest rate risk is appropriate to reduce the randomness of interest expenditures and delivers possibilities to increase the business success. In the light of these findings, corporate finance management could be well advised to actively manage interest rate risk by using interest rate risk derivatives.

Research limitations – Derivatives with more complicated payoffs, so-called exotic options, as well as derivatives dealt on stock exchanges are not covered by this paper.

Originality/value – Derivative interest rate risk management solutions are often described as risk enhancing speculative instruments. By giving a systematic and academically profound overview, the paper aims to provide a basic interest risk management compendium to academics, students and practitioners.

Hermann Maschl is head of funding in HYPO NOE Group, a bank owned 100% by the state of Lower Austria and primarily specialised in Public Finance. In addition, he holds lectures on a regular basis on interest rate and foreign exchange risk management, amongst others at the Johannes Kepler University Linz. Hermann earned his academic degree in Banking and Finance from the University of Applied Sciences BFI Vienna.



CONSCIOUSNESS AND LEADERSHIP

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Keywords: leadership, consciousness, conscious organizations, spirituality, consciousness leadership.

This paper provides an overview of current literature discussing consciousness development, and its implications on leadership. As defined by diverse researcher, Leadership is primarily structured in consciousness, which means the capacity of leaders to achieve superlative performance for themselves and for those they influence spontaneously and progressively unfolds with the development of consciousness. There is a huge untapped human growth potential in today's society; consequently it is possible to develop excellence in leadership and fellowship on a large scale [1].

The author discusses different well recognized frameworks of consciousness development, synthesizing key themes and characteristics of the development process. An additional major focus of the paper is the impact conscious leaders have on organizational structure and design, as well as the newly defined measures of success of consciously structured organizations. It is suggested that CEOs who have undertaken a path of transformative spirituality have an obligation to assist others in ascending the spiral. They can create a structure and an atmosphere within the organization that would encourage subordinates to have a desire for greater self-knowledge, personal psychological growth or spiritual development [2].

The main contribution of this paper is to integrate existing literature on new leadership philosophies and paradigms and thereby offer a more comprehensive picture about "conscious and spiritual leadership".

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IMPACT OF EUROPEAN STRUCTURAL FUNDS FINANCIAL CONTRIBUTION ON THE DEVELOPMENT OF THE SCIENTIFIC ACTIVITY IN LATVIA, ESTONIA AND LITHUANIA

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Keywords: EU Structural funds, output indicators, impact indicators, scientific activity.

The Baltic countries – Latvia, Estonia and Lithuania – are geographically small and the total number of inhabitants is less than seven million. Facing the challenges of global competition they emphasize the advantage of their main and the most competitive resources – highly educated society and well developed science based on the research, innovation and modern technologies. Development of the scientific activity within the national innovation system has been set as one of the priorities for future growth. The main obstacle that prohibits the development of scientific activities in the Baltic countries is restricted amount of funding for research and development (R&D). At the situation of the recent crisis, when the financing for R&D has decreased there is necessity to invest the European Union (EU) Structural funds financial contribution in the most efficient and effective way.

The aim of the article is to analyze impact of the EU Structural funds assistance on the development of the scientific activity in, Latvia, Estonia and Lithuania.

To meet the aim of the article following tasks are set:

- Compare the structure, fields of support, regional distribution, and delivery schemes of EU Structural funds in Latvia, Estonia and Lithuania;
- Analyze if there is significant impact of the use of EU Structural funds assistance in programming period 2004-2006 and 2007-2013 on the output indicators of the scientific activity in Latvia, Estonia and Lithuania;
- Study the correlation between EU Structural funds financial contribution and the impact indicators of the scientific activity in Latvia, Estonia and Lithuania;
- Elaborate suggestions for more efficient spending of EU structural funds in the programming period 2014-2020.

The analysis has shown that support of EU Structural funds has positive impact on number of applied research carried out. EU Structural funds assistance helps to develop fundamental research activities and innovative approach to the science that is one of the preconditions for the development of states' competitiveness. In conclusion, the author resumes that it is necessary to establish a strong link between higher education institutions, research institutes, and entrepreneurs in the process of building effectively working national innovation system.



ECONOMIC ANALYSES OF JOB SEARCH PROCESSES AND DECISION SUPPORT IN AUSTRIA

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Keywords: happiness, job satisfaction, job search, decision support.

Bruno Frey, Professor of Economics at the University of Zurich, and others are increasingly investigating “Happiness” in economics as a new field of interest in economics and business sciences. Revolutionary developments in economics are rare but happiness research, however, has the potential to change economics substantially. [1]

When asking “What makes us happy?” Layard summarizes seven factors for happiness: Family relations, financial situation, work, social environment, health, personal freedom and philosophy of life. [2]

For companies the happiness or satisfaction of employees is essential. According to Frey & Frey Marti employees who are happy with their lives in general in with their job in specific are less absent from work, work with more motivation and preciseness and are therewith more productive. As a consequence customers of such companies very probably will be happier as well and customer loyalty will be higher. If employees and customers are happy this will influence the performance of a company. Lots of management literature and work-psychology literature are available in the field of how to increase employee satisfaction and happiness in companies. [3] This is one of the main targets of human resource management in today’s companies.

Nonetheless happiness of individuals at work to some and maybe a major extent is a result of decisions taken by individuals prior their actual employee situation. These are decisions on which education to choose, decisions on which job to apply for and more.

Frey states that “... individuals tend to make systematic errors when choosing between alternatives. For example, they often mispredict the utility gained by future consumption. They overestimate the satisfaction they derive from having a higher income in the future, and they underestimate the utility gained from immaterial aspects of life, such as friendship and social relations. As a result of these errors in judgment, they find themselves less satisfied with life than they could be according to their own evaluation.” [4] It seems important that people improve their judgment and prediction of personal future utility of alternative jobs in order to be able to optimize decisions and to achieve the highest possible level of happiness and satisfaction in their future lives – and jobs. This seems relevant for individuals as well as for companies and economies.

This research paper focuses on the factor “work” and on individuals’ decisions regarding their jobs and prior educational search. Typically there are various decision phases in a person’s



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

career development: early educational decisions mainly taken by parents, decisions regarding higher education or apprenticeship, selection of majors, first job selection, decisions on retraining and so forth. In this paper the situation in Austria is analyzed and it is an approach to answer the research question of “How are decisions regarding job search and prior academic education selection being taken and supported in Austria today?”

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APPROACH TO AN UNIFYING FRAMEWORK FOR COMPANY LIFE CYCLE MODELS

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Keywords: life cycle approach; organizational development; organizational change, company crisis.

Experience teaches that any born firm will die – eventually. Individual lifespan and life course are ultimately uncertain. Nevertheless many scholars and practitioners have been researching to identify general patterns or stochastic processes and to conceptualize (normative) life cycle models. The underlying intention of this research is to explain and predict firm developments with sufficient probability. This could facilitate in particular company analysis, strategic planning, organizational change and renewal, restructuring and crisis management.

Life cycle models in general are restricted in scope (variables, lifespan stages, object/subject of reflection). If reality does not match the scope, a solid prediction or analysis based on the model hardly is possible – even if the model (in its limits) can be proofed by empirical evidence.

This paper presents an attempt to unify various life cycle approaches within one framework. On the one hand this could reduce restrictions for prognosis and analysis of firm development. On the other hand the general limitations for any of these life cycle models are detected. This conceptualization benefits substantially from psychology's dialectical lifespan development theory.



LIMITING ENVIRONMENTALLY HARMFUL ECONOMIC ACTIVITIES: THE ROLE OF ENVIRONMENTAL NGOS AND ACTIVIST GROUPS

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Keywords: environmental activism, NGOs, activist groups, protest, environmental governance

Environmental non-government organisations (NGOs) and local activist groups, as part of organised civil society, can play crucial role in preventing some economic activities from implementation if those are considered to be harmful for environment. These groups use various tools to communicate their negative attitude and attempt to mobilise public opinion in order to influence decisions of local or national governance institutions in their favour. However in the context of environmental governance those types of participatory activities (including protests) might be necessary and important to have the system of checks and balances in place.

The paper reviews tools used and types of activities that these groups undertake. Author distinguishes between forms of institutionalised public participation and environmental activism as a more confrontational and supplement institutionalised public participation opportunities. Paper also looks at how environmental NGOs and activist groups interact with other stakeholders and what participation methods these groups use. Author seeks to find out whether these activities indeed provide the system of checks and balances and contribute to environmental governance in a constructive way? Do protest activities have similarities and could they be taken as lessons learned and used to improve environmental governance?

Author uses desk research, case study and participatory research methods to analyse protest activities of environmental NGOs and activist groups. Author has chosen few thematic issues that have gained media attention and uses simple framework to analyse environmental activism in those cases. Author concludes that local activist groups tend to stay focused on one local issue; their contribution to environmental governance is indirect and cannot be viewed as systemic. Environmental NGOs in their activities however seek to ensure permanent improvements in environmental governance through better regulatory framework or public participation. However these case studies might not be fully representative therefore the results should be further tested in practice.



ROLE OF BUSINESS COMMUNICATION IN EFFECTIVE ENTREPRENEURSHIP MANAGEMENT

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Keywords: business communication, management, entrepreneurship, online communication, face-to-face communication.

Productive management communication has been studied in academic research as it is one of the key factors for effective entrepreneurship realisation. Research has confirmed that companies which realises effective communication cost – effectiveness has been raised by 47% in comparison with the companies which have weaker communication programme or do not have it. Recent development of technologies and communication tools has developed new approaches and more effective tools for business communication which has been examined also in academic research and scientific publications as well as mentioned by entrepreneurs. Often in research are examined obstacles bothering effective business communication: among them – persona; factors, differences in life perceptions, different communication skills, different experience and validity of information sources, demographic differences. There exist some differences in productive management communication related to historical traditions and values. Authors have made empirical research to examine influence and significance of mentioned above factors for entrepreneurs in Latvia with special attention to productive management communication: online and face – to face. Results of structured interviews will be used to develop more detailed questionnaire for deeper research. Research methods used: academic publications analysis, structured interviews of entrepreneurs. For data processing used methods: descriptive statistics – indicators of central tendency or location and indicators of variability.



NON-MARKET METHODS IN OPEN MARKET ECONOMY: SOUTH KOREAN EXPERIENCE

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Keywords: non-market methods, economy of South Korea, catching up development.

Within last decades South Korea achieved prominent results in economical and social development. Started from very low positions (GDP less than in Somalia and Afghanistan in the 1960s) it became a member of OECD in 1996 and the 14th world economy in 2010 [1]. Being a great example of catching up development (model of “flying geese” [2]) and a state of development, South Korea used various methods and ways to promote its economical and social growth. Its development had several stages with different accents at each stage. At first, it used the specialization in comparative advantages, like cheap labour, natural resources, agriculture and geographical situation. Then, during accelerated industrialization South Korea adopted some elements of planned economy and built a powerful diversified industrial sector based on big private industrial and export conglomerations (chaebols) which became real locomotives of industrialization and further growth. In 1990s the government took a course to wide support of micro, small and medium enterprises (MSMEs) and innovative development having created geographical agglomerations of knowledge and industry.

During all stages South Korea always managed to combine open market economy with non-market methods, such as:

- direct administration of markets;
- direct and indirect agriculture protectionism;
- financial preferences to chaebols and, later, MSMEs, including customs tariffs, tax incentives, state credits, support of exporters;
- development of new labour ethics;
- using of labour law for support of industry;
- increase of human capital based reforms of higher education, and;
- very important (and often underappreciated) information components of industrialization and modernization, including creative use of historical background, articulated state ideology, clear verbalization of aims and targets.

In times of globalization and open markets innovations become the key ingredient for economical and social growth. According to ideas of J.Schumpeter [3], the main target of innovations is to get the oligopolistic rent over the market profit. Such rent is shared between entrepreneurs, banks, workers and the state. Therefore, as “a stakeholder” of innovative development the government of South Korea does its best to support all kinds of innovations in the country and to protect innovative companies using non-market methods too.



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

The aim of the research is to study and summarize South Korean experience in use of non-market methods for development of a modern knowledge-based economy. The main tasks were to define the most important non-market methods and their impact to Korean economy.

Studying, adoption and implementation of the best world practice may help Latvia and its regions to catch up developed economies faster avoiding extra expenses and losses inherent to the pioneers.

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DIGITALIZATION OF SERVICES IN THE PUBLIC SECTOR – TACKLING THE DIGITAL DIVIDE

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Keywords: digital, public, internet, employment.

The digitalization of society has already impact all parts of daily life – in private, the business world and also the Public Sector. Even if a majority of the Austrian population already participates in a digital network society – and the number of Internet users is still increasing – nearly a third of the population has no individual access to the Internet. [1] As the Austrian Public Employment Service – the Arbeitsmarktservice Österreich (hereinafter AMS) has to fulfill a public mandate on the one hand and has the goal to establish itself as a modern service provider on the other hand, one of the most challenging purposes in the forthcoming years will become to tackle the Digital Divide within its group of clients.

It is obvious that the digitalization of the society and the related advance of the Internet in the last decade have a huge impact on most of the people and their daily life all over the world. While one part of the world's population unequivocally benefits from the so-called "World Wide Web" there is also no doubt that Millions of people worldwide, both in developing countries and the Industrial countries have no access to the Internet at all. There are a lot of reasons why people are barred from the digital world but what can be observed is the fact that underprivileged sections of society are particularly affected. As the digitalization in business often goes along with modernity and service orientation one must not forget the group of people who can-not be reached because of their missing access to the Internet. This fact becomes even more important for companies of the public sector which want to become always more service orientated on the one hand but in the first place have to fulfill a public mandate. One of the greatest challenges for companies of the public sector is to counteract the risk of the digital divide which may intensify existing structures of inequality within the society. The AMS in the person of Dr. Erwin Buchinger, former Austrian Minister of Social Affairs, has recognized the hazards that can be caused by the digital divide and has set itself the target to find ways to minimize the digital divide regarding the services provided via Internet. The paper shall help exploring which strata of the population and clients of the AMS are especially vulnerable by the digital divide why they are affected and to which extent. Furthermore possible solutions shall be pointed out and analyzed.

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Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

ELECTRONIC DOCUMENTS AND E-SIGNATURES SOLUTIONS IN LATVIA

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Keywords: electronic documents, e-signatures, Electronic Document Management Systems.

Nowadays, when information technologies are developing rapidly, people have to catch up and stay up to date with all the latest innovations and developments in the area.

Modern information technologies provide powerful yet easy-to-use solutions that can be utilized by any businessman to maximize the efficiency of their business. Electronic documents are one of those solutions – they allow speeding up and optimizing of document processing, minimizing the risks of document loss, providing several other benefits at the same time: increased competitiveness, optimized business processes and significantly lower operating cost, which is very important in business world.

At this moment, many Latvian companies are utilizing electronic documents or Electronic Document Management Systems (EDMS). Although, there was some confusion regarding electronic signatures: there was no information on electronic signatures, their purpose and benefits; there was no single standard for electronic signatures available at the time, thus forcing business to create their own signature or use EDMS to create one. However, the situation in Latvia is rapidly improving: this year, one single standard for electronic signatures was introduced to all Latvian citizens – the author thinks that this will influence the popularity of electronic documents among the natural persons.

In this article, author aims to analyse Latvia's new electronic signature system and to compare it with the solutions, that available in the European Union. The author is also going to analyze on the electronic documents and electronic signatures from business' point of view, demonstrating the importance and significance of those systems in business world. Author will also demonstrate the possible application of electronic documents and electronic signature in real world, reviewing them from a user's point of view, assessing all of the advantages and disadvantages.

It is worth noting that the author has done a thorough research on this subject using all the information that is available at this moment.



**HOUSEHOLD SOLVENCY ASSESSMENT
METHODOLOGY AND ITS' IMPLEMENTATION
QUALITY IN LATVIAN BANKS**

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Keywords: lending methodology, banking, economic crisis, household crediting.

Economic crisis has emerged a significant difference between quality of Latvian commercial banks' credit portfolio, which ranges from minimal deterioration to loss of major credit portfolio quality. As a possible reason for this effect author puts forward influence of specificity of crediting methodology used by Latvian banks. To verify this hypothesis the purpose of paper is to make up systematization of Latvian banks' household crediting methodology. For achieving this purpose one used such research method as bank internal documentation analysis. In the result of current research the specific characteristics of Latvian banks' used methodologies that could cause difference in credit portfolio quality were identified.



PROJECT INITIATION PROCESS – KEY CONSTITUENT OF THE CONSTRUCTION PROJECT MANAGEMENT MODEL

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Keywords: project initialization process, project management model.

The initialization process is one of the most essential constituents of the construction project management model because it incorporates such key conditions as preliminary project analysis, enabling development of the project's basic concepts on its basis. As a result of the research, alternatives are evaluated and decisions are taken with respect to further action; data analysis in turn provides ground for the basic concepts, which serve as a basis for the detailed concept development, where the project process planning takes into account certain time and resource limitations.

The purpose of the article is to analyze, based on the basic principles of project management, already implemented construction projects, deficiencies in their initialization process causing incorrect project plan (bid) development, which in turn affects the further project implementation process, not only in terms of time and financial resources, but also regarding achievement of certain quality indicators.

Unfortunately, information of inefficiently administered financial resources in construction and infrastructure development projects surfaces ever more often. The international project management practice has developed and uses an entire complex of methods that helps justify the usefulness of the financial resources spent on a project and prevent inefficient administration of financial resources.

Research revealed that initialization process of the existing construction projects and the project bids developed are incomplete, as are the project management principles applied in their planning, as a result, the economic yield of a supported project is not always justified, there are problems in the implementation phase, which in turn requires extra costs to successfully realize the project.

At the end of the research, the authors of this article provide suggestions that could ensure and improve construction project initialization phase at the local and national level.



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

ISSUES ON LEADERSHIP

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Leadership is a core issue in any organization – starting from families and tribes and going up to companies, company groups, public organizations, ministries and armies. Many organizations lose a lot of power because leaders fail to motivate, to stimulate and to set direction in an appropriate way. There are many reasons why leaders fail – here will focus on

1. use and misuse of instruments to lead;
2. leadership and mobbing;
3. leadership and organizational complexity.

Use and misuse of instruments to lead

In many organizations we find a cluster of instruments introduced to support leadership, often starting with a mission statement, going on with the definition and the management of objectives, going further with many kinds of meetings and discussions among employers or superiors and employees. In many organizations employers have to assess their leaders and have to fill feedback forms that are analyzed in a more or less sophisticated way.

The focus of these instruments is often fuzzy. Are discussions on the achievement of objectives focused on personal development and problem solving or on a raise of salary? Human resource managers often try to separate instruments to check options for a raise of salary from those that should only deal with human resource development and problem solving. But even, if instruments were introduced with a clear focus and a clear separation of financial issues from others, will leaders and employees keep it in mind – over years? Will the employee understand what instrument will be applied in the next case? And will senior heads of departments really recognize the border of the instruments? Who finally will remember the borders years after the instruments had been introduced? And senior managers are very busy – and often there is not enough time for separate meetings and discussions with individual employees – those related to a raise of salary and those focused on human resource development and problem solving. But then, if financial issues can be on the agenda each time, contributions on human resource development and problem solving will suffer. The instruments are misused – and will fail finally.

In public management there is an additional problem regarding these instruments. Here the options to raise salaries and the options for extra pay are strongly limited. There is another culture on instruments used to support leadership than in enterprises. In enterprises a cluster of such instruments is often well developed and applied year by year. And the impact of the results is much stronger than in public administration. Assessment of leaders for example is well established in enterprises and is a key for the carrier of the leaders. In public administration



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

assessment of leaders is totally underdeveloped – often applied only for selected departments – and often stopped after some “tests”.

The author is involved in a post-graduate study programme for public administration since about 15 years. And year by year an assessment of the instruments supporting leadership in public organization is included in a course on human resource management. The results confirmed in hundreds of cases are:

In public administration in Germany, in most organizations

- there is not a well-developed and well balanced cluster of instruments on human resource management and leadership;
- often instruments had been introduced years ago – but are no longer used – indeed are unknown today especially for younger staff – even mission statements got lost as well as guidelines for management by objectives;
- recent concepts on achievement and result-oriented compensation are combined with former concepts on human resource development and leadership. That’s poison for the instruments focused on leadership.

The situation in public management in Germany is a disaster in many organizations.

Leadership and mobbing

Leaders often suffer from

- a lack of real qualification in leadership. Often experts in engineering, computer science, etc. become leaders and they do not know that much about human resource management and leadership, but they may try their best
- bad experiences as leaders in the past – trials failed, some even lost their job in leading positions and are very anxious to make mistakes
- enormous overestimation of their power and possibilities – they forget that it is the power of others they have to develop and integrate
- the impotence to accept any critique. They need employees that pay homage to the chief but will not question his/her decisions – such leader often need psychiatric support.

The author will never forget a case in the administration of a well-known town in Germany where he was asked to help to discuss the assessment of a leader who had no significant communication with his employees since two years. He was not able to accept critical remarks – and stopped communication for years. The result is a disaster – but not untypical especially in public administration. And it is not a unique case.

Even worse than such a gap in communication is harassment. According to data collect by the Arbeitsagentur in Germany 1.5 million employees suffer from bullying and harassment at work in Germany day by day. Harassed employees fall ill in many cases. Medical treatment and early retirement of harassed employees cost 20 billion Euros in Germany year by year.

Harassment at work is a problem in most organizations. Harassment at work may start with an unfriendly discussion and may lead to isolation and withdrawal of work. Harassment can become a criminal act.



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

The following table shows typical actions of harassment at work.

Table 1

Actions of harassment at work and the percentage of cases such actions are mentioned in cases of harassment at work

Rumors / untruth	61.8%
Wrong assessment of work results	57.2%
Continuous teasing	55.9%
Information hiding	51.9%
Massif and unfair critique of work	48.1%
Isolation / segregation / exclusion	39.7%
Declare as impotent	38.1%
Defamation	36.0%
Hindrance to work	25.5%
Withdrawal of work	18.1%

Source: Arbeitsagentur Germany

Organizations should implement detectors for such kind of actions – an early warning system should be implemented to stop harassment as early as possible.

Leadership and Organizational Complexity

It's fine, when leadership can be based upon a clear and well incorporated mission statement and on well-defined objectives discussed and confirmed with employees. Then many employees can work autonomously – self-governed. Leadership is much harder when there are many interdependent tasks and autonomous work is only possible within a few days or a week for example. In complex projects we often have such a situation. There are proposals for a special kind of management and leadership in such cases, for example the SCRUM method. But finally really good concepts for leadership in high organizational complexity have to be further developed.

This speech is based upon experiences in leadership in many kinds of organizations since more than 30 years – experience as an employee, experience as an employer who hired and fired employees in a company, experience as a dean elected four times and running a faculty for 10 years in total, experiences as a leader in the second level suffering from other leaders, experiences collected over many years in courses, seminars and workshops.



NEW STANDARDS FOR PROJECT AUDIT AND PROJECT AND PROGRAM MANAGEMENT

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Keywords: project audit, program management, project management.

Introduction

Project audit provides an overview over risks and opportunities in projects. There is a core focus on the management processes in projects that are standardized for example in PMBOK® [1], where 42 processes are described and assigned to 9 knowledge areas and 5 process groups. Processes to manage programs are described in an additional PMI standard [2].

Institutes and associations like DIIR [3], IIA [4], and ISACA [5] dealing with internal audits recently started initiatives to develop standards for project audit since auditors need standards to do their job – and they simply want guidelines as in other fields of their activities like for audits dealing with accounting or finance.

From their point of view: “To date, the auditing of projects has not been described in a uniform manner, either in practice or in theory. To a certain extent, the project management audit, which is possibly the most important component of project audits, is still largely new territory because up to now there has not been a definitive approach to combining project management and audit.” [6]

The development of standards for project audits meets problems like:

- The standards of project management like those published in PMBOK® [1] and applied in many projects worldwide are not fixed.
- Project audit must go beyond basic project management. Project audit must include programs and portfolios to check if projects meet strategic requirements and are based on a well developed business case. But standards like PMBOK® [1] do not include programs and portfolios and links to standards for program management like [2] have to be improved.
- In the matrix of processes in PMBOK® [1] on page 43 sorted according to knowledge areas and process groups there are many gaps where processes for the integration of organizational strategies or for a serious lessons learned concept for example are missing.
- In PMBOK® [1] important knowledge areas are missing like finance and social responsibility as discussed by Rao Aamir Khan [7]. A project audit without contributions on project finance and social responsibility is not satisfactory.

So project auditors must go beyond the boundaries of existing project management standards. And they can also contribute to further development of project management standards.



The New Standard of Project Audit at DIIR

At DIIR (Deutsches Institut für Interne Revision e.V. (German Institute for Internal Auditing)) there is a working group [8] dealing with the development of new standards for project audit. DIIR Audit Standard No. 4 [9] has been established. A first guideline for this standard has been published in 2010[10]. The working group is now dealing with additional guidelines. The author is member of this working group.

Impact on Existing Standards for Project Management

Compared to the project management standard described in PMBOK[®] project audit needs additional knowledge areas and process groups. In PMBOK[®] and in DIIR Audit Standard No. 4 knowledge areas on project finance and social responsibility are missing. The development of project management standards must fill the gaps as soon as possible.

Auditors also have their own concepts and perspectives on risk management and quality management for example. Such areas should be developed in a way that the requirements of project management and project audits are recognized.

Very important for a common development of risk management are concepts of dependency analysis. The author will show how concepts like Design Structure Matrix [11] [12], Domain Mapping Matrix or Dependency Analysis based upon Conceptual Graphs can contribute [13].

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Current Issues in Management of Business and Society Development – 2011

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NEW ISSUES ON COMPETENCES IN PROJECT MANAGEMENT

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Keywords: competences, competence management, project management.

Introduction

Competence management is of growing importance – in projects and organizations.

In project management competence baselines have been developed and are used to train and assess project team members as project assistant, as project manager, as program manager, etc. The *International Competence Baseline* of the International Project Management Association is one of the most important contributions here [1].

In such approaches the concepts of competences and especially the concepts of competence levels are very narrow. The size and the complexity of projects a person worked on are checked in a very limited way. An approach recently developed by the Australian Institute of Project Management [2] goes a bit deeper. The Competency Development Framework of PMI [3] is another recent approach not widely used so far – as more concepts that will be discussed.

It is very important for the future competence management in projects to improve the links to competence management in human resource management. Ganesh Shermon's book on *Competency based HRM* [4] shows a direction also for a competency based project management.

In the future the competences of project team members are qualifications that will be checked within the European Qualification Framework [5]. The European Qualification Framework is a pillar for the open labor market in the European Union. And any kind of qualification in project management should be checked against this framework. The paper will show how to manage that.

The research results presented here are based upon the concepts and the recent redesign of the European Master in Project Management [6] implemented in Dortmund, Bilbao and Trondheim – a study programme also linked to the Project Management Master at the University of Latvia. These new issues on competences in project management were also discussed in workshops organized by the authors at PMI Chapter Cologne [7].



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

Structure of the contribution

- Introduction – perspectives of competences in human resource management and project management
- Competences in human resource management – competence based HRM
- New competence baselines in project management – the AIMP approach
- The Competency Development Framework of PMI and further approaches
- Competences within the European Qualification Framework
- The future of competence management in project management – perspectives and conclusions

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PROJECT THESAURUS 2020

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Keywords: thesauri, creativity, projects.

Thesauri are dictionaries with preferred terms in a hierarchy and several relations used to link synonyms and related terms. Thesauri are used to learn languages, to support creativity, and for many more reasons. Thesauri are available all over the world. Peter Mark Roget's "Thesaurus of English words and phrases" (1852) [1] has a new edition every year since more than 150 years – it's a book like the bible.

But today there is a crisis on Thesauri.

Regarding Roget's Thesaurus, even the publishers have some problems to decide what they want. There are editions of Roget's Thesaurus with the hierarchy of preferred terms and others without this hierarchy – and in this case the document is just a dictionary with words in an alphabetical order – not appropriate for concept learning and not appropriate to support creativity.

Roget's Thesaurus was adopted for other languages, for example, German, Spanish and French. In France, "Le dictionnaire idéologique" (1858) of Théodore Robertson is the first application of the thesaurus in French [2].

In 1992 the publisher Larousse decided to create a new French Thésaurus: The Thésaurus Larousse [3]. The Thésaurus Larousse is inspired by Roget's Thesaurus, but is much weaker. Today even a new paper edition of The Thésaurus Larousse is not possible. At Larousse they try to integrate the thesaurus into some application on an ipad. But without a new understanding of core concepts of a thesaurus that makes no sense.

The paper will show how to develop a thesaurus that meets the requirements – and how to develop the Thesaurus 2020 – for the years to come. The paper will review discussions with the editors at Larousse, and with linguists all over Europe.

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IMPLEMENTATION OF BUSINESS PROCESS REENGINEERING IN BUSINESS ORGANISATIONS

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Keywords: re-engineering, process, business process, management.

Purpose – The purpose of this paper is targeted, systemic understanding of the need to introduce reengineering of business processes at the most modern factories depending on the requirements of the environment, since it is business processes which are, ultimately, subjects of innovation [1].

Design/methodology/approach – Object-oriented approach that allows us to describe the essence of the process and its behavior, and provides transparent, easily modifiable business models that allow recycling of individual components

Findings – The Reengineering process provides maximum improvement, but, is also time-consuming and the most expensive of all approaches to improve business productivity. Reengineering often includes organisational restructuring, and can be quite damaging to the organisation. [2]. However, under this approach, elements are used consistently and as a result, the desired effect is achieved [3]. This approach can be applied both to individual processes, and to an entire organisation [4]. Transitions have a deeper psychological impact when compared with changes in the workplace, which are usually discrete, having orderly, incremental, and continuous steps. [5].

Research limitations/implications – Tasks that must be solved in the course of reengineering are characterised by a high degree of difficulty and great responsibility. Reengineering of business processes has a strategic purpose to achieve watershed improvements in the indicators that will lead to high efficiency of enterprises, focusing on customer needs [6].

Practical implications – This paper outlines a range of possible measures for implementation reengineering of business processes that will enhance the consistency of procedures, techniques and support tools for management.

Originality/value – Improving the competitiveness of a business unit by creating a comprehensive framework for organisational design.



POSSIBILITIES FOR MARKETING COMMUNICATIONS WITHIN INTERNET BANK

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Keywords: internet banking, marketing communications, marketing research.

Purpose of the research is to identify and evaluate possibilities for marketing communications within internet bank. Marketing has a crucial role in any modern company. Bank marketing as well as banking industry in general has been influenced by rapid development and spread of information and communication technologies. The most obvious example within the banking industry is the internet bank. Internet bank is a bank's product that provides remote access for a bank's customers to banking services and a possibility to communicate with a bank. The internet bank provides consumers with a timeless possibility to access product information as desired at any time. From a bank's perspective, the internet bank is also environment for bank marketing. Usually to explain marketing there is used marketing mix, i.e., product, place, price and promotion (4P). In the context of internet bank all mentioned marketing components are intangible and appropriate for internet bank environment. Promotion or marketing communications is an equally important component of marketing but sometimes most expensive. Internet bank from technological perspective has huge potential for marketing communication but there is lack of knowledge regarding customers' readiness for marketing communications within internet banking. Research results identified that there are great possibilities for marketing communications within internet bank. Banks should use all possibilities provided by internet bank to conduct marketing communication activities, especially if customers are open for marketing communications activities within the internet bank. Research results will facilitate understanding among marketing scholars regarding importance of internet bank in bank marketing management and also will help marketing professionals make right decision regarding employment of innovative technologies in banking and bank marketing. Research methods used by the authors were literature review, survey methods, descriptive statistics, and factor analysis.



GLOBALISATION AND ITS IMPACT ON BANKING SECTOR: THE CASE OF THE BALTIC STATES

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Keywords: globalisation, banks, cross-border banking, and financial markets.

Developing economies' financial linkages with the global economy have risen significantly in recent decades. As a result, the geographical domain of financial intermediation has widened and has become increasingly global. The globalisation of banking sector has brought as benefits as costs to the economy. For a long time, the benefits have appeared to outweigh the costs, but the recent global financial crisis has put this issue in a new light. The most powerful argument in favour of capital mobility, voiced among others by Stanley Fischer, Maurice Obstfeld, Kenneth Rogoff, and Larry Summers, while Paul Krugman, Dani Rodrik and Jagdish Bhagwati are rather sceptical about globalisation benefits in developing countries. The question is how we can maintain the benefits of financial globalisation at the same time as we are avoiding from the crises such as the last one.

The **object** of this paper is globalisation in banking sector.

The **purpose** of this research is to analyse the benefits and some of the challenges that banking sector face under the impact of globalisation in the Baltic States.

To achieve the purpose the following **tasks** were conducted:

1. identifying the benefits and the challenges of cross-border banking impact on banking sector development in the Baltic States;
2. analysing the dynamics of cross-border deposits, loans and international debt securities during last four years in the Baltic States;
3. analysing the reaction of cross-border money flows to the last crisis in the Baltic countries;
4. on the basis of the authors' findings to put forward offers, which will help the Baltic banking market to benefit from the globalisation.

During development of the paper the generally accepted qualitative and quantitative **methods of economic research** were used.



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SUSTAINABLE TOURISM AND ECONOMIC DEVELOPMENT

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Keywords: tourism, sustainable, systemic, complex, economic development.

We develop in this article a systemic approach in order to show how tourism can successfully integrate principles of sustainable development in a sector which, a priori, it is not a key issue. Systems analysis has the advantage of providing a theoretical framework to analyze the tourism sector as a complex social system. It helps us to understand specific issues of sustainable tourism and imagine long-term solutions. This analysis also shows that sustainable tourism initiative is a part of a virtuous circle, as a result of learning and feedback loops and can contribute to economic development of a region.



**THE ANALYSIS OF ASSET AND LOAN PORTFOLIOS
OF LATVIAN COMMERCIAL BANKS UNDER
THE CIRCUMSTANCES OF THE CRISIS OF 2008
AND AFTER THE CRISIS**

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Keywords: commercial bank assets, loan portfolios, quality, analysis.

The true situation of commercial banks on financial markets, their stability, ability to survive in crisis conditions, service their liabilities in case of liquidation as well as to fulfil their functions after possible restructuring can be described by the volume of commercial banks assets as well as their quality. The quality of assets in turn is to a large extent determined by the quality of their loan portfolio. The *aim* of the article is to show the influence of the economic crisis of 2008 on the quality and volume of loan and asset portfolios for Latvian commercial banks and to make conclusions about the impact of these changes on the stability of commercial banks. The author analyzes the dynamic of assets and loans of Latvian commercial banks, evaluates the quality and profitability of loan portfolio by applying the method of coefficients. This paper covers the period from 2004 until 2010, which also includes the crisis period of 2008-2009 and allows to determine the changes and tendencies in Latvian commercial banking industry. The author compares the changes that have occurred in assets of Latvian commercial banks and their quality with the changes in 1995 and 1998 and determines the differences between these processes and their results.



INNOVATION MANAGEMENT IN RURAL TOURISM DEVELOPMENT

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Keywords: Innovation management, tourism development, rural development, Leader method.

Tourism development is one of the biggest drivers of growth and employment in rural areas. However, tourism has turned from a seller's market into a buyer's market. In highly competitive markets innovation is seen as an important source of competitive advantage. Small and medium sized enterprises and tourism destinations as a whole are confronted with several innovation barriers [1]. A destination offers a comprehensive range of products and services along the value chain (e.g. accommodation, food and drink, public transport, entertainment, etc.), which is provided by several independent players. Tourists visiting those places perceive the tourism product as a whole [2]. Thus, a destination forms a unit in incoming tourism and should be managed like a strategic business unit. The competitiveness of destinations is highly dependent on single service providers and their willingness and competency to collaborate and manage the development in a coordinate manner. Innovation requires a multi-organisational and cooperative approach. Innovation in tourism development is also more the result of smaller incremental steps than of radical inventions. The management of innovation in such an environment has to be process-based and network-oriented. Rural development programmes in the 27 EU member states provide financial incentives and methodological guidance to stimulate innovation and cooperation in tourism development. Within those programmes the Leader method has become the most prominent approach in integrated rural development [3]. According to this method private and public actors establish local partnerships, the so called Local Action Groups (LAG), and set up local development strategies. These strategies should be implemented by innovative and cross-sectoral projects. For the programme period 2007 to 2013 more than 2,200 LAGs have been established in the 27 member states. In Latvia 40 Local Action Groups cover the entire Latvian territory that complies with eligibility conditions under Leader. As in most European member states also in Latvia several LAGs show a clear strategic focus in tourism development. However, the European Court of Auditors has stated in his special report *Implementation of the Leader Approach for Rural Development* that only a few LAGs all over Europe could demonstrate innovation or interaction between different sectors in their strategies and projects [4]. The paper suggests a conceptual model that helps to structure and manage the innovation process in tourism development. It aims to contribute to a more strategic implementation of the Leader method and a better allocation of public funds.



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

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INTERNATIONAL ACCOUNTING STANDARDS IN THE E.U. AND THE U.S.A. DIFFERENCES AND SIMILARITIES

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Keywords: accounting standards, IFRS, IASB, US GAAP.

IFRS in the EU

By the end of the 1990's it was clear that harmonisation lead by the IASC was steaming ahead but that harmonisation by means of EU Directives was being left behind. In 2000, the EU commission launched a new approach by proposing that, by 2005, it should be compulsory for all listed companies in the EU to use IFRS for consolidated statements, thereby outlawing European domestic rules and US rules for this purpose. This initiative was also part of a desire to strengthen the EU capital markets by establishing a standardized accounting system. Of course, US GAAP was available for this purpose but regarded as too detailed, too rule based and too immune from European influence to be politically acceptable.

The move to IFRS was facilitated by the growing acceptance of international standards by large European companies and therefore by governments. For example, from 1994 onwards, a number of large German companies started to use international or US rules for their consolidated financial statements in order to raise finance more cheaply. The position was formalized in Germany by a law of 1998 that allowed listed companies to do this without needing to comply with normal German accounting requirements.

The EU Commission published a draft regulation in 2001, which was approved by the European parliament and by the Council of Ministers in 2002. It requires EU listed companies to use international standards from 2005 for their consolidated financial statements. Member states were allowed to extend the deadline to 2007 for those companies that had already been using another acceptable set of standards, (e.g. US GAAP), or whose only listed securities were Bonds.

The legal and political opinion in Brussels is that new and revised standards cannot be endorsed in advance for EU use. Therefore, the regulation set up an Accounting Regulatory Committee, ARC, to help the commission to consider whether changes to IFRS can be endorsed in the EU. ARC contains governmental representatives from all EU member states. This is a way of achieving EU influence over the IASB, but it brought into existence a form of EU endorsed IFRS that is slightly different from IFRS as issued by the IASB.

IFRS / US differences. Principles and rules

The collapse of Enron and its audit firm, Andersen, in 2001-02 was one of the factors that led to a reconsideration of how to set accounting standards in the EU. In 2002, the Financial Accounting Standards Board published a consultative document seeking views on whether it should move more towards principles rather than rules.



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

In the case of Enron, one of the main accounting issues was that many controlled entities, (special purpose vehicles), with large liabilities were not consolidated. The US rule on the definition of a subsidiary is based on the ownership of more than half the voting shares rather than on the IASB's principle of 'power to govern the financial and operating policies' as in IAS 27. Furthermore, unlike in IAS 1, there is no requirement or even permission in the US to depart from the rules of standards on the grounds that the result is misleading; that is, there can be no override of rules by the principle of fair presentation. This was confirmed by the FASB IN 2008 with a standard, SFAS 162, on the hierarchy of principles. However, it seems unlikely that the FASB will be able to move substantially towards the IASB's style because it would require the rewriting of all the US literature and the retraining of US accountants and auditors.

Options. Another aspect of the greater detail of US GAAP is that it contains fewer explicit options than IFRS does. There used to be more IFRS options before many were removed in 2003.

Asset Measurement. A further high level difference between IFRS and US GAAP is the greater permission or requirement in IFRS to use fair value rather than historical cost.

Reconciliations between IFRS and US GAAP. The accounting differences between IFRS and US GAAP can be illustrated using published reconciliations. Those from IFRS and US GAAP were required by the SEC from foreign registrants until 2007. So, the sources of this data are the annual reports of companies using IFRS for their consolidated financial reporting that are also listed on a US exchange.

Which is Better. Study and research papers have proved that adoption of IFRS could improve the usefulness of accounting compared to some national systems. However, is IFRS better than US GAAP? One way of trying to decide is to the structuring of transactions. On the other hand, IFRS still perhaps has too much flexibility.

US convergence with and adoption of IFRS

Competition might allow alternative solutions to be tested and refined. It might also guard against dictatorial regulatory behaviour and against inefficient bureaucracies. However, coordination might reduce inefficiency caused by companies having to operate under the different rules of different jurisdictions, and might guard against a competition by jurisdictions to attract companies by having the most lax rules.

In this context, it is interesting to note that the US GAAP AND IFRS are both amongst the worlds toughest set of rules, in terms of coverage of topics, elimination of choices, and required disclosures. Clearly however, US GAAP is the toughest of the two. Despite this, as noted earlier, many foreign companies had listed on the US exchanges although they had to comply with US GAAP.

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A CHANGING PARADIGM IN MARKETING

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Keywords: postmodern, marketing, communication, paradigm.

Marketing has entered a post-modern era of fragmentation with a new emphasis on the creation of meaning through consumption. More than ever, reality is socially constructed with individuals having multiple identities, both virtual and real, spanning different activities, with distance being no object. Marketing is no longer an economic exchange but a way of defining products and services using values. Consumers control marketing communications, leaving marketers with little, if any, control over a marketing process that now goes beyond the traditional 4 Ps framework. Co-ordination and control of the marketing mix is an area contested by marketers and consumers with content being increasingly found within the consumer domain where it is reshaped into something other than the marketer's message.

The marketing environment has changed, requiring marketers to reconsider their approach to products and services, and how they are portrayed to consumers. Consumers increasingly filter marketing messages, ignoring hype and exaggeration, to home in on the essential features and benefits offered. Flexibility on the part of the marketer is essential. Balancing the increasing need for personalization with integrated marketing communications, channel consistency and accurate reflection of corporate mission and values provides a new and complex challenge for those looking to encourage product purchase.

As consumer markets become increasingly fragmented with multiple cross-overs, so marketers need to use database marketing and information technologies to customize products for the individual and take advantage of opportunities when they present themselves. The article "A changing paradigm in marketing" brings together the elements of a new marketing paradigm that requires marketers to see consumers as partners who change products' meanings and values to suit their own contexts and needs. Brands provide a means for the development of relationship marketing as a mainstream activity, tying consumers in through brand loyalty. They have come to represent a way for consumers to be part of specific social groups. Values are identified and created before purchase and developed and changed after purchase, as consumers change identities and seek to define themselves in different ways and discover new experiences beyond the material. Distinct consumer groups may need the same message, but they cannot be easily identified as they do not conform to demographic or geographic categorization, and are smaller than would ordinarily be considered viable for a target group. Consumers' choices reflect their perceptions of their identity, bringing hyper-reality into the mix and providing further challenge for marketers, who must identify why their product is chosen over others, in terms of values and purchase motivations. Marketing must move away from mass customization towards interactive ambiguity, where consumers control the brands and make them into what they want, leaving marketers a continually moving feast reflecting a new game with the players having changed sides. Where once the consumer was seen to dance to the tune of the marketer, the marketer now dances to the consumer beat.



THE DIFFERENT CHARACTER OF SME: A RESEARCH OUTLINE

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Keywords: small and medium enterprises, strategy, organization, business model.

Management and business-related research usually takes an “all size fits it all” approach to the firm [1], disregarding its size. The main abstract idea is to develop tools and insights that are equally applicable to all sorts of enterprises. This paper claims that there is a non-reductionist or specific difference in the character of Small and Medium Enterprises (SME) that imposes a serious challenge to this approach. Between SME and bigger corporations is a type-style difference, not a token-style one, as usual models assume [2]. Therefore, this paper argues for a different approach to management and business research that focuses on the specific character of SME beginning by business models and business strategy going through organization, corporate behaviour, marketing and finance [3]. This paper has epistemic interests and after reviewing relevant literature it advances in outlining the fields of future research.

Literature

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**THE INFLUENCE OF ORGANIZATIONAL CULTURE ON THE
RISK MANAGEMENT PROCESSES IN ORGANIZATIONS:
CURRENT ISSUES AND MODEL DEVELOPMENT**

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Keywords: organizational culture, risk management, organizational development.

As an essential part of management, implementation of risk management increases the level of security in uncertain and complex business environment. In this context, it is important that such risk management systems are accepted by all members of organization. The underlying research contributes to the role of the organizational culture in the process of risk management. The study based on data from secondary analysis aims to investigate the link between organizational culture and risk management implementation. As a result a theoretical model will be developed that describes the factors which are significant for such “correlation”. For this purpose, the results of recent studies in the area of organizational development will be concerned and summarized.



RISK CULTURE IN FINANCIAL ORGANIZATIONS

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Keywords: risk culture, risk culture artifacts, resource-based risk culture approach, financial organization.

“Risk culture – beside People – is THE most crucial factor for successful risk management generally and in OpRisk management in particular.” [1] 50% of the companies of the Economist Intelligence Unit study believe that a strong risk culture including risk-awareness throughout the organization is the most important factor for the success of risk management in their organizations. [2] In the financial sector the regulatory requirements imposed by KONTRAG (Control and transparency law) and BASLE II result in tightened measures to manage risks.

Research regarding risk culture is a relatively new subject of applied science. Researchers such as BUNGARTZ [3] or FÜHRING [4] apply SCHEIN’S findings of organizational culture for their theoretical models regarding risk culture. In contrast, MARS has analyzed risk culture from a psychological perspective. [5] Whereas DOERIG’S research about risk culture is based on his own experiences in his function as Vice Chairman of the CREDIT SUISSE GROUP and experiences of the military. An empirical research is applied by ERMER, COSMIDES and TOOBY. Their research is based on the dominance theory and evaluates risk culture from a psychological point of view. [6] BOZEMAN’S and KINGSLEY’S research focuses on a multivariate measure of “risk culture”. [7] One of the most detailed current scientific concept is the approach of FÜHRING who applies the resource-based theory.

As mentioned above the research regarding risk culture is diverse. The aim of the paper is to give a detailed overview and classify the current state of research regarding risk culture. In addition, the concept FÜHRING will be analyzed via a qualitative content analysis of the annual statements of 30 top financial institutions in Germany. The paper reviews the hypothesis of FÜHRING – “An adequate risk culture is applied, if the company uses a resource-based approach” – via the risk culture artifacts according to the approach of BUNGARTZ.

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May 5 - 7, 2011, Riga, University of Latvia

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THE INVESTMENT IN HUMAN CAPITAL IN PUBLIC ADMINISTRATION IN LATVIA

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Keywords: investment, human capital, public administration.

Public Administration is an intellectual organization, which main resource is the personnel or human capital, which knowledge, skills, abilities and attitudes, as well as motivation and loyalty, are crucial for effective government action.

The *purpose* of publication is to the human capital investment's evaluation of the efficacy in the public sector Latvian and the organizations's role in the development of human capital ,on this basis development of recommendations.

In publication used methods: literature, current research findings and regulatory document analysis, statistical analysis, comparing method.

In publication is used the human capital theory from different aspects: the economy (Thurow, Becker, Schultz, Rifkin, Mincer), the pedagogy (Bourdieu, Coelho), as well as human resource management theories (Hachman, Lloyd, politicians), and motivational theories (Maslow, McClelland, Herzberg, Porter-Lawler.).

Results:

- Explores development opportunities of employees in public sector from all aspects – the national investment policy in human capital, structural funds support, personnel management, human motivation;
- To determined the organization role in Human capital development;
- Is made human capital's development efficiency recommendations;
- Is made research about employees learning in the workplace;
- Are definite factors that affect on human development;
- Are made detailed recommendations for effective investment in human capital in the public administration.



CREATIVITY AND INNOVATION – A CATALYST FOR RECOVERY OF REGIONS IN LATVIA

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Keywords: creativity, innovation, regional development, economic downturn, EU Cohesion Policy.

We live in richly diverse European Union where creative and innovative ideas are supported in different ways. Against the background of economic downturn and challenges the creative solutions can be a launching pad to the growth combining skills, ideas and processes. European innovation policy has evolved over the time; in 1970s it focused on R&D, in 80s it turned a focus on knowledge transfer. In the last decades it was recognised that innovation is not a linear process (research – development – exploitation), but is a product of a more complex, multifaceted system involving a network and cooperation of players, among others, universities, researchers, public authorities and businesses.

The regional level is highly relevant for actions when it comes to putting innovation and creativity in place for economic development – the regions and cities are the main regional development drivers. The EU Cohesion Policy supports innovation through the co – financing provided by Structural Funds and innovation is understood to be the overarching means to attaining sustainable growth and encouraging clusters of different activities. Generally it is acknowledged that government and public authorities should not react to economic crisis by cutting back on investments in skills and innovation; however in practice the confidence regarding investments in innovative practices is not high. The debate raises questions – what creativity and innovation mean in public governance and better cooperation, and how they contribute to the personal, social and economic development. How can we help people to attain their potential and what is a role of all education sectors in making population and systems more dynamic? The author examines some central issues that best represent how creativity and innovation can inspire change and develop innovative capacity and better cooperation among central government, stakeholders and players in regions.



**STATISTICAL ANALYSIS OF SURVEY RESULTS ON
POSSIBILITIES OF INVOLVEMENT IN LABOR MARKET AND
ENTREPRENEURSHIP LONG TERM UNEMPLOYED IN LATVIA**

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Keywords: active labor market policy measures, entrepreneurship, municipalities.

Latvia as well as several other European countries is facing high unemployment rates in recent years. In March 2011 unemployment exceeded 14.4% in Latvia. Therefore necessity to increase employment is of importance. One of the tools used to promote employment is active labor market policy. One of the active labor market policy measures used in Latvia for promoting employment is the program “Workplaces with stipend program in municipalities”, in frames of it persons receive LVL 100 (approximately EUR 150) scholarship for 40 hours weekly work. Despite the comparatively small amount of money provided in frames of the program, there are more persons willing to participate in it than the places are available. The aim of the research is to evaluate: are persons involved in the stipend program ready for permanent job or start their entrepreneurial activities. For analysis are used results of survey of 3064 households in Latvia, survey of municipality representatives and expert surveys conducted in November, 2010 – March, 2011. The main conclusions are that active labor market program with stipend in municipalities in Latvia was successfully organized in and has encouraged most of the participants of program to seek permanent job. It is concluded that support provided in frames of the program, is optimal, taking into account the current economic situation in Latvia. At the same time several problems may be considered concerning the program with stipend.



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

EU COHESION POLICY: MEASURING THE IMPACT ON ENVIRONMENTAL INFRASTRUCTURE

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Keywords: Cohesion fund, EU policies, public infrastructure, impact evaluation.

Justification for public financial interventions is not and cannot be a shortage of funds: many industries and public initiatives are in a very difficult situation with the availability of financial resources. When proposing additional activities (requesting additional public financing) for any sector, development objectives, potential impact of policy implementation and the targets within achievable impact indicators has to be identified. The issue of efficiency is crucial in the area of public spending, e.g. public infrastructure development projects.

Being set as an investment priority under the Cohesion policy the sector of transport infrastructures as well as sector of environmental infrastructure (as part of public infrastructure) frequently faces the issue of efficiency since there is not a single reliable concept of measuring possible impact of interventions in place. The issue of measuring the impact comprises itself in other possible components: impact of what, on what and for whom or in other words if policymakers must decide whether to expand, contract or maintain a program, or simply want to improve it, they need more than accountability information, they need to learn what works and what doesn't, and why. Thus, evaluating the impact of (cohesion) policy does involve a variety of cognitive tasks, with varying degrees of complexity (*Martini, 2009*).

Since the raising awareness on environmental topics and the fact that most of the Member States as one of the funding priorities mark environmental issues as part of sustainable development strategy, one of the specific issues considered is the impact of the Cohesion policy on environment protection efforts.

The research method is comparative and logical analysis of the theoretical concepts, methods and conclusions, published in scientific literature including policy analysis.



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

MEDIATION AND BUSINESS ETHICS: MODEL DEVELOPMENT AND IMPLICATIONS

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Keywords: business ethics, conflict management, mediation, communication.

In the last years the emphasis on ethical considerations in business has been increased. It is clear that whenever people interact, due to different interests, needs, goals and motivations, conflicts will arise. One of the effective tools of conflict management is mediation. During the last couple of years this concept gains more and more attention in business environment, especially in the light of recent worldwide crisis due to the fact that unsolved conflicts as well as traditional ways of dealing with conflicts are very expensive. The underlying research investigates business ethical considerations and values in conflict management. Based on this analysis and on the concept of integrative mediation the model of values as basis for sustainable conflict resolution in business will be developed. Especial focus is lying on the communication and its notion in business conflicts.



THE IMPACT OF THE HOST COUNTRY CORRUPTION ON INWARD FDI

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Keywords: corruption, foreign direct investment, growth.

Globalization creates investment opportunities for enterprises worldwide. Foreign direct investment (FDI) is one of the traditional options to expand into international markets. According to Dunning's OLI paradigm FDI location is driven by the search for markets, resources, efficiency, and strategic assets. Corruption can be considered as significant factor of the attractiveness of a location and can affect also other OLI conditions.

Corruption increases uncertainty and may act as a "tax" on FDI. Extra costs in the form of bribes in order to get licenses or government permits to conduct investment raise the total costs of investment and consequently decrease the expected profitability.

Most of the theoretical literature as well as case study and microeconomic evidence support the notion that corruption negatively impacts inward FDI flows and growth. However the macroeconomic evidence is not so unambiguous. Some macro studies do not detect any significant negative relationship between corruption and FDI. One of the possible reasons for the mismatch between micro and macro evidence can be the difficulties in measuring corruption in a cross-country setting.

Investment activity in Europe and other regions has been severely affected by the recent global economic crisis. And now its recovery is seriously threatened by the growing corruption risks.

The aim of the paper is to analyze the relationship mechanism between corruption and FDI and to evaluate the impact of the host country corruption on inward FDI flows.

The results of the empiric analysis presented in the paper provide evidence of the significant negative impact of host country corruption on inward FDI. The analysis is based on panel dataset that includes data for 178 economies during the period of 2004 to 2009. The Transparency International Corruption Perceptions Index is used as a proxy for host country corruption level.



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

MANAGEMENT OF RECEIVABLES IN CZECH FIRMS

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Keywords: receivables, management of receivables, debt collection, solvency, collecting agencies.

Management of receivables belongs to the important parts of the financial management of the companies, especially nowadays when the world economy faces financial crisis. The importance of receivables paid on due term is increasing. Many companies and their further development and even their existence depend on payment of receivables. Although the issue of management of receivables has been elaborated in theory and widely published, there is only little knowledge of the way how small and medium-sized enterprises manage receivables, which system, methods and forms they use for management and collection of receivables, how they secure their receivables and who they co-operate with. Department of Business Economy at the University of Finance and Administration, Prague has focused on this issue within the research project no. 7725 Management of Receivables. The issue has been solved within the frame of internal grant agency.

The research has been carried out among the Czech companies with the aim to find out whether the companies pay attention to the area of management of receivables and to what extent, which methods for management of receivables they use, what the results are and which methods of debt collection bring good results. Main weaknesses detected in the first phase of the research have been found in selection and in identification of solvency of business partners before conclusion of business contracts, in insufficient or none security of receivables (advance payments, bills, insurance, credit limits etc.), in insufficient co-operation with collecting agencies, or in declining of legal proceeding at debt collection. Partial results of this research are presented in this article.



**WORLD MODELS OF TRADE UNIONISM MOVEMENT:
A COMPARISON OF TRADE UNIONS IN THE EU
AND LABOR CONGRESS IN CANADA**

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Keywords: trade unions and Labour Congress, legislation, social partnership, EU-Canada cooperation.

This paper intends to give an outline of the World examples of trade unions models based on the comparison of trade unionism movement's concepts in Europe and Canada. The framework of the study is the European Union (EU) concept of trade unions involvement in social dialogue and social partnership as a precondition for effective employment policy implementation by the EU Member States. The authors will discuss major trends in activities of trade unions in the EU and Canadian Labour Congress (CLC). The CLC is the umbrella organization for affiliated Canadian and international unions, as well as provincial federations of labor and regional labor councils [3]. Similarities and differences of EU and Canadian trade unions models will be analysed [4].

The role of trade unions in decision-making process related to cooperation agreements of the Government of Canada and the EU will be illustrated with particular attention to the Comprehensive Economic and Trade Agreement (CETA) [1, 2]. On the basis of the main findings, the paper provides conclusions. The methodology of the research is based on theoretical and empirical research studies of European and Canadian scholars, legal acts and regulation of employment relations in the EU and Canada, studies by experts of Canadian Labour Congress [3] and European Trade Union Institute and Eurostat data.

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Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

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E. HEALTH SERVICES IN LITHUANIA

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Keywords: Health care, e. health, information, services, internet access.

At the end of the last century, one of the most fast growing technologies was related to information collection, storage and spread. Internet influenced the expansion and applicability of these technologies the most. While economists declare that the information society in Lithuania and in the world has been established by the end of the last century, application of the information technologies in some areas, such as health care, has started not so long ago.

A. Juodaitė-Račkauskienė writes that internet-based health care is much less developed than traditional health care system, the development of which took place in the last few centuries. The growth of internet based health care has been criticised a great deal, primarily because the public fear of change, health care workers' resistance, and patients' concerns related to data privacy and security. Despite this it could be difficult to imagine a modern health care without modern information and communication technologies [1].

The aim of the research was to evaluate the use of information technologies in the Lithuanian health care system and assess the e-health service needs.

Methods: a systematic study of scientific literature, general and logical analysis, statistical data processing, comparison and conclusion.

E-health system or simply e-health could be defined as the use of information technologies in the health care services. According to the scientific research the e-health is much less developed than traditional health care system, that is why the objective of this research was to assess the use of information technologies in the Lithuanian health care market and to evaluate the needs of e-health service. It has been determined that only 38% of the hospitals and 12% of the outpatient health care institutions operating in Lithuania have the internet sites. Only a limited number of health care facilities allow their patients the possibility to register for the doctor's consultation via the internet.

Research shows that 86% of those surveyed use the Internet, which would be a key base for the e-Health development and implementation. Health care consumers indicated that the larger number of e-health services will improve health care access and quality. The best practise for the e Health website is classifying it into four sections: information on the health care institution, information relating to the services provided the facility, information on the medical staff working in the office, and other information. Only 13% of the respondents have been aware of the electronic medication prescriptions, and, only 10% of the respondents have heard about the electronic medical records. All of this leads to the conclusion that health care consumers in Lithuania are not receiving sufficient information about the e-health.

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EVALUATION OF LATVIAN TOURISM DEVELOPMENT AGENCY (LTDA) MARKETING ACTIVITIES FROM THE PERSPECTIVE OF LATVIAN TOURISM ENTREPRENEURS

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Keywords: destination marketing, marketing performance, stakeholders, destination marketing/management organisation (DMO).

The paradigm shift in tourism marketing both at the scientific and practical level ever increasingly lead to discussions on the necessity for new marketing performance assessment indicators. Gretzel et al. (2006) mentioned the application of new methodology for assessment of marketing activities as one of the main changes in destination marketing organisation (DMO) [1].

According to Pike (2003) destination marketing evaluation can be divided into two directions: market performance and organisation performance evaluation. The evaluation of effectiveness and efficiency of promotional activities at destinations has been widely researched in tourism but in comparison very little research has been carried out on methods of evaluating the marketing operations of DMO with respect to modern day understanding of DMO functions [2]. As indicated by Presenza et.al. (2005) DMO has two basic functions: external destination marketing and internal destination development, which cannot be achieved without the involvement of destination stakeholders. Taking into account the role of numerous stakeholders in tourism, the evaluation of marketing performance of organisations will not be comprehensive without the monitoring of the opinions of the main stakeholders [3].

The author carried out a research at the end of 2010 and beginning of 2011 to ascertain the evaluation of strategic and operative marketing activities of Latvian Tourism Development Agency (LTDA) expressed by the Latvian inbound tourism agencies and hotel marketing managers. The research reflects the evaluation of LTDA's activities by entrepreneurs and their opinion of the important activities to be evaluated in destination marketing has also been ascertained. The research also determined the entrepreneurs' views on LTDA's marketing performance in the main target markets.

The research results indicate that the overall evaluation of entrepreneurs regarding LTDA's marketing performance is relatively low. Several strategic and operative marketing activities also received a relatively low evaluation from both hotel as well as inbound tourism agencies representatives. Most of the entrepreneurs point out that there is no clear understanding of the vision of development of Latvia as a tourism destination and the main development goals which is shown by LTDA's weak internal communication with its main



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

stakeholder – tourism entrepreneurs. The research results show that LTDA has failed to successfully realise its stakeholder coordination function and consequently successfully fulfil its destination management role.

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INFLUENCE OF THE INCREASE IN STRONG ALCOHOL EXCISE TAX ON THE STATE REVENUES IN LATVIA

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Keywords: alcohol market, excise tax, production, state revenues.

With aim to increase state revenues in the economics recession period, government of Latvia decided to increase excise tax for alcohol. Within 2009 the excise tax for strong alcohol were increased twice: 01.02.2009 – from 630 to 825 LVL per 100l absolute alcohol (a/a) and 01.07.2009 from 825 to 890 LVL per 100l a/a. Total increase in the 5 month period – 42%.

890 LVL per 100 a/a is 3.56 LVL ($890 \cdot 0.4 / 100$) per 1l 40% alcohol volume bottle, that's approx. 50% of the 1l volume bottle vodka price in shop. That led to increase in illegal alcohol share because difference between legal and illegal alcohol prices increased significantly. According to official statistics sales volumes of the strong legal alcohol in 2009 and 2010 decreased by 37% (vs. 2008) and 20% (vs. 2009) accordingly. Total decrease in strong alcohol sales volumes from 2008 to 2010 constituted 49%.

Decrease in legal alcohol sales had a negative impact on the legal producers of the alcoholic beverages and state revenues from VAT, income tax and especially excise tax. In compliance with official statistics state revenues from excise tax, despite the 42% increase in excise tax rate, is estimated to decrease from 91.0 mln. LVL in 2008 to 73.4 mln. LVL in 2010.

The paper aims to analyse the results from increase in excise tax and provide suggestions for the state authorities for more effective tax management policy providing increase in excise tax revenues from alcohol.



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

The study utilizes data taken from official statistics of Latvia such as state revenues from excise tax and alcohol sales by product groups with aim to define the impact of increase in excise tax on each group and main reasons. Statistical methods are used to identify the relationships between excise tax and state revenues to find the best excise tax proportion for Latvia.

The analysis reveals a strong relationship between excise tax rate and state revenues. The study suggests methods of balancing excise tax rates within different alcohol groups that would help to increase state revenues and chances of legal alcohol producers in fight against the illegal ones.

The results can be used to improve excise tax system and effectiveness in Latvia.



SOCIAL NETWORKS FOR BUSINESS: TOOL FOR ENTERPRISE COMPETITIVENESS INCREASE

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Keywords: internet, social networks, social networks' development, e-environment, e-marketing.

Today's information and telecommunications technology makes it possible to communicate data and other information exchange and regardless of location, distance and time space. The most popular e-tool used for communication is social networking. Social networks have experienced an evolutionary process – in the beginning was like-minded grouping, news exchange by mean of e-mail. Later on developed social networks, that became a tool for e-business. Social networks can be effectively used in different e-business and e-marketing activities, such as sales, advertising, PR, human resources, customer segmentation etc.

Objective of the paper: to describe and evaluate social networks' phenomena, to describe the reason and justification of its occurrence from marketing theory point of view, to describe the place and importance of social portals in e-marketing and main problems that social network creators and users face. What contains knowledge about the social portals and what kind of opportunities this resource offers; who are the clients and how to increase their quantity? What are the business benefits of using this kind of portals in the market? The author analyzes the impact of social portals on various activities of enterprises – changes in marketing, sales, business planning under the influence of social portals, risks that are associated with social portal usage. Prospects for the development of relations between businesses and their customers in the context of social portals. Research methodology: The author employs well-established quantitative and qualitative methods of research: grouping, analysis, statistic method, etc.

The theoretical and methodological background of the research is formed by, scientific researches and publications, publications from mass media and professional literature; statistical information from legal institutions as well as information collected by the author during the survey.

Findings. Research result shows that social networks may be classified based on various factors. Depending on company's aims and specifics different social networks can be used for maintaining different processes.



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

Originality/value. In this paper the author presented their findings based on theoretical, scientific and field research. Authors have conducted research on e-environment utilization among Latvian enterprises.

Conclusions: electronic social networks are the major tool for entrepreneurs in the electronic environment. Wise usage of the opportunities that the entrepreneur can extract from operations in social networks, may significantly improve the competitiveness of the company – sales channel and market scope expansion, sales increase, new product development, testing and bringing to the market or improving the existing product portfolio, target audience analysis and segmentation, various marketing activities maintenance, e-commerce development, etc.

At present time in Latvia, even considering that Internet in Latvian entrepreneurship is widely used during long time, active e-marketing employment and social networking in e-environment is at inception point. This observation is especially characteristic to Latvian micro and small enterprises.



THE RESEARCH OF MANAGERS MOTIVES FOR CAREER DEVELOPMENT: A CASE OF LITHUANIA

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Keywords: career, managers, requirements for managers.

The authors of the article analyses the importance of managers motives for career development. For solve this scientific and practical problem were formed goals: to analyze what motivates managers to seek for a career and for what kind of reasons they abandon career ambitions, to single out reasons that prevent from career seeking, to find out how many managers are not satisfied with the position they held and what are the reasons for such dissatisfaction. There were papers analyses done about requirements for managers and gave comparison of traditional and modern performance of a manager. The second part of article describes managers' career planning. There were describe career planning tools, career objective: is the reason why a person wants to do a particular work, hold respective position. Changes in career objectives are influenced by age, personal qualities of individual, changes in character, qualification growth. For carrying out the research, the questionnaire was prepared with the list of questions. It was found that top level managers use to show their superiority in different companies: private and public as well. It should be emphasized that elder managers more clearly understand their professional career possibilities. There are no big differences for motives to be a manager if we compare results by gender.

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Scientific interests: staff management, leadership, leadership traits and skills, leadership development, entrepreneurship development, service management and marketing.



Current Issues in Management of Business and Society Development – 2011

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CURRENT DEVELOPMENT ISSUES IN UNIVERSITY GOVERNANCE

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Keywords: university governance, external and institutional governance, current development issues, university goals.

Public Higher Education Institutions (HEI), including universities, in almost all Europe and also in Latvia have become autonomous institutions with self-governance rights in the state public administration system. Along with this relatively new status, the university management issues have become more complicated and diverse. Universities have undergone significant structural changes accompanied by declining public funding and increased demands for accountability [1]. The university administrators are aware that new management forms and processes are necessary in order to reach university goals which are highly influenced by global competitiveness, science based economy and internationalization. As universities become increasingly interested in improving governance to achieve strategic outcomes, the relationship between good governance and good knowledge becomes central [2]. University governance as a special case of corporate governance has increasingly attracted scholarly attention over the last decade [3].

The paper is a part of author's theoretical and empirical research implemented in 2009 and 2010 in Latvia and Finland. University administrations from both countries are basis of the empirical research. The **research aim** is to explore and analyse current university governance issues – new tendencies in university development. **Research object** – public universities. **Research subject** – external and institutional governance processes as a factor influencing university development. The **research question** – do public universities have possibilities and necessity to implement new innovative external (higher education system level) and institutional level governance processes in order to ensure university effectiveness.

The author has used empirical research qualitative methods – expert interviews, case study and comparative analysis. Theoretical concepts from university governance publications in public management, public administration, tertiary education management from European and other countries are used. The European University Association (EUA) research concepts have been used as a methodological basis. The research incorporates issues of higher education reforms [4] and new tendencies in university governance which are currently topical not only in Latvia but also in other countries [5].

The **author comes up with the following conclusion** at the end of the research: improvements and innovative approach in university external and institutional governance processes are necessary in order to implement university goals and objectives in current global



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

and competitive society. Special university administration attention has to be paid to such external governance processes as increase of autonomy, legal issues, introduction of external stakeholders into the university decision-making body and resources' concentration and maximal return. Strategic planning, introduction of internal quality and auditing systems, improved personal politics, funding diversification and management leadership are those institutional level governance processes which have to be enforced under the new university governance conditions.

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**THE COOPERATION BETWEEN DEFENCE AND PRIVATE
SECTOR WITHIN THE FRAMEWORK OF DEFENCE
PROCUREMENT (CONTRACTING)**

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Keywords: defense economics, procurement, contracting, cooperation, military logistics.

The aim of the paper is to define potential trends of the cooperation between defence and private sector in the field of defence procurement (contracting). Although the concept of buyer – supplier partnership and cooperation in the field of public procurement was launched in the early 90-ies, there is still the lack of flexibility in the classical system of public procurement, which is based on the bureaucratic principles and perception. The author's research is based on the theoretical sources and some examples of the cooperation between defence and private sector. This cooperation covers all military levels of operation (strategic, operational and tactical) and forms flexible integrated system of partnership that can be used as addition to the standard military logistics. At the strategic level cooperation between private and defence sector develops in areas of research and development (R&D), offset transactions, and planning of different non-R&D projects (infrastructure, military logistics, equipment, consulting etc.) which realization can be delegated to the lower level. In its turn, the cooperation at the operational and tactical levels is more or less connected with the deployment of military units and their participation in multinational operations worldwide.

During his research author has found out that despite of great centralization of the defense procurement in previous years, modern procurement system can be described as a hybrid of centralization and the small degree of decentralization at operational and tactical levels.



COST OPTIMISATION OPPORTUNITIES IN AN ECONOMIC CRISIS

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Keywords: salary, optimisation, taxes, types of contracts.

In the last few years, optimisation of costs in business companies has become more important than ever before. One of the cost items is salary and the related taxes. The role of employees in the results of the commercial activity has increased significantly because it is people who generate new ideas, introduce innovation and constantly invent new, unprecedented, and preciously unimaginable items and services. It is therefore said for a reason that people are the most essential asset of a company, and it is therefore important to seek opportunities for keeping it.

The aim of the Study is to investigate the regulatory aspects of the labour market in Latvia and use the results of the analysis to make recommendations for optimisation of salary costs in business companies.

The authors investigate the concept of salary and its essence, types of labour relationship, and the regulatory aspects thereof in taxation. Factors influencing the level of salaries and its regulatory aspects on the national level are investigated. The authors use comparative data analysis to obtain evidence that, in terms of costs, the employment contract is the most disadvantageous formal type of labour relationship.

The result of the Study is developed recommendations for optimisation of costs in business companies.

The teleological and conventional methods of economic analysis have been used in the Study.

The methodological basis of the Study is the legislative acts and other regulatory documents of the Republic of Latvia as well as publications on the research topic by Latvian and foreign scientists.



AN EMPIRICAL STUDY OF THE IMPACT OF INTELLECTUAL CAPITAL EFFICIENCY ON BUSINESS PERFORMANCE ON LATVIAN BANKS

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Keywords: Intellectual capital, Value Added Intellectual Coefficient (VAICTM), knowledge management, financial performance indicators.

Standard financial performance indicators, for example Return on Assets (ROA), Return on Equity (ROE), etc, have been used in the enterprise strategic planning process over the years. At the same time one of the widely discussed pitfalls in the management process is weak evaluation of the Intellectual capital (IC) system of the enterprise.

Since the beginning of the 20th century there were plenty of models and methodologies created to evaluate the Intellectual Capital (IC) and its components. Moreover, since the beginning of the 21st century appeared the idea on testing the interaction of the Standard financial indicators and Intellectual capital indicators and Intellectual capital performance indicators. *The purpose of this paper is to choose the IC evaluation model that is based on the analysis of the monetary value of the companies, to make the study on the Latvian banks and compare the findings of the Impact of Intellectual capital efficiency on the financial indicators in the current period revealed in other internationally published articles and the results of the study on the banks in Latvia for the period 2004 to 2009.*

The author has chosen the value added intellectual coefficient (VAICTM) by Public and Calculated intangible Value (CIV) for the analysis and tests the impact of VAIC and its components on the financial performance indicators. Making the summary of the findings on VAIC and its influence on the standard financial ratios and CIV presented in other international studies author makes the comparative analysis on Latvian and internationally published data.

The paper contributes to this ongoing discussion by providing additional experience of using the Intellectual capital measures obtained using VAIC model and its' impact on standard financial indicators in business practice. In particular it reveals the relationship of VAIC and its components to CIV, ROA, ROE, ROS, revenue growth, employee productivity, bank risk, barriers to entry and other ratios in Latvian banking sector. The findings may serve as a useful tool for the management of the banks or other strategic planning system. This is the first paper that examines the relationship of VAIC and firm's profitability for Latvian financial institutions. This is one of the first papers according to the author's knowledge that provides the summary on the findings of other researches on the impact of VAIC on the financial performance in the structured way.

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Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

PSYCHOLOGICAL REACTANCE IN THE AFTER-SALES-PHASE OF HOTELS BOOKINGS

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Keywords: psychological reactance, cognitive dissonance, after sales communication, up-selling, hotel.

Hotels are characterized by the fact that there is normally a time lag between the booking date and the arrival date respectively the real consumption of the ordered hotel product. Nowadays it is a standard procedure in the international hotel business to send confirmation letters with the stay information right after the completion of the booking process. But more and more companies have started to take the chance to communicate with their guests before the arrival also for marketing purposes to send up- and cross-selling messages. The question is, do hotels harm themselves by such messages due to some kind of psychological reactance from the receivers?



THE LEADERSHIP AND ORGANISATIONAL CULTURE: EMPIRICAL EVIDENCE FROM THE HUNGARIAN SME SECTOR

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Keywords: leadership, organisational culture, Hungarian SME.

We do often read the statement in the organisational culture literature, that leadership and organisational culture coherences “the other side from the same coin” [3]. There exist several discussions from managers about the implementation of organisational culture. A comprehensive study, based on quantitative methods, in order to prove the correlation between leadership style and organisational culture will be conducted. Furthermore, the underlying research will discuss the acceptance of leadership styles by the organisational culture in Hungarian SME sector.

Thus, the paper presents the state of the analysis in the Hungarian SME sector, gives an overview about the empirical quantitative research methods of leadership, of the organisational culture and the connection between these two. After the argumentation concerning this correlation, the accepted and unaccepted leadership attributes in the Hungarian SME sector will be summed up.

The “value” of the current study consists in empirical investigation of the correlation between leadership and organisational culture based on “specialities” of Hungarian SME sector.

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RISK MANAGEMENT IN PROJECTS: THE MONTE CARLO APPROACH

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Keywords: project management, risk management, Monte Carlo simulation.

Risk management should be an integral part within every project (cf. [1], [2]) and consists normally of the following steps: (1) risk management planning, (2) risk identification, (3) qualitative risk analysis, (4) quantitative risk analysis, (5) risk response planning, and (6) risk monitoring and control. Especially in the steps (3) and (4) some analytical/statistical methods need to be used because you have to work with uncertainties and therefore with densities and distributions.

In the last 50 years a lot of analytical methods like PERT and GERT were introduced in this subject (cf. [3]).

In my contribution to the conference, I want to show how to substitute all these approaches by Monte Carlo simulation. Especially the advantages of the Monte Carlo simulation should be elaborated: First of all, you get better results with less necessary analytical tools! On the other hand, Monte Carlo simulation is more intuitive with less necessary knowledge of mathematics and/or statistics and therefore receives more acceptance from practitioners. All these aspects are mostly shown with concrete examples/cases that are solved with a quite familiar tool: Excel (cf. [4], [5]).

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Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

PROJECT MANAGEMENT MATURITY MODELS AND RISK MANAGEMENT DOCUMENTATION MATURITY

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Keywords: project management, maturity model, risk, risk management, project documentation.

Risk management constitutes an important part of project management. General risk management activities include identifying, analyzing, and planning a response to potential events within the project. Respectively all risk management activities are documented.

Project management maturity models (for example, Organizational Project Management Maturity Model (OPM3) from the Project Management Institute, or Portfolio, Programme & Project Management Maturity Model (P3M3)) from the Office of Government Commerce, UK provide a path for organizations to assess themselves against the criteria defined for the current project management maturity level and for improvement plans.

Consequently, it can be assumed that the criteria defined for project management maturity evaluation are also useful for risk management documentation evaluation and development. In the paper the author attempts to substantiate the above mentioned assumption.



EVALUATION OF FACTORS INFLUENCING THE COMPETITIVENESS OF SEMICONDUCTOR INDUSTRY DUE TO THE CONTEXT OF THE DIFFERENT ECONOMIC SYSTEMS

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Keywords: business sophistication, innovation.

During the USSR times semiconductor industry was taking care of the mass manufacturing of main-stream semiconductor elements, ICs and computer chips. While the most sophisticated chips were manufactured in Zelenograd (in suburban Moscow), Latvian enterprise „Alfa” were mostly oriented on consumer electronics. Some most sophisticated projects were carried out in „Alfa”, too.

Today only some small R&D-based companies are in the microelectronics field in Latvia, employing only some designers with lengthy qualification and experience in solving complex design problems. The company's markets at present are the former CIS and the Baltic States.

What about the competitive performance in the foreign marketplace for Latvian microelectronics companies?

Competitive performance in the marketplace for real-world signal processing components depends upon several factors, including design and quality of products, product performance, features and functionality, and product pricing, availability and capacity, with the relative importance of these factors varying among products, markets and customers.

The competitiveness is defined as the set of institutions, policies, and factors that determine the level of productivity of a country and all of it's industries.

I would like to analyze main factors of economic competitiveness influencing the competitiveness of semiconductor industry due to the context of the different economic systems in Latvia:

- **Factors Driven:** Institutions, Infrastructure, Macroeconomic environment, Health and primary education.
- **Efficiency Enhancer:** Higher education and training, Goods market efficiency, Labor market efficiency, Financial market development, Technological readiness, Market size.
- **Innovation and Sophistication Factors:** Business sophistication, Innovation.

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SUPPLY CHAIN MANAGEMENT AND THE IMPACT ON THE COMPETITIVENESS OF FIRMS

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Keywords: Supply Chain Management (SCM), competitiveness, customer satisfaction, structural equation modeling.

Introduction/Motivation – There are many theories and empirical studies on competitive advantage. However, the empirical studies, using mathematical models, tend to be limited in scope and do not include supply chain parameters [1]. While there has been much research on activities that can provide competitive advantage, there is little knowledge on the process of selection and impact of supply chain management on the competitive position and business performance of organizations. Firms need to understand how supply chain management can help them achieve competitive advantage. As there is no single definition what supply chain management (SCM) is, we use the most common sense of existing definitions – SCM is a collaborative, customer and results-oriented management philosophy and its implementation [2], [3], [4], [5]. This paper shall be a critical reflection of how supply chain management can influence competitiveness of organizations based on a conceptual framework developed by literature study as a basis for further empirical research.

Objective - The research objective is to understand how supply chain management with its 3 core tasks based on – first Configuration and allocation, second coordination and integration, third adaption and development can improve competitiveness [6]. How the impact of non-system theoretical topics influences the impact of SCM and what constructs can be used to evaluate as well this influence on SCM-performance [7]? A theoretical framework, based on literature study, will be developed to evaluate how SCM influences a firm's competitiveness and performance and show how supply chain management can help a firm to be more competitive. The conceptual framework will help to identify critical success factors of SCM including behavioural and organizational aspects and evaluate which factors impact the competitiveness of a company most.

Design/Methodology/Approach - The research design is based on literature study to develop a conceptual frame. This means the parameters for the evaluation of the impact of SCM will be borne by literature study and existing case studies and put together into a conceptual frame [8], which relates supply chain tasks, principles and practices to competitive objectives. The structural model and the measuring variables can than be validated by empirical research. The methodology used for empirical validation shall be structural equation modelling (SEM) [9]. SEM offers a holistic approach that aims at closing the gap between philosophical and statistical traditions. It offers a representation of both theoretical and observational terms and their corresponding variables and the equations. The testing against empirical data shall be done in further research.



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

Findings – Provide through literature study of both theory and case studies a conceptual framework which may give better insight how SCM can impact the competitiveness of an organization. The conceptual frame nevertheless will give companies an input how to focus on differentiating themselves in competitive markets through supply chain capabilities. It is expected that companies that focus more on external supply chain management factors such as a strong focus on customer relationship and management, gives better business results and that strategic impact of SCM activities has a higher impact on competitiveness than operative topics of SCM. These findings can be used as well as a diagnostics by companies to check their current Supply chain performance and understand how this impact on their competitive position. The research paper and the findings of the literature study will be limited in validity to the case studies evaluated. For a theoretical generalization of findings a broader sample of case studies in further research has to be applied.

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CORPORATE INCOME TAX AS INCENTIVE FOR BUSINESS STIMULATION AND INVESTMENT PROMOTION

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Keywords: business environment, investment, taxes, tax incentives.

Qualitative business environment stimulates business development and increasing competitiveness, growing number of new companies and decreasing illegal entrepreneurial activities. Favorable business environment is one of preconditions for investment promotion. There are different external factors impacting business environment in Latvia, such as economic policy, judicial policy, development of technologies, competitors market position, general accessibility of knowledge and capacity as well as tax policy implemented by the Legislator.

Governments use tax policy to promote certain objectives. Tax policy is at the forefront of debates on attracting mobile capital. [1] Most corporate tax reforms have been driven by the desire to promote competition and avoid tax-induced distortions. Almost all tax reforms can be characterized as involving rate cuts and base broadening in order to improve efficiency, while at the same time maintain tax revenues. [2]

The **aim of research** is to analyze amendments of the law „On corporate income tax” to identify their impact on business micro environment in Latvia; to find theoretical and empirical evidence of corporate income tax relevance as incentive for foreign direct investment promotion; to suggest alterations for stimulation of business environment.

Authors provide a set of sequential issues for business environment analysis. This paper describes the aim of amending the law „On corporate income tax” within a context of business environment improvements.

According to OECD research corporate income taxes can influence the choice of location of factories and offices and there is evidence that location decisions are becoming more sensitive to tax. [2]

By analyzing changes in dynamics of corporate income tax, this work reports if alterations in corporate income tax rate impact particular entrepreneurial activities. This paper describes relationship between tax rate and foreign direct investment inflows. Empirical data of corporate income tax dynamics from 1995 to 2011 and data on foreign direct investment flows



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

was used to examine this relationship. The paper describes elements that create corporate income tax reliefs and identifies most important components of tax reliefs that have positive impact on business environment.

On the basis of the research authors conclude that Latvian Legislator's attitude towards investment promotion varies and cannot be unequivocally defined. Tax reliefs stimulating investment flows were stipulated by Law in 2001, but excluded from Law already in 2006. In this paper authors analyze motivation of such decisions. The regulations providing support for investment projects in Latvia enforced on 1 January 2011. Authors analyze motivation of potential investors to invest in Latvia and, if lower corporate income tax rate will attract higher levels of foreign direct investment. This work describes incentive elements of business environment implemented by the Legislator of the Republic of Latvia – the policy for corporate income tax reliefs as incentive for investment promotion in Latvia.

Authors conclude that investment promotion incentive proposed by Legislator – corporate income tax relief for investment is not available for small and medium-size businesses that constitute more than 70 per cent of total number of economically active entrepreneurs.

In order to reach the aim of the research authors mainly explore legislative base of Republic of Latvia, scientific literature and existing theories on capital taxation and investment.



SELECTING AN ERP SOFTWARE AT MID-SIZE COMPANIES. AN INVESTIGATION OF THE DECISION MAKING PROCESS

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Keywords: Enterprise Resource Planning (ERP), Critical success factors (CSF), Small and Mid size Entities (SME), Manufacturing Planning, Computer Software, Acquisition.

The selection, implementation and maintenance of standard ERP (Enterprise Resource Planning) software are a commodity part of the business for big enterprises. Contrary to that, in the area around the smaller and mid-size businesses it is significantly different. A lot of small, mainly local IT companies are implementing a large number of different ERP solutions according to the same large number of different methods. Hence their need for a professional ERP system support is higher than ever. A study (2005) of 550 companies showed that over 57%-70% of large companies are currently using ERP systems but only 27% of SME companies [2]. Jutras stated at the end of 2009 that over 30% of the mid-size companies are operating without proper IT tools / ERP systems [4]. "Overall the ERP market will grow to 45.2 billion US\$ in 2011 from 30.6 billion US\$ in 2006 according to an October IDC report" [7].

Managers of mid-size companies know that profitable growth in a global environment is dependent on very efficient business processes and a strong, supporting ERP environment. An actual study shows that 68% of the managers are absolutely aware of that their success and growth are dependent on a powerful IT and even more than 72% believe that flexibility during growth is dependent on the IT landscape [5].

The buying and implementation process of ERP is a fundamental cost factor. In a lot of industries in mid-size companies it is over 5% of the yearly turnover [1]. Therefore the selection of the standard software is one of the strategic instruments at mid-size companies. The decision for one specific package defines not just the IT framework with hard-and software, the selected system is the backbone for all business processes.

Thus, the selection of an ERP system is not the responsibility just of the IT department as generally assumed; it is the responsibility for any manager in a lead position of a company [3]. "The current focus on organizational buying behaviour continues to be the same, largely ignoring the advent of IT" [6]. Especially for mid-size companies the buying procedure, a successful implementation and later service management can not be decoupled. It is a long process to create this awareness at senior management level from the very beginning.

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Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

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THE DEVELOPMENT OF GENDER EQUALITY POLICY IN LATVIA

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Keywords: gender equality policy, woman, leading position, gender equality, public administration.

In Latvia the rights of men and women are equal in the legislation, however, in particular spheres of life there use to be different situations for men and women, regarding to statistics and author's researches one of the main problem according to gender equality is unequal proportion for top managers' positions in the public administration, also politics is one of the areas where the de facto gender equality remains to be achieved. Latvia has decided to use the integrated approach to solve the problems related to gender equality, that means the principles of gender equality must be taken into consideration while solving the issues and forming a policy in any field of politics and at all levels, especially when the influence is anticipated directly upon society. The Author for several years has hold research to recognize situation and to define problems that keep away women from taking part in high level position jobs in public administration, especially because 69.9% of senior specialists and specialists in state administration are women, but among legislators, top-level state officials and managers women form the minority – 36.7%. This article provides an inside into gender equality policy in Latvia, as well as input from other partners like non-governmental organizations, which promote the public awareness about gender issues and the change of gender roles and stereotypes, and who are an important partner for governmental institutions in the development of gender equality policy and gender mainstreaming. Paper also examines Latvia's practice in dealing with gender equality problems. Finally, to improve the situation of women in leading public positions in Latvia, the authors offer recommendations and possible solutions.



ENTREPRENEURALISM IN UNIVERSITIES: RISKS AND OPPORTUNITIES

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Keywords: higher education institutions, entrepreneurialism, strategy, development.

The higher education system and the behavior of higher education institutions have changed over the last decades. These changes are fostered by such factors as mass education, internationalization, attraction of private funds, science and technology development and development of economics, globalization processes. The author has noticed that the behavior of higher education institution mainly depends on its financial funding system – whether it is state financed or partly financed by the state or financed only by private funds. In addition because of the globalization processes the universities started to compete for the best students not only on the local or national level but also on the global level. This growing competition and the different HE institution funding systems fostered the universities to start to use different management and marketing methods which usually are used by private profit-oriented companies. However mainly the HE institutions are non-profit organizations. Above mentioned tendencies caused discussions about the HE “customization”, “marketization”, and commercialization. More often arises the question – whether there are HE customers and what actually is the “product” of HE. These tendencies have many “pro” and “cons”. One of the positive sides of these tendencies is entrepreneurialism in a HE institution. “Entrepreneurialism in a university setting is not about generating resources... Entrepreneurialism is a reflection both of institutional addictiveness to changing environment and of the capacity of universities to produce innovation through research and new ideas. [as well as] entrepreneurialism can be found in various innovative forms of teaching either to new clientele at home or embodied in programs for internationalization.” [1]

The author discusses in this paper the positive and the negative sides of the changes HE institutions behavior, the entrepreneurialism phenomena at HE institutions and proposes suggestion for HE institution development strategies.

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LABOUR MARKET INSTITUTIONS IN LATVIA VS. OTHER EUROPEAN COUNTRIES FROM LABOUR MARKET FLEXIBILITY PERSPECTIVE

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Keywords: labour market flexibility, institutions, microfoundations, Latvia.

Labour market institutions form the basis for labour market functioning and shape labour market microfoundations that underpin labour market macroeconomic outcome. Labour market institutions represent a complex system that affects both the supply and demand for labour. It can stimulate employees and employers to get involved in labour relations and, conversely, can create an environment that distorts the incentive mechanisms and reduces efficiency of a labour market. Better understanding of the microeconomic mechanisms that underlie the functioning of a labour market contribute to better knowledge and more accurate interpretation of the aggregated processes.

The author performs comparative analysis of labour market institutions in Latvia vs. other EU countries and considers their impact on labour market flexibility. The analysis is based on data from Eurostat, OECD, World Bank and World Economic Forum, as well as others' research results. The author analyses legislative changes that were implemented over the last ten years, giving a special focus to the post-crisis period. The author evaluates the impact of formal legislation on labour market flexibility in Latvia relative to other EU countries, as well as provides very simple econometric evidence on actual law enforcement in new EU member states vs. old member countries. The author considers the following labour market institutions: (i) Tax burden on labour. Taxes affect a labour market through the wedge between real labour costs and the net wage received by a worker. (ii) Minimum wage. A minimum wage represents a price floor for labour, thus a minimum wage which is set above the competitive level reduces employment. (iii) Employment protection legislation (EPL). By restricting an employer's ability to reduce employment in recession times, "strict" EPL create disincentives for increasing employment also in boom periods. (iv) Trade unions. Trade unions tend to achieve wage gains for its members by monopolising labour supply in the unionised sector; strong trade unions reduce nominal wage flexibility.

Author concludes that in all of the above aspects, with the exception of trade unions, formal legislation creates a relatively rigid environment for labour market operation: the tax burden is not much different from the average EU level, minimum wage is high relative to labour productivity, EPL norms are strict. At the same time, the author provides some evidence pointing to relatively weak law enforcement in certain areas in new EU member states as compared to EU-15. Currently this allows for a comparatively flexible labour market adjustment to shocks, however, in a longer term one might expect that strengthened institutional capacity will reduce Latvian labour market's shock absorption capacity.



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

CREATIVE APPROACH TO DETERMINING ECONOMIC DEVELOPMENT

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Keywords: economic development, economic growth, creativity index, innovations, creative approach, tolerance.

Economic Development is one of the main goals of any Economic studies, because it leads to an improvement of essential economic indicators such as GDP, income and as the result improvement the quality of life.

It is a common truth that innovation is an engine of the process of development. So, how innovations arise and what we can do to help the action. According to Schumpeter's opinion entrepreneurs are people, who create new staff and make a development available for the rest of the World. But it is not casual thing to create a new product or establish a new procedure, it is not only takes a lot of time and efforts, moreover, it requires appropriate institutional environment for creators of innovations. Any country has to create such an environment in order to stimulate innovational development. There are a lot of studies about the topic, nevertheless, in the current paper Creativity index.

The Creativity index was developed by American economist R. Florida and based on three main characteristics of the country, that's why it sometimes calls "3T-Index" because of three "T": technology, talent and tolerance.

The first one is technology. It describes the condition of technological development or to be more specific development of high technology of the country and consists of two essential characteristics: high technology index and index of innovations. High technology index shows us an output of high technological enterprise rate in all output of the country, index of innovations can be counted as number of patents per person.

The second is talent, which can be described as the rate of high educated people among workers. Educated people are the basic force of Economic Development and according to OECD it is necessary for sustainable development of any country to have such ratio close to 40%. A very few countries have such a huge ratio of educated people and they mostly situated in Europe. Belarus had 23.8%.

The last one, but not the least is tolerance. It also has multiple structure and includes bohemia index and migration rate. Bohemia index is counted as rate of workers employed in such industry as culture (theatre, moviemaking, painting, etc.) and migration rate shows the rate of migrants in population. Developed migration and artistic association is not a productive factor, nevertheless it is an indicator of favorable environment for development innovations,



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

which can only be created by educated people with unusual mode of thinking in the society, which are ready to except an innovation.

To crown it all, it is necessary to point out that innovations are engine of the developmental process and institutional environment is a mechanism, which runs the engine.

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TOWARD AN INTEGRATIVE FRAMEWORK OF INTERNATIONAL JOINT VENTURE PERFORMANCE IN CHINA

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Keywords: IJV, performance, China, framework, factors.

International Joint Venture (IJV) as a popular business model has attracted a great attention among researchers, firms, professionals and government policy makers. Yet given the dynamic nature of business environment it is rather hard to measure IJV performance. This is particularly true for IJV performance in China because of the significant difference in culture and management styles between China and other countries. This paper develops an integrative framework to examine IJV performance in China. The framework will then be validated by using a number of case studies. The main objectives of this research are to give a critical and comprehensive literature review on IJV performance in China; to identify, investigate, and classify a number of IJV performance measures; to build an integrative IJV performance framework incorporating all the essential performance measures and other factors; to validate the integrative framework by using Sino-foreign IJV cases. One of the main challenges in evaluating IJV performance is the measurement of its performance. Some of the measurement factors used in previous studies include satisfaction, financial indicators, survival, duration, instability, and stock-market reaction. However the use of objective measures may fail to reflect the long-term goal of IJVs. On the other hand, using subjective measures in evaluating IJV performance will have difficulties simply because they are not obtainable using objective data. Therefore in this paper I will examine both objective and subjective measures and they will be classified and grouped based on their respective significance of relevance to IJV performance. In the framework validation section, comparative case study approach is used. Case data will be collected by using questionnaires and semi-structured interviews. At the end of the paper, conclusions are made with an outline of future research directions.



**LEGAL ENVIRONMENT, NATIONAL STRATEGIES
AND POLICIES FOR EMPLOYMENT OF PEOPLE
WITH DISABILITIES**

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Keywords: employment, EU, labour market, Latvia, legislation, people with disabilities.

Studies of the effects of employment protection frequently examine protective legislation as a whole. From a policy reform perspective, however, it is often critical to know which particular aspect of legislation is responsible for its observed effects. Latvia is one of those countries, in which the predominant approach is the “mainstreaming model”. The approach involves provision not just special employment services to people with disabilities but also employment-enhancing measures in all policy areas. At the same time some targeted active labour market policies have been implemented through financial incentives for employers hiring people with disabilities (e.g., subsidised working places) [1]. There are few main political documents and legislative acts regulating employment of people with disabilities [2].

Several empirical studies have suggested that the “mainstreaming model” reduces rather than increases employment opportunities for people with disabilities. Anti-discrimination law is fragmented in Latvia: there is no one single comprehensive law and random anti-discrimination clauses are scattered throughout different laws. The results of this system are not satisfactory, for example, the rate of employment for people with disabilities is only around 10% in Latvia [3]. The data from the European Commission show, that people with disabilities are at least 17% of the EU working age population; only 40% of them are employed, whereas this rate is 64.2% for the non-disabled [5]. According to the European Disability Strategy 2010-2020, more people with disabilities need to be in paid employment on the open labour market [4].

The employment situation for people with disabilities in Latvia could be greatly improved by implementing specific features from the models employed in Germany, Spain, and the UK, adjusted for conditions in Latvia. There are the several fields where changes in legislation and policy documents in relation to persons with disabilities would be necessary [5].



Current Issues in Management of Business and Society Development – 2011

May 5 - 7, 2011, Riga, University of Latvia

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THE CHALLENGE TO COPE WITH NEW COMMUNICATION MEDIA IN A BUSINESS ORGANIZATION

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Keywords: communication, new media, distraction, performance, technology.

In nearly any pro- and also non-profit organization there have been significant changes in the structure of communication means during the last decade. Therefore it is a matter of course that besides informal verbal communication there is an electronic mail system. In addition often it is possible to have an online-communication via “chat-system” parallel to the well-established telephone. Sometimes these chat solutions are part of the official communication system, and betimes technically-experienced employees install it on their own. Sometimes communication media which base on this technology can be encountered.

Obviously a lot of advantages of such additional ways of communication are seen.

Thus it is much easier and faster to reach colleagues, nobody has to leave the office for communication, every dialogue can be stored etc.

In the administrative business area all over online-connected PC-Terminals exist as standardized working place. [1] In this context an E-Mail program of a well-known software producer is available in a bundle. So the marginal costs by using this kind of communication seem to go to zero.

But it is arguable if also negative side effects result by this way of communication. [2] More specific expressed, negative side effects caused by a mishandling of communication opportunities could be a problem. This could be due to an overflow use and the obliteration of the border of private and business use. Often there evolves a kind of group dynamics up to a group force etc. in using these media obsessively.

The author is convinced there seems to be a gap in research concerning negative side effects caused by a mishandling or abusive use of communication opportunities in a business organization environment.

The experience of the author is that one can detect in many business environments an overflow use of the established communication media.

Thereof a lot of users are not aware the huge time resources that are consumed. [3] The original intention to make business procedures more efficient can be foiled. It is questionable how to organize this issue in an optimal way.

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May 5 - 7, 2011, Riga, University of Latvia

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